

M2 TELECOMMUNICATIONS GROUP LTD (ASX: MTU)**M2 COMPLETES ACQUISITION OF DODO****M2 to compulsorily acquire remaining Eftel shares**

Wednesday 1st May, 2013: M2 Telecommunications Group Ltd ("M2", the "Company", ASX: MTU) has today successfully completed the acquisition of 100% of Dodo Australia Holdings Pty Ltd ("Dodo"). Furthermore, having acquired more than 90% interest in Eftel Limited ("Eftel"; ASX:EFT), following the close of the offer on 6 May 2013, M2 will exercise its right under the compulsory acquisition provisions of the Corporations Act to acquire remaining Eftel shares on the same terms as under the Offer.

Completion of Dodo acquisition

As announced by M2 on 18 March 2013, Dodo has been acquired for a total cash and scrip consideration of \$204 million on a debt-free and cash-free basis.

M2 has provided the vendors of the Dodo business with:

- approximately 10.47 million new M2 shares; and
- approximately \$157.69 million cash, with this amount being drawn down under a new syndicated debt facility entered into between M2 and various lenders.¹

Eftel takeover

In accordance with M2's announcement of 12 April 2013, M2 has today provided the Offer consideration to those Eftel shareholders who accepted the Offer by 5.00pm on 24 April 2013. As at that time, M2 had received acceptances in relation to 94.9% of Eftel shares. Accordingly, M2 has today provided those Eftel shareholders with:

- approximately 8.25 million new M2 shares (for those who made an 'All Shares' Election); and
- approximately \$84,000 cash (for those who made an 'All Cash' Election).

Strategic and complementary acquisitions

The acquisitions of Dodo and Eftel complement M2's existing consumer division, adding considerable scale and profit, the nationally recognised Dodo brand, demonstrated organic growth capability and refined back-of-house operations.

The acquisitions are expected to contribute in excess of \$50 million of earnings before interest, tax, depreciation and amortisation in financial year 2014, which would result in an

¹ The material terms of the syndicated debt facility are consistent with the terms and conditions of the Commitment Letter and terms sheet disclosed in section 5 of M2's bidder's statement dated 28 March 2013 for the Eftel takeover bid.

increase in underlying earnings per share^{2,3} of approximately 20%⁴, based on median FY14 broker estimates⁵.

Detailed integration and synergy planning is well progressed under the guidance of the M2 executive management team, with a focus on retaining core knowledge in the combined business. Both Dodo and Eftel businesses have performed to expectations following the announcement of the acquisitions.

Geoff Horth, CEO, stated *“We are delighted to have completed the Dodo transaction today, bringing the high-performing business and nationally-recognised Dodo brand into the M2 group of companies. We now move forward with detailed plans to commence the integration process creating a scale business with strong brand equity and growth prospects in both our small to medium business and consumer divisions. I am very pleased to welcome the Dodo and Eftel team members and customers and thank the Dodo, Eftel and M2 teams for their continued diligence and focus following the announcement of the acquisitions.”*

Remaining Eftel shareholders

As at 5.00pm on 30 April 2013, M2 has received acceptances of its Offer in respect of 95.62% of all of the issued shares in Eftel.

M2 encourages remaining Eftel shareholders who have not yet accepted the Offer to do so by 5.00pm (AEST) on 6 May 2013, being the closing date of the Offer. This date will not be extended.

After 6 May 2013, any remaining Eftel shareholders who have not accepted the Offer will have their Eftel shares compulsorily acquired by M2 in accordance with the Corporations Act. The consideration to be provided for all Eftel shares that are compulsorily acquired will be the same as under the Offer but will take approximately six weeks to be received by those Eftel shareholders.

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² Underlying EPS includes an add-back of a non-cash cost for amortisation associated with customer contracts acquired in the relevant period (in accordance with Australian Accounting Standards).

³ Australian Accounting Standards allow for 12 months from completion to finalise accounting and purchase price allocation. Fair value adjustments will be subject to purchase price allocation after completion. No amortisation charge has been included for any customer contracts deemed under Australian Accounting Standards, to have been acquired through the acquisition of Dodo and Eftel.

⁴ Based on M2's current expectations for the earnings contribution from Dodo and Eftel in FY14 that were developed as part of M2's due diligence, and there being no material change to the run rate performance or growth of those businesses during the period

⁵ Median broker estimate for underlying FY14 EPS is \$0.41 per share as of 18 March 2013.

About M2 Telecommunications Group Ltd

Established in 1999, M2 Telecommunications Group Ltd (“M2”, ASX: MTU) is one of Australia’s largest and most profitable telecommunication service providers, supplying a broad range of telecommunications products and services to both the retail and wholesale markets. Headquartered in Melbourne, M2 employs approximately 1300 people across Australia and New Zealand.

M2’s retail division targets the small to medium business (“SMB”) market under the Commander brand and the residential market under the iPrimus and Dodo brands. M2 offers a full suite of traditional and next generation telecommunications services including fixed line voice services, 3G mobile, mobile broadband, ADSL2 broadband, hosted / managed data services and IP / hosted voice solutions.

M2’s Wholesale division provides wholesale fixed line, mobile and data telecommunications services to small and medium- sized telecommunications service providers and Internet Service Providers.

M2 has consistently delivered growth in profit year-on-year since listing on the ASX in 2004 and in June 2012 was added to the S&P / ASX200.

For more about M2 visit www.m2.com.au/Investor-Centre. Related Company sites (part of the M2 Group):

- www.commander.com
- www.iprimus.com.au
- www.dodo.com
- www.bw.co.nz
- www.m2wholesale.com.au

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