

M2 TELECOMMUNICATIONS GROUP LTD (ASX: MTU)
M2 DELIVERS RECORD EARNINGS
EBITDA UP 80%, NPAT UP 33%

- Earnings before interest, tax, depreciation and amortisation (“EBITDA”) up 80% to \$108.1 million, up 83% to \$119.1 million excluding transaction costs associated with acquisition of Dodo and Eftel
- Net profit after tax (“NPAT”) increased 33% to \$43.8 million
- Earnings per share up 6% to 27.4c, underlying EPS up 22%
- 18th consecutive dividend declared, fully franked, at 10 cents per share
- Total Dividends paid and payable increased 33%

Monday, 26th August 2013: M2 Telecommunications Group Ltd (“M2”, ASX: MTU) has today reported its financial results for the full year ended 30 June 2013 (“FY13”), delivering substantial increases in all key financial metrics. M2 has also released detailed guidance for the financial year ending 30 June 2014 (“FY14”), with further increases projected.

FY13 Results

The table below details the FY13 results, with the comparative increase on the previous financial year:

\$M	FY13	FY12	Change
Revenue	681.0	393.5	↑ Up 73%
EBITDA	108.1	60.1	↑ Up 80%
EBITDA (excluding transaction costs ¹)	119.1	65.1	↑ Up 83%
NPAT	43.8	33.0	↑ Up 33%
NPAT (excluding transaction costs ¹)	54.8	38.0	↑ Up 44%
NPAT (underlying ²)	58.4	38.1	↑ Up 53%
EPS (cents per share ³)	27.4	25.9	↑ Up 6%
EPS (cents per share, ex transaction costs ^{1,3})	34.0	29.8	↑ Up 14%
EPS (cents per share, underlying ^{2,3})	36.3	29.8	↑ Up 22%
Final Dividend (cents, fully franked)	10.0	9.0	↑ Up 11%
Total Dividends Paid and Payable	33.6	25.3	↑ Up 33%

(1) Excluding transaction costs of \$11 million associated with the acquisitions of Dodo and Eftel in FY13 and \$5 million associated with the acquisition of Primus in FY12 (2) Underlying NPAT and EPS figures each include an add-back of a non-cash cost of \$14.6 million for FY13 and \$5.1 million for FY12 for amortisation associated with customer contracts acquired in the relevant period (in accordance with Australian Accounting Standards) (3) Calculated using the volume weighted average number of shares

M2 CEO, Geoff Horth, stated of the Company's results, *"I am pleased to bring to shareholders our eleventh consecutive year of growth in earnings and shareholder returns. This has been another transformational year for our Company, a year in which we strengthened our position in the consumer market and developed a platform to deliver organic growth for years to come. Our team has worked diligently this year to deliver this outstanding result and I would like to thank them for their tireless efforts."*

Final Dividend

The M2 Board of Directors is pleased to declare a final FY13 dividend of 10 cents per share, fully franked, the Company's 18th consecutive dividend and an increase of 11% on the previous corresponding period. The Directors have further declared that the Dividend Reinvestment Plan ("DRP") will be made available to shareholders for the dividend payable on 25 October 2013, at a 5% discount. Election notices for participation in the DRP must be received by M2 no later than the record date of 4 October 2013.

FY13 Achievements

In addition to the excellent growth achieved at both top and bottom lines, the M2 Team also:

- Completed the integration of Primus:
 - finalising our network optimisation and reducing costs by aggregating backhaul and transit,
 - restructuring our customer care across Hobart and Melbourne to create centres of excellence for our Business and Consumer customers; and
 - improved sales conversion in iPrimus to grow volume of new services provisioned by 65%
- Launched the refresh of our Commander brand, taking this well-established and recognised brand to the next generation of business owners and managers
- Released our Commander NBN, Hosted Phone and Cloud offerings leveraging the capabilities acquired with Primus
- Implemented changes to our Commander distribution strategy to:
 - reduce margin erosion associated with customer re-sign
 - improve plan mix of new sales towards higher margin products
 - reduce churn
- Completed the rollout of 15 new NBN Points of Interconnect (POIs) allowing us to test various new customer acquisition strategies and ensuring that we are well positioned to offer existing customers a seamless transition to the NBN

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- Launched Phase Two of Ninja, our new Business Support System, enabling all new Commander customers to be provisioned in this efficient, next generation platform

FY14 Guidance

With its strengthened and diversified channels to market and well-recognised and established brand family, M2 is well positioned to deliver further growth in the coming financial year whilst making investments that will benefit the Company in future periods. The table below sets out the Company's guidance for FY14:

\$M	FY13(a)	FY14 Guidance	% Change (from midpoint)
Revenue	681.0	970 - 1030	↑ Up 47%
EBITDA	108.1	150 - 170	↑ Up 48%
NPAT	43.8	60 - 70	↑ Up 48%
NPAT (underlying ¹)	58.4	85 - 95	↑ Up 54%
EPS (cents per share ²)	27.4	34 - 39	↑ Up 33%
EPS (cents per share, underlying ^{1,2})	36.3	48 - 53	↑ Up 39%
Capex (as % of revenue)	2.9%	2%	↓ Down 31%

(1) Underlying NPAT and EPS figures each include an add-back of a non-cash cost of \$14.6 million for FY13 and \$26 million for FY14 for amortisation associated with customer contracts acquired in the relevant period (in accordance with Australian Accounting Standards) (2) Calculated using the volume weighted average number of shares

"As always, increasing our profitability and returns to shareholders is a central focus of our management team and we will be working diligently in the next year to ensure that the predicted 33% EPS accretion is achieved," said Geoff Horth.

M2 will hold a conference call for investors on Monday 26 August at 10.30am:

Local access number: 1800 123 296
International access number: + 61 2 8314 8370
New Zealand access number: 0800 452 782
Conference ID: 23293855

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About M2 Telecommunications Group Ltd

Established in 1999, M2 Telecommunications Group Ltd ("M2", ASX: MTU) is a fast-growing provider of a range of communication and utility services to Australian households and small businesses. Listed on the ASX in 2004, M2 gained entry into the S&P/ASX200 in 2012. Headquartered in Melbourne, M2 has more than 3000 team members across Australia, New Zealand and the Philippines.

M2 comprises three segments: Consumer, Business and Wholesale. **iPrimus** and **Dodo** lead M2's entry into the Consumer market, providing low cost / high value services to Australian families and individuals. **Commander** is M2's leading brand for the Business market, with our well-established and external network of Commander Dealers around the country. M2 Wholesale provides fixed line, mobile and data telecommunications services to junior reseller telcos, with a range of support services to assist partner growth.

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

Related Company sites (part of the M2 Group):

- www.commander.com
- www.iprimus.com.au
- www.dodo.com.au
- www.m2wholesale.com.au