



M2 TELECOMMUNICATIONS GROUP LTD (ASX: MTU)

ASX / MEDIA RELEASE

M2 DELIVERS RECORD 1H11 EARNINGS, UP 40%

Strong efficiency gains & organic growth. Dividends per Share up 40%

Monday 28th February, 2011: Diversified telecommunications services provider M2 Telecommunications Group Ltd ("M2", ASX: MTU) has today reported its financial results for the half year ended 31 December 2010, delivering marked increases in all key financial metrics compared with the previous corresponding period (6 months to 31 December 2009), including:

- a 40% increase in Net Profit After Tax (NPAT) to \$11.5 million,
- a 25% rise in Earnings Per Share to 9.3 cents per share, and
- growth of 15% in Group revenues for the 6 months, to \$215.7 million.

In addition, the Board declared a 7 cent dividend per share, its 13th consecutive fully franked dividend, representing a 40% increase period on period.

Whilst the Company made a number of small-scale acquisitions shortly prior to and during the period, which contributed to the improved performance, the majority of the increase in revenues and earnings came through organic growth of the business together with improvements to internal operating efficiency and wholesale purchasing arrangements.

The chart below illustrates M2's operating performance in each key financial metric for the half year ended 31 December 2010 and the percentage increase in each as compared with the previous corresponding period:

\$m	1H11	1H10	% Change
Revenue	215.7	187.7	Up 15%
EBITDA	20.1	15.3	Up 31%
EBIT	17.4	12.7	Up 37%
EBIT (underlying)	19.0	14.1	Up 35%
NPAT	11.5	8.2	Up 40%
NPAT (underlying)	13.1	9.6	Up 37%
EPS (cents)	9.3	7.5	Up 24%
EPS (cents, underlying)	10.7	8.7	Up 23%
Dividend	7	5	Up 40%

* "Underlying" EBIT, NPAT and EPS results each include an add-back of a non-cash cost of \$1.6 million, comprised of amortisation costs associated with customer contracts acquired in the relevant period (in accordance with revised Australian Accounting Standards).

M2's Managing Director / CEO, Vaughan Bowen stated, "We are very pleased with the financial performance of the Company for the period. What is particularly satisfying is that the company delivered on its plan to considerably improve operating margins during the period, evidencing that our increasing scale is delivering improved economies across the business. The conscious effort made by all members of our team to become not only a bigger business but also a better one, has been borne out in these results together with our most



recent customer survey results, which points to noticeable improvement in the overall quality of service we are delivering to our customers”.

M2's Board of Directors reaffirms the earnings guidance for FY2011 (released July 2010) of reported NPAT of \$22 million and \$23.5 million and underlying NPAT of between \$25.2 million and \$26.7 million.

The Company will also release today an updated Investor Presentation, detailing the results and notable achievements for the period and key objectives for the remainder of FY2011.

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About M2 Telecommunications Group Ltd

Established in 1999, M2 Telecommunications Group Ltd (“M2”, ASX: MTU) is Australia's largest network independent provider of telecommunications services. M2 employs more than 400 people nationwide, across the Melbourne headquarters and offices in Sydney, Hobart, Adelaide, Brisbane, Perth and Wollongong. M2 also provides fixed line, 3G mobile and broadband services in New Zealand.

M2's retail business division incorporates Commander, People Telecom, M2 Telecom, Southern Cross Telco and the recently acquired Clear Telecoms. Within the retail division, M2 offers a suite of telecommunications services, equipment, personalised service and value-added offerings targeted principally at the small- and medium-sized business market. The retail products are offered across Australia through M2's national dealer and agent network, comprised of the exclusive Commander dealer channel and the extensive People Telecom dealer channel.

Through the M2 Wholesale division, M2 provides wholesale fixed line, mobile and data telecommunications services to small and medium-sized telecommunications service providers and Internet Service Providers (ISPs). M2 Wholesale was launched in mid-2006 following M2's appointment by Optus as its exclusively endorsed (post-paid) mobile services aggregator, an appointment which has since been extended to 2013.

M2 has consistently delivered growth in both revenues and profit year-on-year since 2003, with consolidated revenues now exceeding \$500 million (annualised, including Clear customer revenues).

In recognition of the Company's significant and consistent growth, M2 was named by BRW Magazine amongst Australia's 100 fastest-growing companies in 2003, 2004, 2005, 2006 and 2008, and in the Deloitte Technology Fast 50 in 2004, 2005, 2008, 2009 and 2010.

M2 has an established dividend pay-out ratio policy of 70% of net profit after tax (NPAT) and has consistently delivered upon this dividend policy for every fiscal half year since 2005.

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

Related Company sites (part of the M2 Group):

- www.commander.com
- www.peopletelecom.com.au
- www.sctelco.com.au
- www.cleartelecoms.com
- www.m2nz.co.nz
- www.bw.co.nz
- www.simplymobiles.com.au
- www.greenmobiles.com.au

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