

# Remarks to Shareholders

## 2010 Annual General Meeting

### May 6, 2010

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**Pierre Blouin**

Chief Executive Officer

MTS Allstream

Manitoba Telecom Services Inc.

Check Against Delivery



Good morning, Bonjour, ladies and gentlemen. Welcome to those listening on our web-cast.

I've been in this business for over 20 years and I can tell you the past few years have been a challenge.

In addition to rapid technological change, intense competition, and a regulatory environment that too often frustrates us, we have to contend with a global financial crisis and the worst recession in decades.

We are fortunate that about half of our company is in Manitoba, a province that performed well through the recession and where MTS delivered in 2009 one of the strongest performances of any incumbent telecom provider in Canada.

MTS was a pillar that helped your company weather the storm.

This is also a credit to our very capable and dedicated team of people that numbers 6,500 in total, 4,000 of whom are based here in Manitoba.

Our key leaders are seated with us today in the front row. I would like to introduce them. I will ask each of you to stand when I call your name.

- Kelvin Shepherd, President, MTS
- Dean Prevost, President, Allstream
- Wayne Demkey, Chief Financial Officer
- Aliana Rozenek, Chief Human Resources Officer
- Paul Frizado, Chief Technology and Information Officer
- Helen Reeves, Chief Communications Officer
- Chris Peirce, Chief Corporate Officer
- Brenda McInnes, Vice President and Treasurer, and
- Pam Canfield, our Customer Relations Manager, who can answer your MTS service questions after our meeting.

Today, I will talk about how we are building your company to be stronger in the future. But first, let's review where we are today and how we ended 2009.

In 2009, MTS Allstream reported revenue of over \$1.8 billion, EBITDA of \$625 million. We generated \$233 million in free cash flow, paid out dividends of \$168 million and made capital investments of \$295 million to improve and expand our networks and systems. At year-end, we had close to two million customer connections. The conclusion: we are a solid company.

Through the recession we maintained our financial strength and were successful in renewing our long-term debt using some of the proceeds of a \$625 million debt offering completed at very favourable rates.

Nationally, Allstream's performance was impacted by the recession, which caused many of our enterprise clients to cut back their telecom spending, directly impacting our bottom line.

Our legacy products such as long distance continued to decline – as it is happening across our industry and around the telecom world.

We responded by making difficult decisions such as cutting costs aggressively to support our margins and reducing Allstream's workforce by 10 per cent. But we did it while continuing to deliver the best customer service in the enterprise market in Canada.

As I said, last year was a challenge. But where it counts, for the products that will be the foundation of our business in the future – broadband, wireless, television and converged IP – MTS Allstream delivered solid growth of 8.7 per cent.

Those key growth products now represent 45.4 per cent of total revenues, up from 27.7 per cent when I took the helm four years ago – that's about \$350 million of new growth revenue.

We are very excited about the success we are having with our television service. Throughout Winnipeg and Brandon we are deploying our new HDTV product – MTS Ultimate TV – a product that enjoys a significant competitive advantage over competitors.

We offer customers features and capabilities they simply can't get from any competitors. This includes the ability to record up to three programs at the same time and play back programs from any connected TV in the home.

MTS Ultimate TV incorporates the latest Microsoft tools and puts us at the leading edge of the technology.

Whether it is HDTV or Broadband IP or the most advanced and far-reaching wireless network in Manitoba, we are delivering the products and services that consumers and businesses need today for tomorrow.

We are proud of our solid leadership position in Manitoba, and I hope all Manitobans will continue to support MTS Allstream. Not only do we offer superior products and better value, but unlike our competitors, we are based here, we are part of the community and we contribute billions to the local economy.

Beginning late last year, our main cable competitor put promotional price points into the marketplace that in our opinion are below their cost of providing these services. We believe this is an indication that they are unable to match the products we can provide our customers. We have a wider variety of products and more innovative ones. Because of this, they seem to be trying to buy market share.

With our ability to bundle up to five services, I believe your company is best positioned in Canada to compete against this type of price competition from cable.

Environmental leadership is also important to us. Our goal is to reduce our impact on the environment and help our customers, employees and stakeholders to do the same.

Our Environmental Policy is designed to ensure that we operate our business in a manner that reflects concern for the environment and supports the principles of sustainable development.

Your company has been recognized nationally for its efforts. Over the past years, we have been ranked number one in the Canadian telecom industry by Report On Business magazine and by Jantzi Research, and as one of the 50 Best Corporate Citizens in Canada by Corporate Knights magazine.

Equal to our commitment to the environment is our connection to our community. We contribute about \$1 billion annually to the Manitoba economy and every year MTS Allstream employees and retirees provide more than 50,000 hours to community organizations.

I want to say to them: thank you all for your remarkable commitment.

We are also proud to sponsor Winnipeg's Canadian Museum for Human Rights, the first museum established outside of the National Capital which will become a landmark for Manitoba and for Canada. We have already announced a \$1 million gift to the museum. MTS will also provide the state-of-the-art technology required to showcase this institution to the world.

I want to recognize Gail Asper who is with us today for her dedication and success in making this dream a reality.

Today we are building on our previous commitment, announcing an increase to our donation to a total of \$1.5 million.

Manitoba is home to a vibrant arts community. I am also proud to announce today that MTS Allstream will sponsor "Prairie Scene", an event presented by the National Arts Centre.

Prairie Scene will showcase the talents of more than 500 artists from the Prairies in Ottawa next spring. We are very excited to be part of this event and to support the arts community here in Manitoba.

Employee engagement is a priority for us, and so we take great pride in the fact that MTS Allstream wins employee-related awards year after year.

In 2010 we have been named one of Canada's Best Diversity Employers, one of Canada's Top 100 Employers and one of the Top 25 Employers in Manitoba.

We have also been acknowledged by the Canadian Women in Communications as a model to follow in terms of women in management and on Boards of Directors. We are proud, very proud, of these recognitions.

What does all this mean for the future? Looking ahead, our strategy remains centred on: investing in our growth products, continuing to lead in Manitoba, growing market share nationally for Allstream, continuing to aggressively improve our cost structure, and providing one of the best customer experiences in Canada.

In Manitoba, MTS will maintain its advantage against competitors by building leading edge and most extensive wireline and wireless networks.

To this end, we began to selectively deploy fibre-to-the-home in Waverley West in Winnipeg earlier this year, and now in Selkirk, north of Winnipeg. This is the next evolution in advanced communication networks. It has the potential for future download speeds of more than 100 megabytes.

We are following a similar strategy for Allstream and are expanding our national IP fibre network.

Later in 2010 we plan to launch a national business wireless service that will build on our wireline strengths and provide unique wireline/wireless bundles to our business customers across Canada.

These initiatives will offer growth potential for the future.

While our financial performance in 2010 may lag the economic recovery, as the economy improves we believe that we will return our company to better performance levels.

Telecom brings positive long-term growth prospects because of the digital revolution that is sweeping the world and encompassing every aspect of our lives. Of course, this digital revolution requires capital investments over the long-term.

With this in mind, we welcome the Federal government's announcement that it intends to lift the restrictions on foreign investment applicable to telecom companies. We see the elimination of the foreign investment restrictions as a key ingredient to building a competitive and productive digital economy.

We all stand to gain from pro-competitive regulations that increase foreign investment in Canadian telecom companies.

Before I complete my remarks, I would like to thank our Board of Directors for its support and counsel over the past year.

I especially want to thank Tom Stefanson, who is retiring after 21 years on our Board and 20 years as our chairman. We are grateful for his leadership and service to this company. I wish him continued success and happiness in his retirement.

I invite you all to welcome David Leith as Tom's successor. As he mentioned earlier, David's relationship with our company dates back more than a decade. His knowledge of the Company and his business experience will be of great value to us as we move forward.

In closing, I am convinced that at MTS Allstream we have a unique asset that is well positioned to continue to deliver solid shareholder value and long-term success.

I am grateful for your support, and thank you for your confidence and trust, and for joining us today.