



# NewsRelease

*This news release contains forward-looking statements. For a description of the related risk factors and assumptions, please see the section entitled "Forward-Looking Statements Disclaimer" later in this news release.*

## **MTS Reports Strong First Quarter Results With Sustainable Growth in Revenues**

### ***First Quarter Highlights***

- *Total revenue from continuing operations up by 2.4% year-over-year*
- *EPS from continuing operations up by 13.5%*
- *EBITDA up by 2.2%*
- *Revenues from growth services up by 17.8%; now represent 42.8% of total revenues*
- *Enterprise Solutions division delivers revenue growth of 2.6%*
- *Declared dividend of \$0.65 per share*

**WINNIPEG, Manitoba, May 9, 2008** – Manitoba Telecom Services Inc. ("MTS" or the "Company") (TSX: MBT) today announced its results for the first quarter ended March 31, 2008. Compared to the first quarter ended March 31, 2007, total revenue from continuing operations<sup>1</sup> increased by 2.4% to \$478.8 million, EPS<sup>2</sup> from continuing operations increased by 13.5% to \$0.84 per share, and EBITDA from continuing operations increased by 2.2% to \$168.7 million.

These results mark the Company's ninth consecutive quarter of solid business performance and were driven primarily by double-digit growth in growth services and the continued strong performance of both the Consumer Markets and Enterprise Solutions divisions, with Enterprise Solutions delivering its second consecutive quarter of overall revenue growth.

"MTS has once again delivered on our goals by working hard, staying disciplined and executing on our strategy," said Pierre Blouin, Chief Executive Officer. "We continue to build strong positive momentum in our business, and to deliver results fully in line with our 2008 guidance. We are very well positioned to deliver further sustainable growth in both our divisions, and are especially pleased by the sustained growth we have seen in Enterprise Solutions."

Growth services revenues, which include wireless, high-speed Internet, digital television, converged Internet protocol ("IP") and unified communications services, were up by 17.8% to \$204.9 million in the first quarter of 2008. Growth services contributed approximately 43% of total revenue in the first quarter of 2008, which is well ahead of the 37% for the same period of 2007.

## FINANCIAL HIGHLIGHTS

<i>in millions of dollars, except per share amounts</i>	<i>three months ended March 31</i>		<i>% change</i>
	<b>2008</b>	<b>2007</b>	
<b>Continuing Operations</b>			
EPS	0.84	0.74	<b>13.5</b>
EBITDA	168.7	165.0	<b>2.2</b>
Free cash flow	78.7	94.5	<b>(16.7)</b>
Growth services revenues	204.9	173.9	<b>17.8</b>
Legacy services revenues	273.9	293.5	<b>(6.7)</b>
Revenues	478.8	467.4	<b>2.4</b>
<b>Reported</b>			
Basic EPS	0.84	0.80	<b>5.0</b>
EBITDA	168.7	170.2	<b>(0.9)</b>
Free cash flow	74.8	103.4	<b>(27.7)</b>
Revenues	478.8	466.6	<b>2.6</b>

MTS provides financial information on continuing operations in order to assist investors in understanding its underlying financial performance. MTS's definition of continuing operations excludes certain non-recurring items such as restructuring costs and the retroactive impact of regulatory decisions.

Improved EBITDA<sup>3</sup>, lower debt charges, lower amortization expense and fewer shares outstanding all contributed to the increase in EPS during the quarter. The 2.2% increase in EBITDA from continuing operations for the first quarter reflects the increase in growth services revenues and the positive impact of cost reduction initiatives. Free cash flow<sup>4</sup> from continuing operations for the first quarter was \$78.7 million, as compared to \$94.5 million for the same period in 2007. The change in cash flow as compared to the year-ago period is due primarily to the timing of certain capital expenditures and pension funding payments. The Company is on track to meet its cash flow guidance for the year.

“Double-digit gains for growth services combined with our continued success in achieving our cost reduction targets and stabilizing legacy services revenues were the key performance drivers for the quarter,” said Wayne Demkey, Chief Financial Officer. “We are confident that by continuing to execute our business plan we will grow revenues and profitability throughout the rest of the year.”

The MTS Board of Directors declared a cash dividend of \$0.65 per share for the second quarter of 2008, which is payable on July 15, 2008 to shareholders of record on June 16, 2008.

## DIVISIONAL HIGHLIGHTS

The Company's Enterprise Solutions division continued to deliver solid results and margins in the first quarter of 2008, achieving sequential and year-over-year quarterly growth in revenues and EBITDA. Next generation data revenues continued their strong performance, increasing by 27.0% over the first quarter of 2007, while the Company's IP-virtual private network customer count increased by 39.9% to 270, reflecting the continued strong demand for innovative next generation IP-based services offered to business customers.

The Enterprise Solutions division's "rainmaker" mid-market national business initiative, launched in 2006 to increase sales through a new sales team focused on new accounts in key urban centers, continued its momentum into 2008 with 133 new contracts signed as at April 4, 2008. This includes a major contract signed in early January to provide a security and intelligence case management system to Passport Canada.

First quarter performance in the Company's Consumer Markets division reflects the continued strong performance of growth services, and the success of the division's strategy of bundling products and services for customers. Digital television and high-speed Internet services once again delivered double-digit growth in subscribers and revenues as compared to the same period last year. Wireless customers grew by 10.8%, with wireless services revenues increasing by 11.1%, and consumer high-speed Internet customers increased by 9.7%, with Internet services revenues increasing by 21.3%.

Digital television customers increased by 12.9%, with revenues increasing by 23.2% as compared to the first quarter of 2007. With over 78,000 customers, the Company's market share is 32%. MTS's service bundle plan strategy showed continued success at restraining the rate of residential access line losses, which declined at a rate in line with that of recent quarters.

#### **UPDATE ON WIRELESS INITIATIVE**

On March 10, 2008, MTS, the Canada Pension Plan Investment Board ("CPPIB") and The Blackstone Group L.P. ("Blackstone") announced that they had formed a consortium (the "Consortium") to make a deposit and submit an application to bid as a new entrant in the upcoming advanced wireless services ("AWS") spectrum auction. MTS said it is continuing to work with its consortium partners to finalize definitive agreements. MTS is proceeding towards the auction with a clear and disciplined strategy and all of the advantages that flow from our position as a leading national telecommunications services provider with significant wireless assets and expertise.

#### **2008 OUTLOOK**

As announced on December 7, 2007, the Company's 2008 outlook for continuing operations is as follows:

<b>2008 Financial Outlook – Continuing Operations<sup>5</sup></b>	
Revenues	\$1.920 B to \$1.980 B
EBITDA	\$660 M to \$680 M
EPS	\$2.95 to \$3.15
Free cash flow	\$250 M to \$280 M
Capital expenditures	14% to 15% of revenues

For assumptions underlying the Company's 2008 outlook, refer to "Material Assumptions" in the Company's release dated December 31, 2007 and the first quarter 2008 Management's Discussion and Analysis ("MD&A"), which are filed on SEDAR and the Company's Web site.

## **OTHER DEVELOPMENTS**

The following are various announcements made by the Company's major operating subsidiary, MTS Allstream Inc. ("MTS Allstream").

### **Enterprise Solutions division announcements**

- On April 8, 2008, MTS Allstream announced enhancements to its video-conferencing capabilities which will significantly strengthen its unified communications services portfolio.
- On April 4, 2008, MTS Allstream announced that it had been awarded a contract valued at \$2.4 million to provide Passport Canada with a security and intelligence case management system.
- On April 2, 2008, MTS Allstream announced that it had entered into a business arrangement with SecureWorks, one of North America's leading security service providers, to offer information security service solutions and professional services to its enterprise customers. The arrangement will allow MTS Allstream to expand the breadth and depth of its current managed security services portfolio.
- On March 26, 2008, MTS Allstream announced that it had received Nortel's Top Growth Achievement and Customer Satisfaction Excellence awards in the Canadian Elite Partner category.

### **Consumer Markets division announcements**

- On April 2, 2008, MTS Allstream announced the addition of 10 new channels to the already impressive television entertainment line-up offered on its digital television service, MTS TV. Customers now have the ability to choose from over 25 theme groups that include more than 250 channels, which allows them to get more of what they want at no extra charge.
- On March 20, 2008, MTS Allstream announced that its employees will participate in the 2008 Ability Online Centennial Cup hockey game at the MTS Centre in Winnipeg, Manitoba. This year's Centennial Cup marks the 10<sup>th</sup> year of this annual hockey game and is part of the Company's Second Century celebration.
- On March 20, 2008, MTS Allstream announced the launch of its new \$75 Unlimited Email and Surf Solution exclusive for Novatel laptop and PC mobility connectivity devices. This limited time offer gives MTS Allstream customers unlimited access to high-speed e-mail and Internet service where high-speed evolution data optimized network coverage exists in Manitoba and throughout Canada.
- On March 3, 2008, MTS Allstream, in collaboration with Asian Television Network International Limited, announced the addition of B4U Movies, the leading Bollywood television network, to the channel line-up of MTS TV.
- On February 22, 2008, MTS Allstream announced that it would work together with students from Red River College's Creative Communications and Digital Multimedia Technology program to bring several live Manitoba Moose road games to MTS TV customers. Each game will be fed by satellite to the Red River College television production centre in Winnipeg, Manitoba.

- On February 15, 2008, MTS Allstream announced that MTS TV would offer live pay-per-view boxing fights from HBO, the leader in boxing events for television.

### **Corporate announcements**

- On March 10, 2008, the Company, CPPIB and Blackstone announced that they had formed a consortium to make a deposit and submit an application to bid as a new entrant in the upcoming AWS spectrum auction and made a \$340 million deposit in the form of letters of credit to Industry Canada.
- On March 3, 2008, MTS Allstream announced that it endorsed the definition of essential facilities released by the Canadian Radio-television and Telecommunications Commission ("CRTC"). MTS Allstream had made the case to the CRTC that a robust definition of essential facilities is necessary to spur competition and innovation in the Canadian telecommunications sector, particularly in the business space, and believes that this decision recognizes that fair wholesale access is crucial to delivering the competitive benefits of choice, innovation and competitive pricing.

### **Quarterly Conference Call**

MTS's first quarter 2008 conference call with the investment community is scheduled for 8:30 a.m. (Eastern time) on May 9, 2008. Investors are invited to listen to the conference call. The dial-in number is 1-800-594-3615. A live audio Webcast of the investor conference call can be accessed by visiting the Investors section of the MTS Web site ([www.mtsallstream.com](http://www.mtsallstream.com)). A replay of the conference call will be available until midnight (Eastern time) on May 19, 2008, and can be accessed by dialing 1-877-289-8525 or 1-416-640-1917 (access code 21267554#).

### **Note**

MTS's interim MD&A for the three months ended March 31, 2008 and supplementary financial information are available in the Investors section of the MTS Web site at [www.mtsallstream.com](http://www.mtsallstream.com).

### **About Manitoba Telecom Services Inc.**

*Manitoba Telecom Services Inc., through its wholly owned subsidiary MTS Allstream Inc., is one of Canada's leading national communication solutions providers, delivering innovative products and services through its Enterprise Solutions and Consumer Markets divisions. The Enterprise Solutions division, which operates under the Allstream brand nationally and under the MTS Allstream brand in Manitoba, is a leading competitor in the national business and wholesale markets. This division offers customers a portfolio of solutions tailored to the needs of medium and large businesses looking for success in a world of rapidly evolving technology – Internet protocol connectivity, unified communications, IT consulting and security services, and voice and data connectivity services. The Consumer Markets division leads every telecommunications market segment in Manitoba, delivering a full suite of next generation wireless, high-speed Internet and data, digital television and wireline voice services under the MTS brand, as well as small business services in select markets across Canada under the Allstream brand, and security and alarm monitoring services through the company's subsidiary AAA Alarm Systems Ltd., which also operates in other western provinces. The company's extensive national broadband fibre optic network spans more than 24,300 kilometres, and provides international connections through strategic alliances and interconnection agreements with other international service providers. Manitoba Telecom Services Inc.'s common shares are listed on The Toronto Stock Exchange (trading symbol: MBT). For more information, please visit: [www.mtsallstream.com](http://www.mtsallstream.com).*

### **Forward-Looking Statements Disclaimer**

This news release includes forward-looking statements and information (collectively, the "statements") about our corporate direction, business opportunities, financial objectives, and future financial results and performance that are subject to risks, uncertainties and assumptions. As a consequence, actual results in the future may differ materially from any conclusion, forecast or projection in such forward-looking statements. Forward-looking statements reflect

our expectations as at May 8, 2008. Examples of statements that constitute forward-looking information may be identified by words such as “believe”, “expect”, “project”, “anticipate”, “could”, “target”, “forecast”, “intend”, “plan”, “outlook”, “pending”, and other similar terms. Factors that could cause anticipated opportunities and actual results to differ materially from those expected, and the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in such forward-looking statements, include, but are not limited to, the items identified in our interim MD&A for the first quarter of 2008, and our 2007 annual MD&A. Except as required by law, we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Factors that could cause actual results to differ materially include, but are not limited to, the intensity of competitive activity from both traditional and new competitors (competitive conditions); the ability to retain major customers (customer relationships); decisions by the federal regulator that affect our ability to compete effectively or to enter into new business opportunities (developments in federal regulation); general economic and market conditions and the level of consumer confidence and spending, and the demand for, and prices of, our products and services (market conditions and economic fluctuations); the ability to manage labour relations effectively (collective agreements); the ability to anticipate, and respond to, changes in technology (technology); and other risk factors listed from time to time in our comprehensive public disclosure documents, including our 2007 Annual Report and in other filings with the Canadian securities regulatory authorities. Unless otherwise stated, all amounts are expressed in Canadian dollars. For further information, refer to the “Risks and Uncertainties” sections in our 2007 annual MD&A and our interim MD&A for the first quarter of 2008.

Additional information relating to our Company, including our Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com). This news release and the financial information contained herein have been reviewed by our Audit Committee and approved by our Board of Directors.

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## **FOR FURTHER INFORMATION, PLEASE CONTACT:**

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<sup>1</sup> EPS is earnings per share.

<sup>2</sup> Refer to MTS's first quarter 2008 interim MD&A for the definition of continuing operations.

<sup>3</sup> EBITDA is earnings before interest, taxes, amortization, other income and discontinued operations. EBITDA should not be construed as an alternative to operating income or to cash flows from operating activities (as determined in accordance with Canadian generally accepted accounting principles) as a measure of liquidity.

<sup>4</sup> Refer to MTS's first quarter 2008 interim MD&A for the definition of free cash flow.

<sup>5</sup> This outlook does not reflect a potential wireless initiative.