



Stock Symbol: MBT

# NewsRelease

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

*This release discusses results from Manitoba Telecom Services Inc.'s continuing operations. The results, and the definition of continuing operations and free cash flow, should be read in conjunction with Manitoba Telecom Services Inc.'s third quarter 2009 interim management's discussion and analysis dated November 4, 2009 (available at the Investors section of [www.mtsallstream.com](http://www.mtsallstream.com)), which is incorporated by reference in this release.*

## Manitoba Telecom Services Inc. Reports Third Quarter Results

- **Stable sequential performance in the face of challenging economic conditions, in line with consensus forecasts**
- **Consumer Markets division growth services revenues climb 7.1% in the third quarter**
- **New HDTV product, MTS Ultimate TV, drives increased profitability and digital TV subscriber growth**
- **Converged IP, the Enterprise Solutions division's flagship growth product, sees revenue climb 12.2% in the third quarter**
- **Cost reduction program already reached annual target of \$50 million to \$60 million of annualized savings in 2009**
- **Business generating solid cash flow in support of quarterly dividend of \$0.65 per share**

**WINNIPEG, Manitoba, November 5, 2009** – Manitoba Telecom Services Inc., including its principal operating subsidiary MTS Allstream Inc. (herein collectively referred to as either the "Company" or "MTS Allstream") today reported its third quarter 2009 financial performance and operational results. While the Company's reported results reflect current economic conditions, the increased prominence of strategic growth services in its overall business mix and the achieved cost reductions are consistent with the Company's longer-term strategy.

"Our third quarter results reflect the continued impact of economic challenges facing Canada's business market as well as our success in key product lines for our future. While economic pressures continue to impact our enterprise legacy portfolio and unified communications services, our results also highlight our success in strategic product lines that will define our long-term success, such as wireless, high-speed Internet, television and converged IP, which all grew strongly," said Pierre Blouin, Chief Executive Officer. "In addition, our Manitoba operations once again delivered solid growth and some of the best margins and overall performance in the industry. We are also pursuing the transformation of our business processes, with a focus on our Enterprise Solutions division, to realign our cost structure and improve service with \$51.4 million in annualized savings achieved to date."

Results from continuing operations<sup>1</sup> for the third quarter of 2009 were consistent with the Company's updated financial outlook and the analysts' consensus forecast. Revenue declined 3.5%, EBITDA<sup>2</sup> declined 5.0%, and EPS<sup>3</sup> was 9.5% lower than the third quarter of 2008.

The Company's growth services portfolio, which includes wireless, digital television, high-speed Internet, converged Internet protocol ("IP"), unified communications, professional services and security, delivered solid performance in the third quarter, growing by 2.4%. Revenues from these services continued to increase their prominence in the overall revenue mix of the business, rising to 47% of total revenues.

#### QUARTERLY FINANCIAL HIGHLIGHTS \*

*\*From continuing operations*

<i>(in millions \$, except EPS)</i>	<b>2009</b>			<b>2008</b>	
	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>
Growth services revenues	<b>218.2</b>	216.7	227.2	212.5	213.1
Legacy services revenues	<b>244.7</b>	247.6	255.7	263.9	266.8
Revenue	<b>462.9</b>	464.3	482.9	476.4	479.9
EBITDA	<b>156.9</b>	159.3	163.2	156.7	165.1
Free cash flow <sup>4</sup>	<b>62.0</b>	59.9	68.7	39.4	70.8
EPS	<b>0.67</b>	0.67	0.71	0.59	0.74
Capital expenditures/ revenue	<b>15%</b>	14%	12%	19%	14%

Free cash flow of \$62.0 million provided sufficient funds to cover the dividend and operating needs. The Company continued to maintain a very strong balance sheet through the third quarter, with a debt ratio that is one of the lowest in the industry at 41%.

"Our balance sheet has not been impacted materially by the difficult economic conditions and continues to be one of the strongest in the industry," said Wayne Demkey, Chief Financial Officer.

The Company's Board of Directors declared a cash dividend of \$0.65 per share for the fourth quarter of 2009, which is payable on January 15, 2010 to shareholders of record on December 15, 2009.

**DIVISIONAL HIGHLIGHTS\***

\*From Continuing Operations

<i>(in millions of \$)</i>	<i>Three months ended September 30</i>		<i>change</i>	<i>Nine months ended September 30</i>		<i>change</i>
	<b>2009</b>	<b>2008</b>		<b>2009</b>	<b>2008</b>	
<b>Consumer Markets division (“CMD”)</b>						
CMD growth services revenue	108.0	100.8	7.1%	313.3	289.5	8.2%
CMD legacy services revenue	100.6	107.4	(6.3%)	307.2	323.3	(5.0%)
CMD total revenue	208.6	208.2	0.2%	620.5	612.8	1.3%
CMD EBITDA	107.9	104.9	2.9%	322.3	312.7	3.1%
<b>Enterprise Solutions division (“ESD”)</b>						
ESD growth services revenue	110.2	112.3	(1.9%)	348.8	343.4	1.6%
ESD legacy services revenue	144.1	159.4	(9.6%)	440.8	488.9	(9.8%)
ESD total revenue	254.3	271.7	(6.4%)	789.6	832.3	(5.1%)
ESD EBITDA	49.0	60.1	(18.5%)	156.7	190.7	(17.8%)
<b>MTS Allstream totals</b>						
Revenue	462.9	479.9	(3.5%)	1,410.1	1,445.1	(2.4%)
EBITDA <sup>5</sup>	156.9	165.1	(5.0%)	479.4	505.1	(5.1%)

Consumer Markets division

Once again, the Company’s Consumer Markets division delivered solid margins, revenue and EBITDA growth and strong cash flow. The division continues to benefit from exposure to the resilient economy of Manitoba and a business strategy that has combined unmatched product bundles with the capabilities of MTS Allstream’s advanced networks to offer tremendous value to customers.

The division’s three major consumer growth products delivered solid revenue growth through the third quarter. Wireless revenues increased 7.3%, Internet revenues increased 4.8% and digital television revenues climbed 9.6%. The Company has continued to deploy its new HDTV product, MTS Ultimate TV, the most advanced television viewing experience in Canada, with 3,624 new sales in the third quarter. The service is currently available to over half the households in Winnipeg and is expected to reach 70% by year end. Overall the TV subscriber base grew by 2.3%, reaching 84,200 subscribers as at September 30, 2009. The new service is expected to drive subscriber growth as it becomes more established in Winnipeg and Brandon, the second largest market in Manitoba, where it was recently launched.

“Our products and strategies continue to deliver solid performance,” said Kelvin Shepherd, President Consumer Markets division. “We are well-positioned to face the competitive environment in Manitoba, and we continue to introduce strong and innovative products like our market-leading Whole Home PVR and our MiFi portable wireless router. We expect to benefit from HSPA wireless and further advanced broadband capabilities, which are positioning our business for success now and in the long-term.”

### Enterprise Solutions division

The recession and the slow pace of the economic recovery affected the performance of certain business lines within the Enterprise Solutions division. Converged IP, the division's flagship strategic growth product, continued to be successful, with growth of 12.2% in the third quarter as compared to the same period of 2008. The division's national sales team won \$88.3 million in new contracts in the third quarter of 2009, including announced contracts with Stella-Jones, WestJet and Vicwest Income Fund.

"We are positioning the Enterprise Solutions division to benefit once the economy recovers and business spending resumes," said Dean Prevost, President Enterprise Solutions division. "We are making progress on realigning our cost structure to ensure it reflects the realities of the market and the requirements of our customers. As we continue to transition our business toward our IP-based products, we are building long-term value for the Company."

### **2010 OUTLOOK**

The Company announced today that the release of its Financial and Operating Outlook for 2010 is expected to be provided in February of 2010 to be consistent with the timing of its peers. Based on the Company's stable sequential performance over the past two quarters, and assuming that current economic conditions do not worsen, no significant change in the performance of the business is expected between now and that time.

### **OTHER DEVELOPMENTS**

The following are various announcements made recently by the Company.

#### **Corporate announcements**

- On November 2, 2009, MTS Allstream announced it was named as one of Manitoba's Top 25 Employers for 2010. This annual competition, announced by the Winnipeg Free Press, recognizes Manitoba's best places to work.
- On October 22, 2009, MTS Allstream celebrated the official opening of the Allstream Centre. After many months of construction, the Allstream Centre, Canada's newest and greenest conference facility, located at Exhibition Place in Toronto, is fully-equipped with unique and innovative Allstream-branded communications solutions.
- On October 19, 2009, the Company announced the establishment of a \$500 million medium term note program. Under this program, the Company may issue medium term notes periodically up to an amount of \$500 million over the next 25 months.
- On October 8, 2009, MTS Allstream announced it was named as one of Canada's Top 100 Employers for 2010. This annual competition, announced by Maclean's magazine, recognizes Canada's best places to work and aims to identify the companies and organizations that lead their industries in attracting and retaining employees.
- On October 7, 2009, the Company updated its financial outlook for 2009.

- On September 29, 2009, MTS Allstream announced it acquired VisionIP Technologies Inc. (“VisionIP”), a Montreal-based provider of IT solutions and services. As a Cisco Silver Partner in Canada, with specializations in advanced security, advanced wireless, and advanced unified communications, VisionIP strengthens MTS Allstream’s competitive position by expanding its unified communications solutions delivery and service capabilities in the province of Quebec where VisionIP has established a great depth of expertise and experience in supporting a key business market.
- On September 17, 2009, MTS Allstream welcomed an announcement by the Federal Government that the Canadian Radio-television and Telecommunications Commission (“CRTC”) should consider the views of the public when it comes to the issue of Fee-For-Carriage, which would see service providers pay broadcasters a fee to provide customers with television signals that are currently available free of charge over the airwaves.
- On September 16, 2009, MTS Allstream filed a submission with the CRTC opposing Fee-For-Carriage, which would see service providers pay broadcasters a fee to provide customers with television signals that are available free of charge over the airwaves. The submission was made in preparation for a CRTC hearing on broadcast issues expected to take place in November.
- On September 11, 2009, the Company confirmed that its previously announced agreement with Rogers, that will see both companies share the cost to deploy a high-speed packet access (“HSPA”) wireless network across the existing MTS Allstream regional wireless footprint, received the required regulatory approvals and will proceed.
- On September 10, 2009, MTS Allstream, the Canadian Association of Internet Service Providers, the Canadian Federation of Independent Businesses and nearly two dozen individual companies from across Canada launched an Internet-based campaign to convince the Federal Government to correct a CRTC decision that is harmful to competition in broadband Internet, Ethernet and other next generation communications services.
- On August 21, 2009, MTS Allstream received top honours at Manitoba's first annual Commuter Friendly Workplace Awards. The award recognizes the Company's achievements in encouraging green commuting year-round through facility improvements, and outstanding management and staff support.
- On August 11, 2009, Cindy Klassen, Canada's all-time most decorated Olympian and MTS Allstream-sponsored athlete, participated in one of Manitoba's premier community festivals, the Morden Corn & Apple Festival on Saturday, August 22, 2009. MTS Allstream is a proud sponsor of both Cindy Klassen and the Morden Corn & Apple Festival.

#### **Consumer Markets division announcements**

- On October 19, 2009, MTS Allstream announced it launched Canada's first Whole Home personal video recorder (“PVR”). This new and more advanced PVR is capable of recording up to three programs at the same time and playing back programs from any connected TV in the home. This is the only service of its kind in Canada and exclusive to MTS Ultimate TV Service customers.
- On October 16, 2009, MTS Allstream became the first wireless provider to launch the Novatel Wireless MiFi™ 2200 Intelligent Mobile Hotspot in Manitoba. The MiFi wirelessly accesses the Internet anywhere MTS 1X/EVDO wireless coverage is available with any WiFi-enabled device.

Able to support up to five users or devices simultaneously, customers can share their wireless high-speed connection with friends, family members and co-workers.

- On October 9, 2009, MTS Allstream announced that TSN2 was available to its MTS TV subscribers. Each year, TSN2 delivers hundreds of exclusive live sporting events and encore telecasts of key sporting events, including marquee NHL and NBA games.
- On October 2, 2009, MTS TV premiered a new line-up of locally-produced programming exclusively on Winnipeg On Demand. Winnipeg on Demand provides access to local filmmakers and community producers to express themselves through their stories. The result is a new and growing library of programs featuring Winnipeg people, music, history, arts, culture and lifestyle.
- On September 25, 2009, MTS Allstream launched MTS Ultimate TV Service to residents in Brandon. MTS Ultimate TV Service is the next generation of high definition television that combines technology from Alcatel-Lucent Canada Inc. and the award-winning Microsoft Mediaroom Internet Protocol television software platform.
- On September 18, 2009, MTS Allstream introduced two new residential high-speed Internet plans - Lightning Bolt and Lightning Super MAX. These plans offer MTS Allstream's fastest consumer speeds yet and are great for gaming, for downloading multiple files from multiple URLs at once, and for when multiple users are accessing the Internet at the same time.
- On August 27, 2009, MTS Allstream announced its continued support of community festivals and organizations in Western Manitoba through financial, in kind, and volunteer contributions. Through a payroll deduction and corporate match program, MTS employees and retirees contribute more than \$20,000 to charitable organizations in Western Manitoba every year. MTS Allstream employees and retirees also contribute more than 8,000 hours to community organizations and events in Western Manitoba every year through the MTS Volunteers organization.
- On August 12, 2009, MTS Allstream launched Wireless Hewlett Packard Mini Notebook Packages. The Wireless HP Mini Notebook Packages combine an MTS Internet Express Stick and an HP Mini Notebook computer to provide access to the Internet anywhere 1xEVDO coverage exists in Manitoba, using Manitoba's widest wireless network, as well as throughout the rest of Canada and the U.S.

#### **Enterprise Solutions division announcements**

- On October 20, 2009, MTS Allstream announced a contract to provide Vulcan County Alberta with a wireless solution assessment that will see leading-edge technologies, an information system network, and other communications infrastructure installed throughout the county.
- On October 14, 2009, MTS Allstream announced it had achieved Cisco Managed Services Master Channel Partner worldwide status for unified communications managed services and managed business IP. As MTS Allstream continues to deliver advanced business communication solutions to its customers, this designation recognizes the Company's continued investment in the personnel, processes and tools needed to meet the growing demand for highly-sophisticated managed services practices.

- On October 13, 2009, MTS Allstream announced that guests of the 2009 Allstream Global Forum will be the first in Canada to hear former U.S. Vice-President Al Gore share his new and compelling vision of how business can play a pivotal role in ensuring changes for the better through innovation and investment in new technology. Proceeds from the event, which will take place on November 24, 2009, at the Allstream Centre in Toronto, go to the David Suzuki Foundation and its efforts to help transform the Canadian economy in ways that are consistent with a sustainable future.
- On October 5, 2009, MTS Allstream announced the renewal of a two-year contract with WestJet, to continue servicing their global MPLS network to all domestic and international locations; maintain and support all local, long distance, and toll-free services; support Internet services for e-commerce Web bookings; and maintain all domestic phone switches.
- On October 1, 2009, MTS Allstream selected Concrete Design Communications as its agency-of-record for marketing the Company's enterprise networking solutions offered under the Allstream brand.
- On September 30, 2009, MTS Allstream was selected by Vicwest Income Fund to design a fully-managed MPLS network for 18 of its locations throughout Canada and one location in the U.S.
- On September 15, 2009, MTS Allstream and Ciena announced a strategic partnership that will see MTS Allstream launch the next generation of managed wavelength services to its business customers across Canada that require resilient network solutions for mission critical applications. MTS Allstream also joined Ciena's BizConnect global partner program as a designated Managed Services Provider partner.
- On September 4, 2009, MTS Allstream announced it was selected by Stella-Jones Inc., a leading North American producer and marketer of industrial pressure-treated wood products, specializing in the production of railway ties, timbers, and wood poles, for the installation of an MPLS network and managed hosting solution to eight facilities across Canada.
- On September 3, 2009, AAA Alarm Systems Ltd. announced it had signed a five-year alarm monitoring contract with Loblaws for its 670 corporate stores across Canada. Certain franchise stores may, at their option, also choose to receive monitoring under the terms of the contract.

### **Quarterly Conference Call**

MTS Allstream's third quarter 2009 conference call with the investment community is scheduled for 9:00 a.m. (Eastern time) on November 5, 2009. Investors are invited to listen to the conference call. The dial-in number is 1-800-732-1073. A live audio Webcast of the investor conference call can be accessed by visiting the Investors section of the MTS Allstream Web site ([www.mtsallstream.com](http://www.mtsallstream.com)). A replay of the conference call will be available until midnight (Eastern time) on November 14, 2009, and can be accessed by dialing 1-877-289-8525 or 1-416-640-1917 (access code 4167928#).

### **Note**

MTS Allstream's interim Management's Discussion and Analysis ("MD&A") for the nine months ended September 30, 2009 and supplementary financial information are available in the Investors section of the MTS Allstream 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 companies, providing innovative communications for the way Canadians want to live and work today. The Company has more than 100 years of experience, with 6,000 employees across Canada dedicated to a mission of delivering true value as seen through the eyes of our customers. In 2008, MTS Allstream had nearly two million total customer connections spanning business customers across Canada and residential consumers throughout the province of Manitoba. The Company's extensive national broadband and fibre optic network spans almost 30,000 kilometres. MTS Allstream is a proud sponsor of Cindy Klassen, 2006 World Champion and Canada's greatest Olympian, and a proud contributor to the Canadian Museum for Human Rights. Manitoba Telecom Services Inc.'s common shares are listed on the Toronto Stock Exchange (trading symbol: MBT). Customers, stakeholders and investors who want to learn more about MTS Allstream services, markets, community commitments and record of creating shareholder value are encouraged to 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, operating and dispute resolution activities, 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 November 4, 2009. Examples of statements that constitute forward-looking information may be identified by words such as "believe", "expect", "project", "should", "anticipate", "could", "target", "forecast", "intend", "plan", "outlook", "see", "set", "pending", and other similar terms. 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 anticipated opportunities and 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); fluctuations in pension plan funding requirements (pension solvency funding); 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 2008 annual MD&A 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 2008 annual MD&A and our interim MD&A for the third quarter of 2009.

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.

**FOR FURTHER INFORMATION, PLEASE CONTACT:**

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<sup>1</sup> Refer to MTS Allstream's third quarter 2009 interim MD&A for the definition of continuing operations.

<sup>2</sup> EBITDA is earnings before interest, taxes, amortization, and other income. 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>3</sup> EPS is earnings per share.

<sup>4</sup> Refer to MTS Allstream's third quarter 2009 interim MD&A for the definition of free cash flow.

<sup>5</sup> Includes other EBITDA of nil in the third quarter of 2009 as compared to \$0.1 million in the third quarter of 2008. Also includes other EBITDA of \$0.4 million in the first nine months of 2009 as compared to \$1.7 million in the first nine months of 2008.