



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 definitions of continuing operations and free cash flow, should be read in conjunction with Manitoba Telecom Services Inc.'s fourth quarter 2009 interim management's discussion and analysis dated February 4, 2010 (available at the Investors section of www.mtsallstream.com), which is incorporated by reference in this release.

This outlook and the financial information contained herein have been reviewed by our Audit Committee and should be read in conjunction with the disclaimer "Regarding Forward-Looking Statements" and the "Risks and Uncertainties" sections contained in our interim MD&A for the fourth quarter of 2009, as well as similar sections of our interim MD&As for the first, second and third quarters of 2009, our 2008 annual MD&A and our 2008 Annual Information Form.

Manitoba Telecom Services Inc. Reports 2009 Results and Announces 2010 Financial Outlook

- **Growth products including Wireless, Internet, Television and Converged IP continue to deliver solid growth, increasing by 4.7% in 2009**
- **Strong 2009 performance from Consumer Markets division with annual EBITDA growth of 2%**
- **Cost reduction program achieved increased annual target with \$58.4 million in annualized savings**
- **HSPA build and 2010 pension solvency requirements pre-funded through \$200 million in medium term notes**
- **\$25 million set aside for strategic investments in Allstream wireless, Allstream IP footprint and initial deployment of Fibre To The Home in Manitoba**
- **Divested non-telecom IT consulting business, improving focus on telecommunications products while lowering cost structure**
- **Declared first quarter dividend of \$0.65 per share**
- **Outlook for 2010 calls for stable performance**

WINNIPEG, MB, February 4, 2010 – 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 fourth quarter and 2009 financial performance and operational results and also announced its 2010 Financial Outlook. The Company's results from continuing operations¹ for the fourth quarter and for the year of 2009 were consistent with the Company's revised guidance for 2009.

"Our results for 2009 underscore progress in areas important to our long-term success, namely the continued solid performance of growth product lines, increased focus in our revenue mix toward growth services and the careful management of operating costs," said Pierre Blouin, Chief Executive Officer. "Our Manitoba business continues to serve as a solid foundation for our Company, showing solid growth and leading

margins through 2009. Performance in our Enterprise Solutions division, although impacted by challenges in the national economy, has stabilized in a fashion consistent with our revised 2009 outlook.”

In line with the Company’s revised outlook provided to the markets, annual revenue from continuing operations for 2009 declined 2.3%, EBITDA² declined 6.2%, and EPS³ was 12.9% lower as compared to 2008. The Company’s growth services portfolio, which includes wireless, digital television, high-speed Internet, converged Internet protocol (“IP”), unified communications, and security, delivered solid performance in 2009, with revenues growing by 4.7% for the year. Revenues from these services continued to increase their prominence in the overall revenue mix of the business, rising to 45.4% of total revenues.

The Company was also successful with cost reduction efforts through 2009, achieving \$58.4 million in annualized savings, exceeding its initial target for the year and arriving at the high end of its revised target range for 2009.

“We continue to maintain a strong overall financial profile and a solid balance sheet,” said Wayne Demkey, Chief Financial Officer. “We have demonstrated a consistent ability to successfully access capital markets for funding requirements. This speaks to the strength of our company and of a track record of prudent management. We have also successfully pre-funded our HSPA build for Manitoba and our complete pension funding obligations for 2010.”

On January 1, 2010, MTS Allstream implemented an organizational change to better align its business around segments and markets. The Manitoba large business segment, previously part of the Enterprise Solutions division, will be a part of the MTS unit, and is led by Kelvin Shepherd, President, MTS. The national small business segment, previously part of the Consumer Markets division, will be a part of the Allstream unit, which includes all business customer segments outside of Manitoba and is led by Dean Prevost, President, Allstream.

“The previous structure has achieved its goals for increased productivity and cost savings for the business, enabling a fully-integrated approach from corporate support groups,” said Mr. Blouin. “The new structure will enable better leverage of our different geographic markets, and should allow for improved performance going forward. It is an evolution which will further enable MTS Allstream to leverage its market presence, brand and efficiencies while bringing us closer to our customers so we can serve them better.”

The change impacts only the operating divisions, all corporate groups will continue to be integrated on a company-wide basis. In 2010, the Company’s financial reporting will reflect the new business segmentation.

The Company’s Board of Directors declared a cash dividend of \$0.65 per share for the first quarter of 2010, which is payable on April 15, 2010 to shareholders of record on March 15, 2010.

DIVISIONAL HIGHLIGHTS*

*From Continuing Operations

<i>(in millions \$)</i>	<i>Three months ended December 31</i>		<i>% change</i>	<i>Twelve months ended December 31</i>		<i>% change</i>
	<i>2009</i>	<i>2008</i>		<i>2009</i>	<i>2008</i>	
Consumer Markets division (“CMD”)						
CMD growth services revenues	105.4	100.0	5.4	418.7	389.5	7.5
CMD legacy services revenues	100.1	105.2	(4.8)	407.3	428.5	(4.9)
CMD total revenue	205.5	205.2	0.1	826.0	818.0	1.0
CMD EBITDA	100.4	102.2	(1.8)	422.7	414.9	1.9
Enterprise Solutions division (“ESD”)						
ESD growth services revenues	100.1	100.0	0.1	409.5	401.5	2.0
ESD legacy services revenues	147.1	158.7	(7.3)	587.9	647.6	(9.2)
ESD total revenue	247.2	258.7	(4.4)	997.4	1,049.1	(4.9)
ESD EBITDA	46.8	58.0	(19.3)	202.9	251.7	(19.4)
MTS Allstream totals						
Revenue	452.7	463.9	(2.4)	1,823.4	1,867.1	(2.3)
EBITDA ⁴	146.3	158.3	(7.6)	625.1	666.4	(6.2)

Consumer Markets division

Throughout 2009, 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, while employing a successful strategy of leveraging unmatched product bundles offering more value to customers and delivering strong results in a competitive marketplace.

The division’s three key consumer growth products delivered solid and leading revenue growth throughout 2009. Wireless revenues increased 8.0%, Internet revenues increased 6.6% and television revenues climbed 8.2%, providing a significant contribution to the strong performance of the Consumer Markets division.

The Company continued to deploy its market-leading new HDTV product, MTS Ultimate TV, throughout Winnipeg and Brandon. The product enjoys a significant competitive advantage over competitors in terms of its unique Whole Home PVR and is currently available to close to 70% of the households in Winnipeg. The rollout of this new product occurred gradually throughout the year in Winnipeg, and in September was launched in Brandon. The opportunity offered by this expanded footprint was demonstrated by strong customer additions which were the highest in fourth quarter as compared to previous quarters this year. Overall, the MTS television subscriber base grew by 2.3%, reaching 86,520 subscribers as at December 31, 2009.

“We continue to leverage our leading and innovative products, our Manitoba-leading brand and our bundling strategies to deliver a leading performance in our industry,” said Kelvin Shepherd, President, MTS. “We also continue to show solid results and are making progress on important longer-term initiatives, including the build-out of our new HSPA network which will launch in 2010 and the exciting deployment of Fibre To The Home to some neighbourhoods in Manitoba.”

Enterprise Solutions division

Overall results for the Enterprise Solutions division continue to be impacted by the recession in Canada and the slow pace of the economic recovery affected the performance of certain business lines within the division. Converged IP, the division's flagship strategic growth product, however, continued to show successful growth, increasing 10.6% in 2009 as compared to 2008. The division's national sales team won \$75.3 million in new contracts in the fourth quarter of 2009. Announced contracts included DirectCash Management Inc. ("Directcash"), Richardson International Limited ("Richardson International") and WestJet.

"We continue to be very focused with the evolution of our business mix toward our IP-based products. Efforts continue to align our cost structure and our operational processes with our marketplace so as to better meet the requirements of our customers," said Dean Prevost, President, Allstream. "We will be well-positioned to deliver growth once enterprise spending resumes after the recession, in particular with the plan of expanding our IP footprint starting in 2010. As well, Allstream continues to steadily win new business and new customers."

The division also improved its competitive focus through an agreement to sell its non-telecommunications IT consulting business to PricewaterhouseCoopers Canada ("PwC"). This transaction, which closed on January 31, 2010, strengthens MTS Allstream's competitive focus on its core enterprise telecommunications delivery and service capabilities across Canada. "This decision represents a renewed focus on our core business offerings like Unified Communications and Converged IP Services – key areas of growth for MTS Allstream," added Mr. Prevost. "We are again refining our market focus to create more innovative IP solutions while reducing our cost structure."

MTS Allstream is retaining the telecommunications-related aspects of its consulting business such as managed security services that will continue to complement the Company's communications services portfolio.

2010 OUTLOOK

The Company's financial outlook for 2010 is again based on a strategy focused on driving growth in growth products with a renewed focus on IP-based services, prudent capital spending and aggressive cost reductions. Overall, the Company expects results in 2010 to be generally in line with 2009 results. Excluding an expected non-cash increase in pension expense of approximately \$15 million, EBITDA is anticipated to approximate 2009 levels. Free cash flow⁵ from continuing operations in 2010 will again exceed the level of dividends paid in 2009, but will be slightly lower than 2009 due to increased debt charges associated with higher levels of outstanding long-term debt as well as higher capital spending. The Company expects total capital spending in 2010, excluding the HSPA network build in Manitoba, to be within 14% to 16% of its revenue range.

The Company announced that it will set aside \$25 million of its 2010 capital envelope to fund strategic investments in the Allstream national IP network to expand the Company's reach and improve its cost structure in key markets, the expected launch of Allstream wireless, and the deployment of Fibre To the Home ("FTTH") in Manitoba.

The targeted investment in the Allstream IP network, which comprises up to \$15 million, is intended to drive growth in on-net IP revenues in markets where Allstream has a proven track record of success with the goal of improving profitability for Allstream.

With Allstream wireless, the Company expects to launch a wireless offering focused on a converged wireless/wireline product suite towards the end of 2010 in markets where Allstream is the strongest. Over the next three years, the Company expects its cumulative investment to be approximately \$25 million, including customer acquisition costs.

“This business-only wireless service will complement our existing enterprise portfolio and provide customers with unique functionality,” said Mr. Demkey. “The estimated investment is low as the Company already has significant customer relationships, wireless application development capabilities, distribution channels and billing systems and under the arrangement with Rogers Wireless Partnership, does not have the requirement to build a national wireless network.”

The FTTH initiative in Manitoba is expected to cover 500 homes in the province through 2010. The FTTH network is the next evolution in advanced communication networks providing MTS the ability to maintain its competitive edge against the cable networks. FTTH is also more effective in servicing new home developments as compared to existing hybrid fibre/copper technologies, which helps deliver both capital and operating efficiencies.

Building on the considerable progress made improving the Company’s cost structure in 2009, MTS Allstream is targeting an additional \$30 million to \$40 million in annualized cost reductions in 2010 through operational efficiency and restructuring. MTS Allstream estimates restructuring costs associated with these initiatives to be approximately \$35 million to \$45 million.

In December 2009, the Company issued \$200 million in medium term notes and is using the proceeds to pre-fund its HSPA build in Manitoba, 2010 pension solvency obligations, deferral account rebates, and past restructuring accruals. Additional borrowings expected for 2010 are limited to up to \$20 million. Even with the incremental borrowing, MTS Allstream’s balance sheet is expected to remain strong with a net debt to EBITDA ratio of 1.7x.

The Company’s business plan for the year ahead contemplates a quarterly dividend payout of \$0.65 per share in 2010, assuming the business is performing to expectations.⁶

The Company forecasts that MTS Allstream will not pay cash taxes any earlier than 2017. This is based on its longer term EBITDA growth assumptions of 1% to 3% once the economy recovers.

The Company’s Financial Outlook for 2010 is detailed in the following table:

<i>2010 Financial Outlook - Continuing Operations</i>	
Revenues	\$1.780 billion to \$1.880 billion
EBITDA	\$585 million to \$635 million
EPS	\$2.00 to \$2.50
Free cash flow	\$175 million to \$225 million
Capital expenditures	14% to 16% of revenues
Dividend ⁶	\$2.60

OTHER DEVELOPMENTS

The following are various announcements made recently by the Company.

Corporate announcements

- On January 19, 2010, MTS Allstream announced that the Court of Queen's Bench of Manitoba (the “Court”) had ruled on a lawsuit regarding the 1997 initial funding, ongoing surplus and governance

of the MTS Pension Plan. In its decision, the Court upheld the governance of the pension plan and affirmed the position of the Company with respect to the issue of ongoing surplus, resulting in no changes to the Company's expected future ongoing funding requirements and administration of the MTS Pension Plan. The Court also ruled that the Company was obligated to make a \$43 million one-time payment, retroactive to 1997, the year the MTS Pension Plan was implemented. The Company believes, based on legal advice received, that key aspects of this part of the decision are flawed and present strong grounds for appeal.

Pending the outcome of an appeal, the Company announced that financial implications of the Court's decision could result in a one-time future payment of approximately \$100 million measured as of December 31, 2009. This would be comprised of \$43 million plus interest calculated at a rate equal to the pension plan's rate of return since 1997 until December 31, 2009. The Company expects that such a payment, if any, would not be required until all appeals have been determined.

- On January 12, 2010, MTS Allstream announced that PwC had entered into an agreement to acquire the majority of MTS Allstream's non-telecommunications IT consulting group, which comprises approximately 180 employees. As part of the transaction, MTS Allstream also announced an alliance between MTS Allstream and PwC. Through this alliance, PwC customers looking for communications solutions services will be referred to MTS Allstream, while MTS Allstream customers who require the support of a non-telecommunications IT consulting group will be referred to PwC.
- On December 11, 2009, MTS Allstream stated that the Federal Cabinet missed an important opportunity to promote competition and innovation in Canada.
- On December 9, 2009, MTS announced it had successfully issued \$200 million in medium term notes with a 10-year term maturing on December 16, 2019, and having a coupon rate of 5.625%.
- On December 2, 2009, MTS announced that Thomas E. Stefanson, Chairman of the Board of Directors, would retire from this position effective January 8, 2010. Mr. Stefanson was succeeded by David Leith, who assumed the position of Chairman of the Board of Directors on the same date.
- On December 1, 2009, MTS Allstream announced that it has been recognized with the 2009 Frost & Sullivan Award for Competitive Strategy Leadership for performance in the North American video market.
- On November 24, 2009, MTS Allstream announced its donation of \$100,000 to the David Suzuki Foundation, supporting its efforts to help transform the Canadian economy in ways that are consistent with a sustainable future.
- On November 18, 2009, MTS Allstream announced that after taking a year and a half off to have surgery on both of her knees, missing an entire speed skating season and dealing with a near tragedy in her family, MTS Allstream-sponsored speed skater Cindy Klassen, four-time World Champion and Canada's greatest Olympian, returned to international competition at this season's World Cup events.
- On November 6, 2009, MTS Allstream announced it had partnered with MaRS Discovery District - a leading innovation centre that supports Canadian innovation by connecting science, technology and social entrepreneurs with business skills and capital.

Allstream announcements

- On January 21, 2010, MTS Allstream and Radiant Communications Corp. announced that the two companies entered into a Broadband Network Investment Agreement. The agreement enables both companies to provide reliable, next generation, high-capacity broadband services to Canadian businesses.
- On December 2, 2009, MTS Allstream announced that it had been selected by DirectCash, the leading provider of ATMs, debit terminals, prepaid phone cards and prepaid cash cards in Canada, for an MPLS network and Cisco Unified Communications Manager solution.
- On November 10, 2009, MTS Allstream announced that it had been selected by Richardson International, one of Canada's largest private integrated agriculture organizations, to upgrade its communications services at its head office in Winnipeg and oilseed processing facility in Lethbridge, Alberta.

MTS announcements

- On February 1, 2010, MTS Allstream announced that enhanced wireless E-911 service was available in Manitoba. This network improvement, known as Phase II enhanced wireless 911 service, allows Manitoba's Public Safety Answering Points to see the approximate location of callers placing a 911 emergency call using their cell phones. MTS Allstream introduced this feature across its CDMA cellular network in Manitoba.
- On January 28, 2010, MTS Allstream announced the deployment of an advanced FTTH network in Waverly West, the newest neighbourhood in Winnipeg. Customers on the new FTTH network, one of the first to be deployed commercially in Canada, have access to the most-advanced consumer telecommunications services that MTS offers today.
- On January 28, 2010, MTS Allstream announced an expansion of its CDMA wireless network bringing coverage to eight new rural Manitoba communities in 2010, including the port of Churchill in northern Manitoba.
- On December 9, 2009, MTS Allstream was pleased to announce it was offering customers the MTS Triple Blaze Fireplace during the holiday season - a virtual fireplace available on MTS TV, wireless, and Internet services until January 15, 2010.
- On November 27, 2009, MTS Allstream announced it was once again helping Manitobans get home safely during the holiday season by sponsoring Operation Red Nose - a unique designated driver program that operates free of charge.
- On November 2, 2009, MTS TV, the digital television services offered by MTS Allstream, announced new channel additions to its already impressive and comprehensive television entertainment line-up on MTS Classic TV and MTS Ultimate TV services.

Quarterly Conference Call

MTS Allstream's fourth quarter 2009 conference call with the investment community is scheduled for 5:00 p.m. (Eastern time) on February 4, 2010. Investors are invited to listen to the conference call. The dial-in number is 1-888-231-8191. 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). A replay of the

conference call will be available until midnight (Eastern time) on February 15, 2010, and can be accessed by dialing 1-800-642-1687 or 1-416-849-0833 (access code 49385346).

Note

MTS Allstream's interim Management's Discussion and Analysis ("MD&A") for the three and twelve months ended December 31, 2009 and supplementary financial information are available in the Investors section of the MTS Allstream Web site at 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. MTS Allstream has 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.

Forward-looking Statements Disclaimer

This news release as well as the financial outlook contained herein 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. 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.

Factors that could cause anticipated opportunities and actual results to differ materially include, but are not limited to, matters identified in the "Risks and Uncertainties" section and elsewhere in our interim MD&A for the fourth quarter of 2009, as well as our interim MD&As for the first, second and third quarters of 2009, our 2008 annual MD&A, and our Annual Information Form, all of which are available on SEDAR at www.sedar.com.

Please note that forward-looking statements reflect our expectations as at the date hereof. 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 except as required by law. 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:

Investors: Paul Peters
Vice-President, Tax and Investor Relations
Manitoba Telecom Services Inc.
(204) 941-6178
investor.relations@mtsallstream.com

Media: Greg Burch
Director, Corporate and Employee Communications
Manitoba Telecom Services Inc.
(416) 345-3576 or
(204) 941-8576
media.relations@mtsallstream.com

¹ Refer to MTS Allstream's fourth quarter 2009 interim MD&A for the definition of continuing operations.

² 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.

³ EPS is earnings per share.

⁴ Includes other EBITDA of (\$0.9) million in the fourth quarter of 2009 as compared to (\$1.9) million in the fourth quarter of 2008. Also, includes other EBITDA of (\$0.5) million in the full-year 2009 as compared to (\$0.2) million in the full-year 2008.

⁵ Refer to MTS Allstream's fourth quarter 2009 interim MD&A for the definition of free cash flow.

⁶ Subject to legal requirements, and if and as declared in the discretion of the Board of Directors.