



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 first quarter 2010 interim management's discussion and analysis dated May 5, 2010 (available at the Investors section of www.mtsallstream.com), which is incorporated by reference in this release.

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 first quarter of 2010, as well as our 2009 annual MD&A and our 2009 Annual Information Form.

Manitoba Telecom Services Inc. reports First Quarter 2010 results

- **Sequentially, stable EBITDA and solid free cash flow from continuing operations**
- **Achieved \$17.3 million in annualized cost savings**
- **Stable sequential performance by Allstream**
- **Allstream Converged IP revenues grow 6.1%, MTS TV revenues grow by 6.9%**
- **Dividend reinvestment plan to be launched**
- **Declared second quarter dividend of \$0.65 per share**

WINNIPEG, MB, May 6, 2010 – Manitoba Telecom Services Inc. (the "Company" or "MTS Allstream"), including its two primary operating units "MTS" and "Allstream", today reported its first quarter 2010 financial performance and operational results.

"First quarter results were in line with the second half of 2009 as we continued to deliver growth in our key product lines, invest in our network capabilities and significantly reduce our cost structure," said Pierre Blouin, Chief Executive Officer. "In Manitoba, we are maintaining market leadership through a disciplined response to aggressive promotional pricing actions, which contributed to year-over-year declines in some of our financial metrics. Across Canada, Allstream continued to deliver results that we believe are broadly in line with what other telecom providers are seeing in the business sector," continued Mr. Blouin. "These results were not at the level we expected for the quarter as business conditions remain difficult. Based on what we are seeing in our business and the economy generally, we believe we can achieve the low end of our outlook ranges in 2010."

The Company expects results will improve as the economy recovers, but is taking immediate action to drive better near-term performance.

For the first quarter of 2010, MTS Allstream reported revenue from continuing operations¹ of \$442.0 million, a decline of 5.9% from revenue from continuing operations of \$469.8 million in the first quarter of 2009. EBITDA² from continuing operations was \$145.3 million, a decline of 11% from EBITDA of \$163.3 million for the first quarter of 2009. EPS³ was \$0.46 per share, down 35.2% from \$0.71 per share a year ago. When compared on a sequential basis to the fourth quarter of 2009, results from continuing operations were largely stable, with EBITDA declining by 1.0%. These lower results reflect the impact of the economic downturn on the Company and aggressive price competition from the main cable competitor in Manitoba. First quarter 2010 EBITDA was also negatively impacted by a non-cash increase in pension expense.

The Company was successful with continued cost reduction efforts, achieving \$17.3 million in annualized savings through the first quarter of 2010 against an annual target of between \$30 million and \$40 million.

“Our financial profile is a source of strength for the Company,” said Wayne Demkey, Chief Financial Officer. “We have the flexibility to make key strategic investments in our business that should preserve and enhance our competitive position over time even as we maintain a solid balance sheet.”

QUARTERLY FINANCIAL HIGHLIGHTS*

<i>(in millions \$, except EPS)*</i>	2010		2009		
	Q1	Q4	Q3	Q2	Q1
Revenue	442.0	453.8	452.3	452.8	469.8
EBITDA	145.3	146.8	157.7	159.5	163.3
EPS	0.46	0.59	0.68	0.66	0.71
Free cash flow ⁴	54.9	43.4	62.3	59.6	68.2
Capital expenditures/ revenue	12.8%	16.1%	14.9%	14.0%	11.9%

*All financial metrics in this table are from continuing operations

Regulatory

The Company was encouraged to see the Federal Government express its intention to liberalize investment restrictions in the telecommunications sector. MTS Allstream representatives appeared before the Industry Committee of the House of Commons in the past few weeks to support this direction.

“Elimination of the foreign investment restrictions is a key ingredient to building a truly competitive digital economy characterized by the early offer and adoption of new technology across the economy,” said Mr. Blouin. “Liberalization would be positive for our Company, but would also benefit the country. Attracting global investment is key to Canada being able to access the capital necessary to ensure we have a leading communications infrastructure and competitive environment for Canadians.”

Dividend Reinvestment Plan

The Company’s Board of Directors also approved the establishment of a Dividend Reinvestment Plan (“DRIP”). The plan will provide shareholders with the option to have dividends automatically reinvested in additional common shares of Manitoba Telecom Services Inc. without incurring brokerage fees. The DRIP will also have the option to make cash payments to purchase additional common shares. Subject to TSX approval, the Company expects to have the DRIP in place for the second quarter dividend and will issue a news release when such TSX approval has been obtained.

Dividend

The Company's Board of Directors declared a cash dividend of \$0.65 per share for the second quarter of 2010, which is payable on July 15, 2010 to shareholders of record on June 30, 2010. The Board evaluates the Company's dividend each quarter based on the Company's long-term financial outlook as well as its current year financial performance.

The Board of Directors decided to extend the record date to allow qualified shareholders sufficient time in which to enroll in the DRIP.

MTS

In the first quarter of 2010 MTS faced very aggressive promotional pricing actions from its cable competitor, which had an impact on its performance for the quarter. Notwithstanding this, with its higher quality products, innovative strategies and superior bundling capabilities, MTS maintained its strong market share and increased its customer base in growth product lines.

"We are staying disciplined and leveraging our innovative product bundles to face our competition," said Kelvin Shepherd, President, MTS. "Our first quarter results show that we have retained our customer and market share in all key growth products. Our business remains strong and we continue to position it for even more success in the future as we move towards the launch of our new HSPA wireless network and proceed with our targeted fibre to the home network deployment."

Key MTS growth products delivered a solid performance. When adjusted for a one-time FleetNet sale to the City of Winnipeg in the first quarter of 2009, first quarter wireless revenues would have increased by 3.8%. Wireless subscribers increased 4.8%. Revenues for high-speed Internet were down 2.1%, while subscribers increased by 3.7%. Revenues for TV increased 6.9% and subscribers increased 5.9% compared to the first quarter of 2009, reflecting the strong performance of MTS's market-leading TV service.

MTS continued to expand its market-leading new HDTV service, MTS Ultimate TV, further throughout Winnipeg. The product still enjoys a significant competitive advantage over competitors in terms of its features such as Whole Home PVR, and was enhanced once again with the addition of TV call display. There are now more than 21,000 customers using MTS Ultimate TV with a total of almost 90,000 TV customers for the Company representing a market share of 34% in Winnipeg. MTS is also continuing its evolution in broadband with investments in fibre to the home, which should maintain the Company's strong competitive position for years to come. First launched in Winnipeg in January of 2010, fibre to the home will also be built in the City of Selkirk to the north of Winnipeg over the next two years. This state of the art broadband network will deliver high speed Internet, TV and telephone services over a single fibre with high reliability and quality while reducing long term capital and operating costs.

Allstream

Allstream's performance was stable when compared to the second half of 2009. Converged IP, Allstream's flagship strategic growth product, grew by 6.1% compared to the first quarter of 2009. Allstream continues to make progress in a slowly recovering market and expects improved performance in the next 12 months.

"Allstream continues to make progress with its strong IP-based portfolio, including capabilities our competitors cannot match," said Dean Prevost, President, Allstream. "We are seeing strong growth in our IP portfolio and as our IP footprint expands it is expected to enhance our growth and position Allstream for continued strong performance in this important line of business."

Through the first quarter of 2010 Allstream proceeded with a targeted expansion of its national IP fibre network into select multi-tenant buildings where opportunities exist for multiple sales. This investment is

intended to drive growth in higher-margin, on-net IP revenues in markets where Allstream has a proven track record of success. While it is still early, the results of this initiative are coming in ahead of plan. After three months of marketing to customers in targeted buildings, the Company has won 24 new contracts and is already bringing positive momentum to Allstream. Based on the sales cycle for Enterprise customers, however, the Company anticipates the benefits from this program should not begin to impact results positively until 2011.

OTHER DEVELOPMENTS

The following are various announcements made recently by the Company.

Corporate announcements

- On March 23, 2010, MTS Allstream announced it had been named as one of Canada's Best Diversity Employers for 2010. This annual competition recognizes employers across Canada that have exceptional workplace diversity and inclusiveness programs.
- On March 3, 2010, MTS Allstream welcomed the Federal Government's intention, in comments made in the Speech From The Throne, to lift the restrictions in foreign investment applicable to telecommunications carriers and thereby open up access to capital and foreign investment for Canadian telecommunications firms.
- On February 22, 2010, MTS Allstream announced that Lina Lawrence, Director of IT Business Services, was honoured by the Canadian Women in Communications, a national organization that raises the profile of women working in the communications field, with a Leadership Excellence Award.

Allstream announcements

- On April 28, 2010, Allstream announced it had been selected by Public Works and Government Services Canada to manage a multi protocol label switching network for Health Canada, the federal department that is committed to overseeing the health and wellness of Canadians from coast to coast. This is a three-year contract with the option to extend the contract for up to another four years.
- On March 29, 2010, Allstream announced the deployment of Multicast technology on its national Multiprotocol Label Switching network. Multicast is a bandwidth conserving technology that reduces traffic by simultaneously delivering a single stream of traffic to thousands of users.
- On March 10, 2010, Allstream announced it would participate in Défi Climat 2010, an annual event in the Province of Quebec designed to mobilize citizens to contribute to the reduction of greenhouse gas emissions through concrete action.

MTS announcements

- On April 9, 2010, MTS and True North Sports and Entertainment announced the new sporting facility being built to serve the Winnipeg community will be named the MTS Iceplex as part of a naming rights partnership agreement. The MTS Iceplex is a 172,000 square foot multi-plex facility that includes such amenities as four NHL regulation-sized ice pads, 20 player dressing rooms, a pro shop, concession and vending, and a restaurant and lounge, high performance training facilities and office space for MTS Iceplex management and staff, Hockey Canada and Hockey Manitoba.

- On April 6, 2010, MTS announced it will deploy its Fibre To The Home Network in the City of Selkirk and adjoining areas of the Rural Municipalities of St. Clements and St. Andrews in Manitoba. The project will take place over two years. It is part of MTS's multi-year broadband investment program and is contained within MTS Allstream's previously announced capital guidance for 2010
- On March 26, 2010, MTS announced it would be a Presenting Partner for Manitoba Homecoming 2010, a year-long celebration encouraging Manitobans to reconnect and rediscover what Manitoba has to offer.
- On March 9, 2010, MTS announced improved CDMA wireless data coverage in Alberta and British Columbia. The enhanced coverage provides MTS customers with 3G wireless data coverage in major centres like Vancouver, Victoria, Calgary and Edmonton as well as additional access throughout rural areas in both provinces and communities like Whistler, Kelowna, Jasper and Banff.

Quarterly Conference Call

MTS Allstream's first quarter 2010 conference call with the investment community is scheduled for 4:00 p.m. (Eastern time) on May 6, 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 May 19, 2010, and can be accessed by dialing 1-800-642-1687 or 1-416-849-0833 (access code 66608921).

Note

MTS Allstream's interim Management's Discussion and Analysis ("MD&A") for the three months ended March 31, 2010 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 includes forward-looking statements and information (collectively, the "statements") about our corporate direction, business opportunities, operations, 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 first quarter of 2010, as well as our 2009 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 first quarter 2010 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 Refer to MTS Allstream’s first quarter 2010 interim MD&A for the definition of free cash flow.