



Q2 2010 Financial Results

August 6, 2010

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First half 2010 summary

- Updated 2010 financial outlook reflects H1/10 performance and revised expectations for balance of year
- The results continue to reflect the impact of the economic downturn on Allstream's operations and ongoing aggressive price competition from the main cable competitor in Manitoba
- On track to reach between \$30 M to \$40 M in annualized cost savings by end of 2010
- MTS continues to have highest levels of operating efficiency in industry and strongest competitive position in Manitoba
- Allstream's EBITDA performance consistent for prior three quarters
- Early results from 2010 strategic investments ahead of plan

Q2 2010 financial results (continuing operations)

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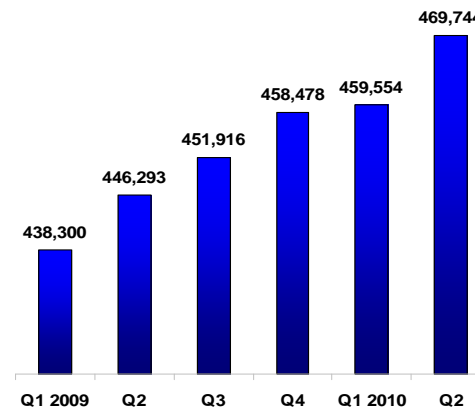
(in millions \$, except EPS)	2010			2009	
	Q2	Q1	Q4	Q3	Q2
Revenue	443.1	442.0	453.8	452.3	452.8
EBITDA	149.3	145.3	146.8	157.7	159.5
EPS	0.53	0.46	0.59	0.68	0.66
Free cash flow	62.3	54.9	43.4	62.3	59.6
Capital expenditures/ revenue	13.3%	12.8%	16.1%	14.9%	14.0%

**Results sequentially in line with prior two quarters but
not in line with expectations**

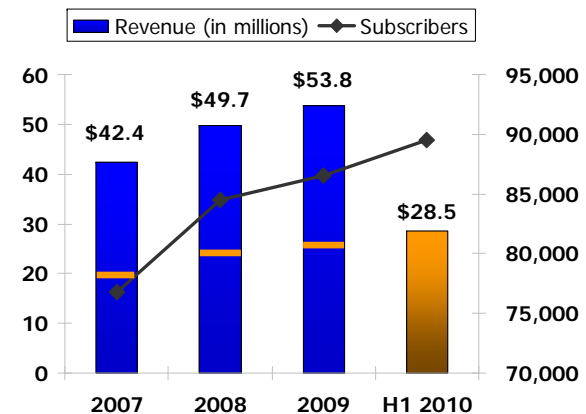
Q2 2010 MTS operating highlights

- Wireless leading the way with 7.3% revenue growth
 - Subscribers up 5.3%
 - ARPU up 2.7%
- Television subscribers up by 7.0% led by our new Ultimate TV
 - TV revenues up 8.1%
- High-speed Internet connections up by 3.1%
- Residential line losses still industry-leading at 5.5%
- Number of customer bundles up 10.1%

Wireless subscribers



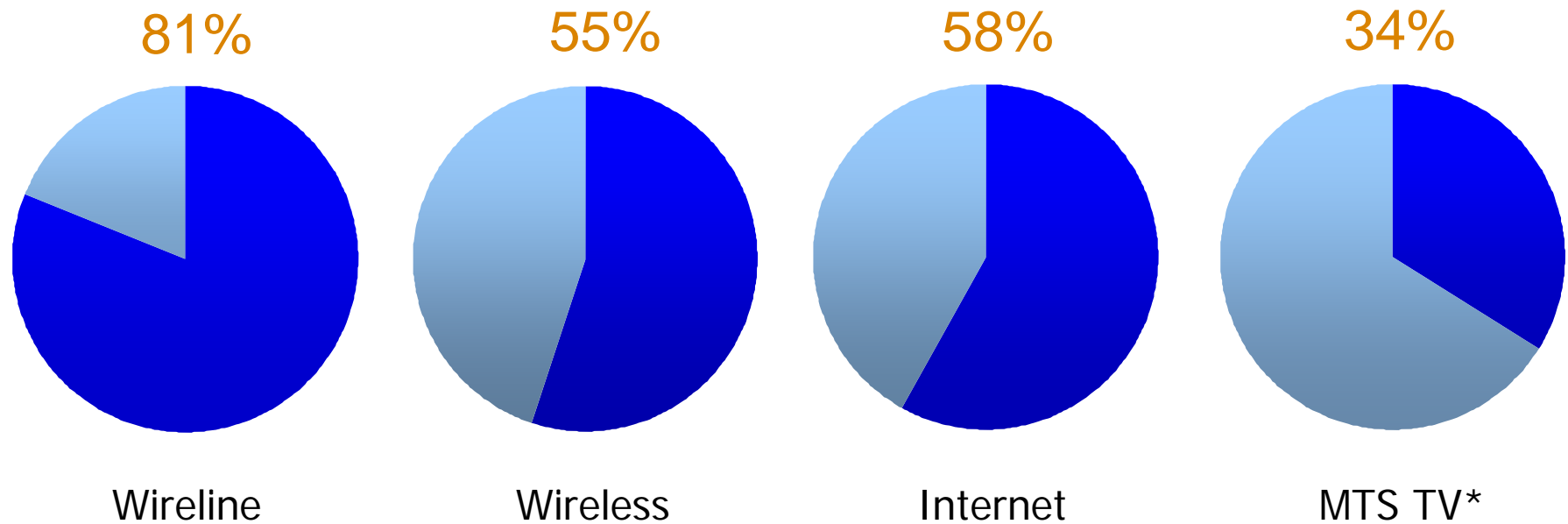
Digital television growth



Continued success in growing the customer base

Market leadership in Manitoba

Market share



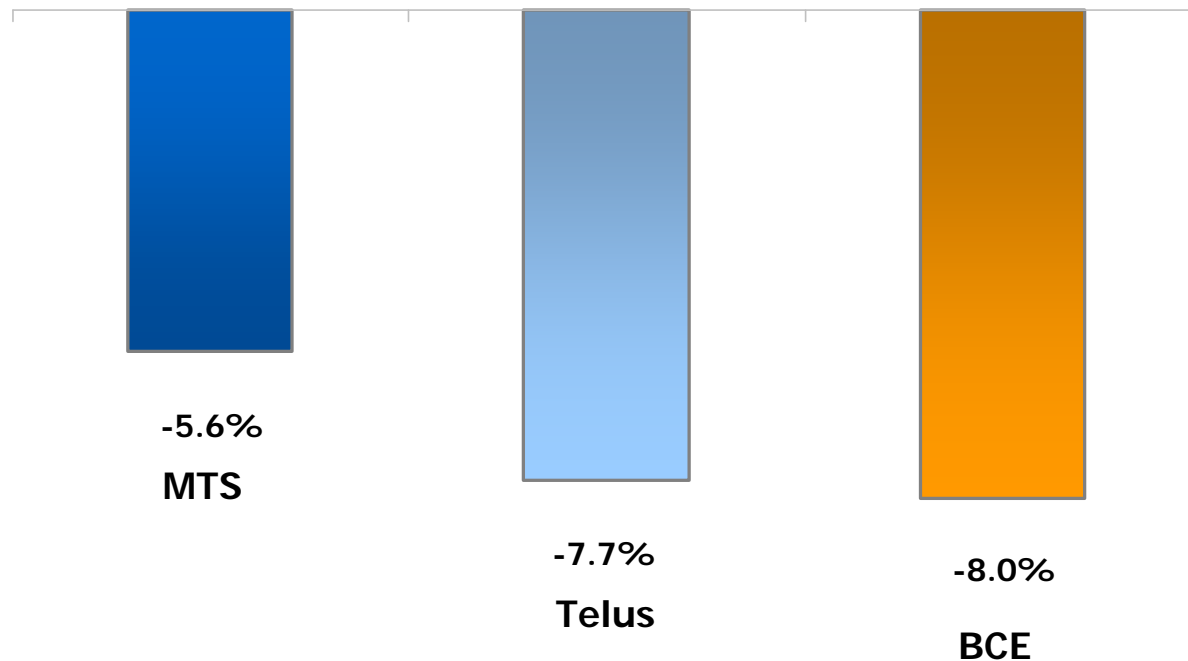
*Winnipeg market



Lowest NAS loss vs. peers*

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- Bundles contributing to improving trend in NAS erosion
- MTS NAS erosion compares favourably to peers



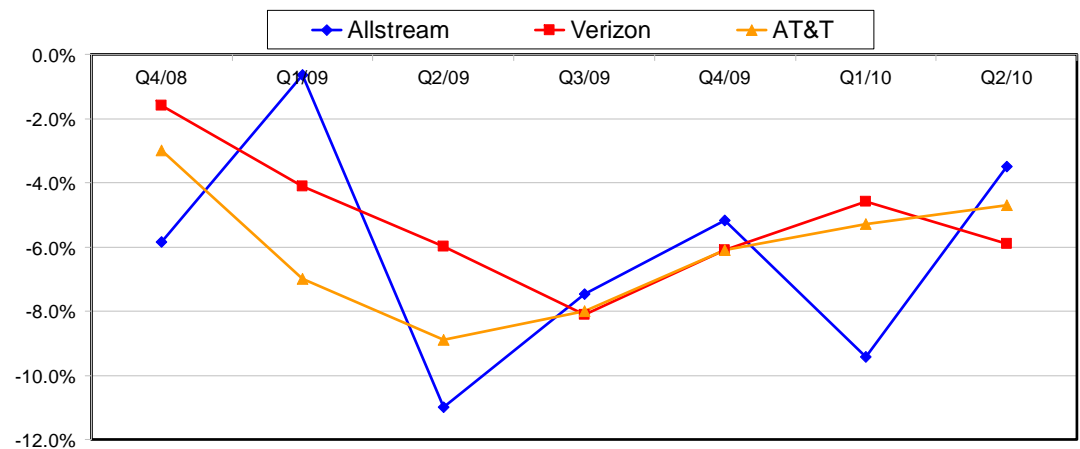
* Residential Q1 2010 v. Q1 2009; source: company financials.

Meeting the challenge of local competition

Q2 2010 Allstream operating highlights

- Allstream results
 - Revenues and EBITDA decreased reflecting stronger economy prior to Q3/09
 - Allstream delivered sequential EBITDA improvement of 2.3%
- Encouraged by IP sales momentum in Q2
 - Highest level over the past six quarters

Total business revenue declines per quarter*

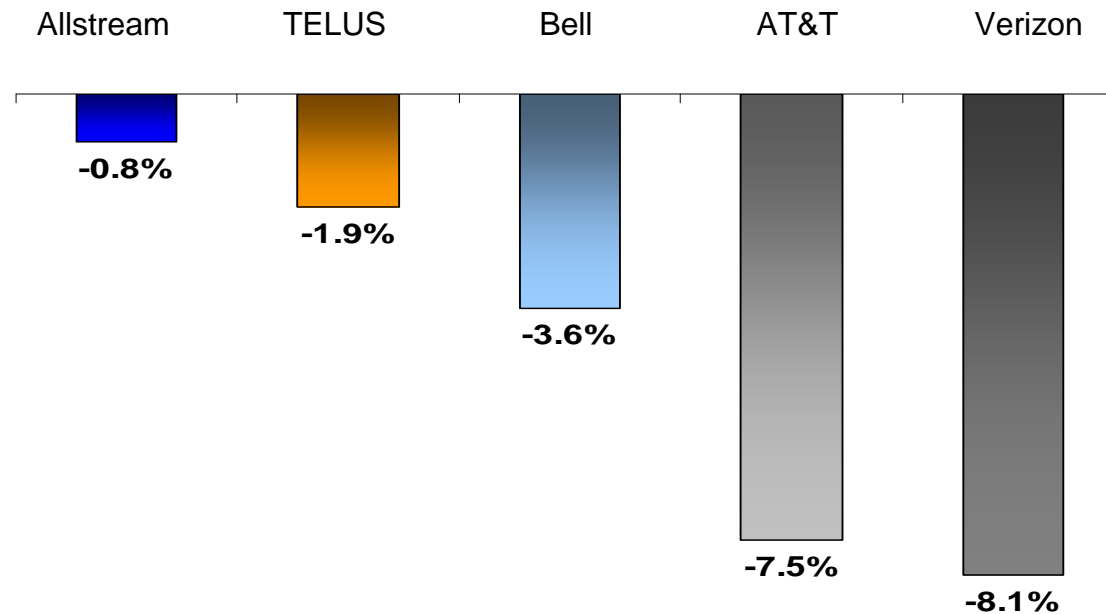


* Source: BMO Capital Markets; Company reports

- Allstream experiencing same trends as other major enterprise companies

Lowest business access lines loss vs. peers*

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- Allstream business access lines compares favourably to peers
- Meeting the challenge of competition

* Source: company financials Q1 2010

2010 financial outlook (continuing operations)

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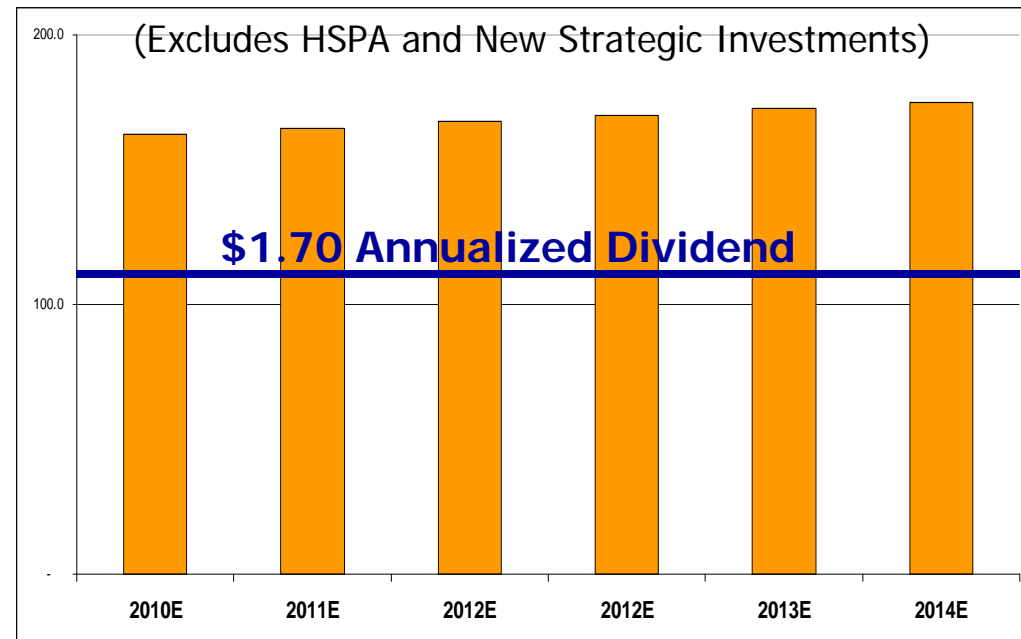
	Updated outlook	Original outlook
Revenues	\$1.740 B to \$1.790 B	\$1.780 B to \$1.880 B
EBITDA	\$570 M to \$600 M	\$585 M to 635 M
Earnings per share	\$1.80 to \$2.15	\$2.00 to \$2.15
Free cash flow	\$160 M to \$190 M	\$175 M to \$225 M
Capital expenditures	14% to 16% of revenues	14% to 16% of revenues

Updated outlook includes low end of previous outlook ranges

Revised dividend policy

- MTS free cash flow supports our revised dividend
- Dividend and new MTS strategic investments expected to be fully funded from MTS operations
- Funding for strategic investments in MTS will be adjusted depending on actual in-year cash flow
- Allstream expected to be cash neutral in two or three years.

MTS forecasted free cash flow compared to new annualized dividend



MTS cash flow provides solid foundation for dividend

Revised dividend policy aligned to peers

	Current annual dividend	Dividend Yield	Dividend Policy
MTS Allstream revised	\$1.70	6.2%	70% to 80% of MTS free cash flows
BCE	\$1.83	5.9%	65% to 75% of EPS before one time items
Bell Aliant (proforma)	\$1.90	7.5%	75% to 85% of free cash flow after tax
Telus	\$2.00	4.8%	45% to 55% of sustainable earnings

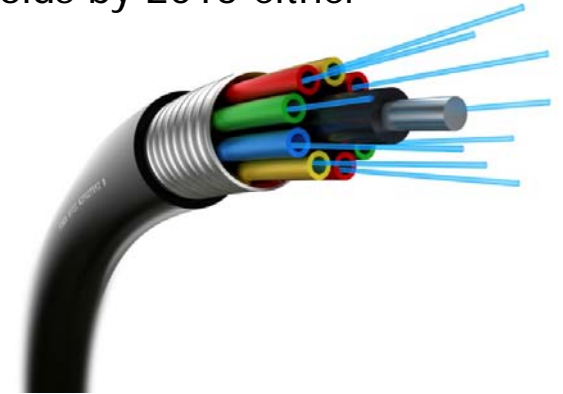
- MTS Allstream revised dividend rate to \$1.70 annually or \$0.425 per quarter
 - Aligns payout ratio with peers
 - Adjusts payout ratio to sustainable level
 - Provides important funds for reinvestment in highly profitable MTS operations



*Based on August 5, 2010 share prices. Source : Bloomberg.

Multi-year strategic investment in FTTH in Manitoba

- From 2011 to 2015, Company intends to accelerate FTTH technology deployment across Manitoba
 - Expanding in locations with no broadband or TV facilities
 - Expected to strengthen MTS's product leadership and lower long-term operating costs
- \$125 million FTTH program expected to pass almost 120,000 homes in Manitoba (80,000 in Winnipeg) by year end 2015
 - Average estimated cost \$780 per home passed (60% aerial/ 40% buried)
- Broadband coverage expected to reach 65% of Manitoba households by 2015 either FTTH or VDSL
 - VDSL footprint will cover 96% of Winnipeg
 - 120,000 homes covered by FTTH
 - Best coverage in Canada for incumbent
 - Will enable MTS to provide customers with access to its most advanced high-speed Internet and television services
 - Provides solid opportunities for growth in TV, broadband and bundles
- Leverage HSPA billing environment to create single billing platform
 - Over 5 years as funds become available

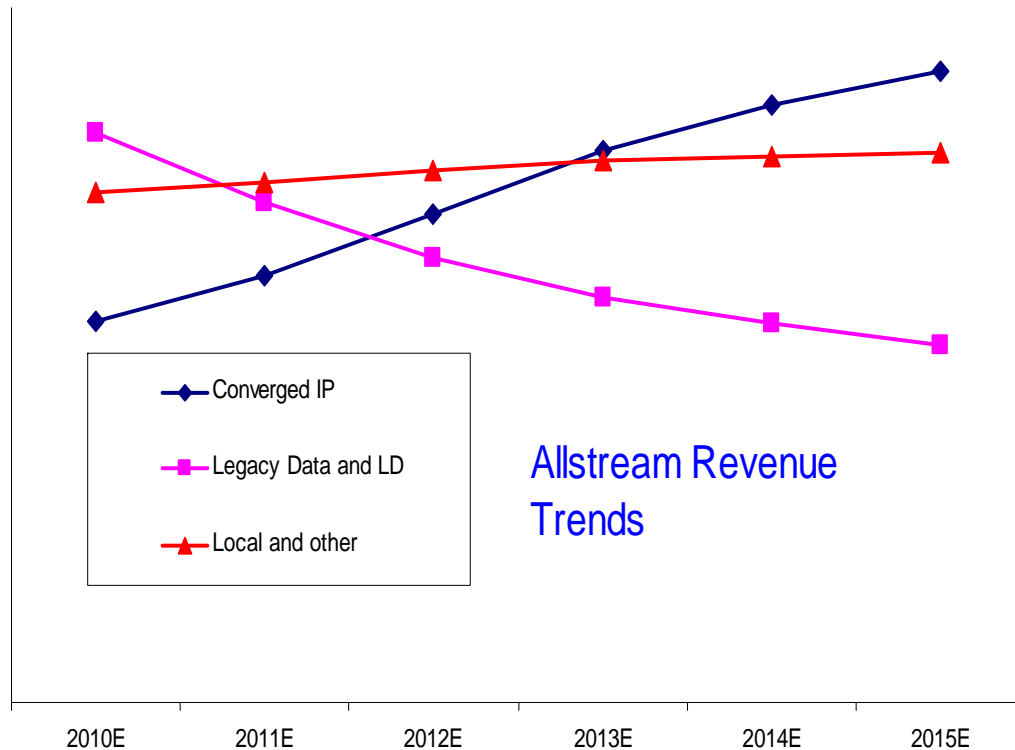


Keeping MTS ahead of the competition

Repositioning Allstream to cash neutral

- Strengthening and positioning business to benefit from strong demand for IP-based products and services
 - Fastest growing portion of the \$10 billion Canadian telecom enterprise market
 - More than 25% of Allstream's business generated from converged IP
 - Solid track record with three year CAGR in IP revenues more than 10%
 - Allstream's highest margin product with average gross margin of 72%
- Pursuing disciplined metropolitan network expansion to drive IP growth and margin improvement
 - Three year plan to extend fibre to 675 multi-tenant buildings within 200 meters of existing national network in Toronto, Montreal and Vancouver
 - 2010 investment success-based, up to \$15 million
 - Enhancing ethernet capabilities in collocation areas
 - Market in select buildings represents \$200 million revenue opportunity

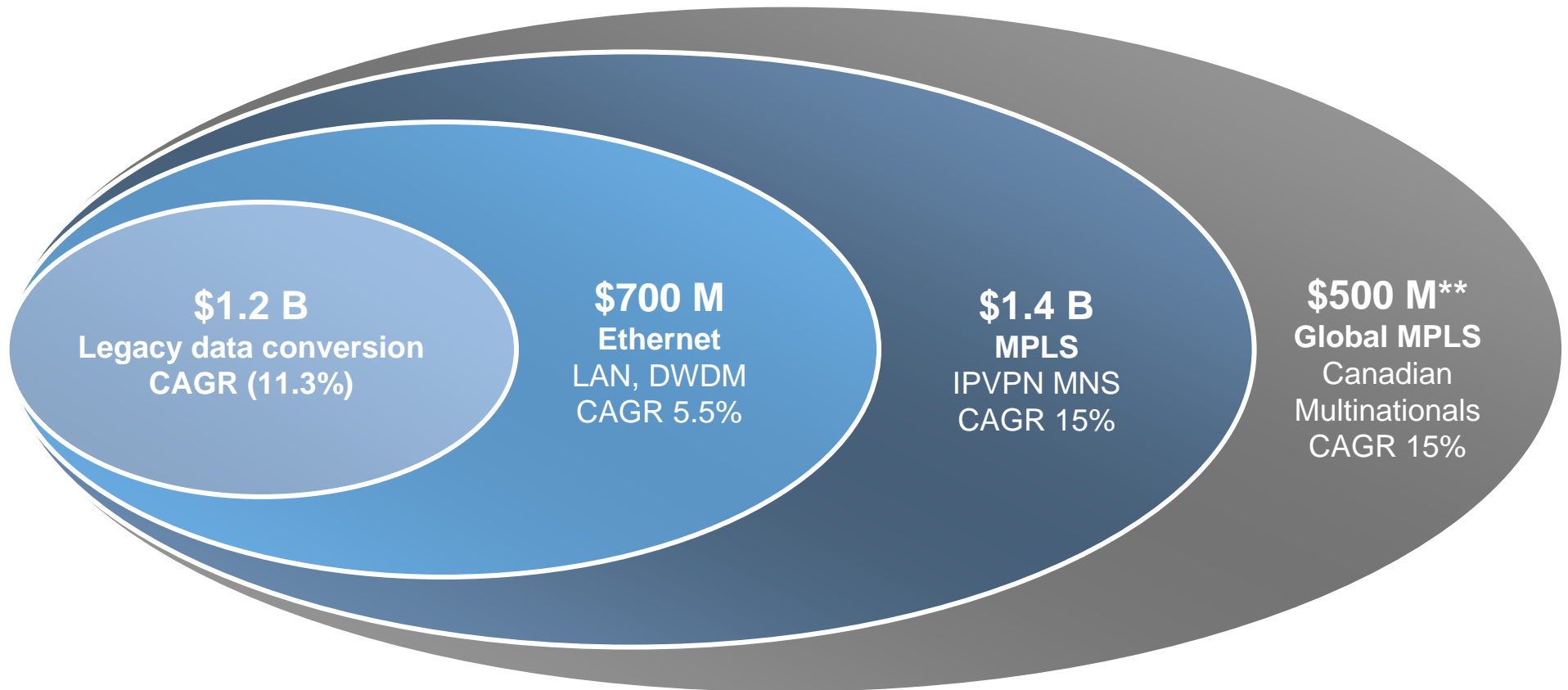
Allstream trends over the next few years



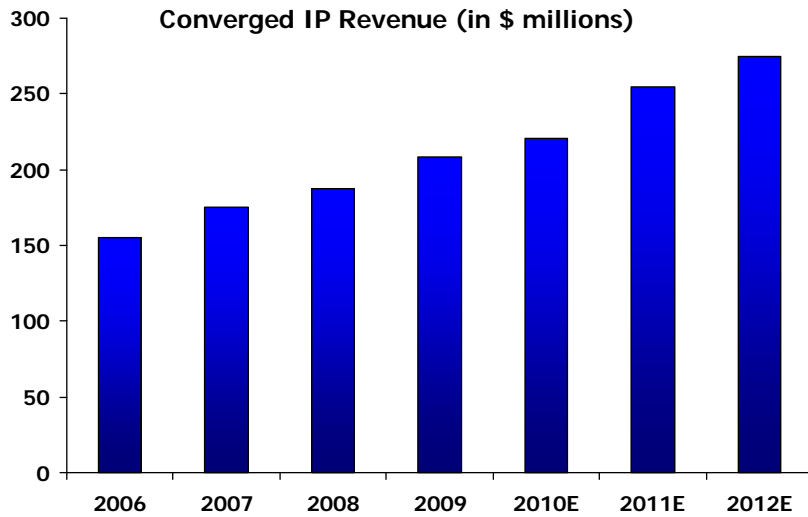
- IP expected to grow at 10% to 12%
- LD and legacy data revenues expected to decline between 9% and 11%
- Other revenue lines (local access and unified communications) expected to remain relatively stable
- Investment in fibre network will enable shift of more business to higher services

2010 Canadian Ethernet & IP market opportunity*

Total opportunity \$3.8 B in 2010*



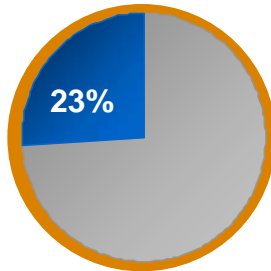
Repositioning Allstream



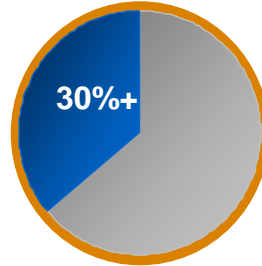
- An IP-centric carrier with enhanced margins
 - Through lower telco costs, improved efficiencies, and reduced or eliminated legacy services support
- A national IP fibre network connected to 2,500+ buildings in major Canadian cities through success based expansion
- Highest margin product line expected to represent more than 30% of total revenues by 2012

Converged IP Revenue

2009



2012 E



■ Converged IP ■ Other revenues



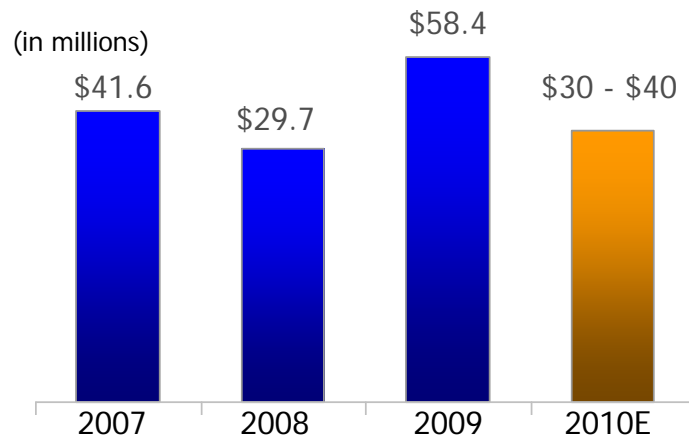
Repositioning Allstream – An opportunity

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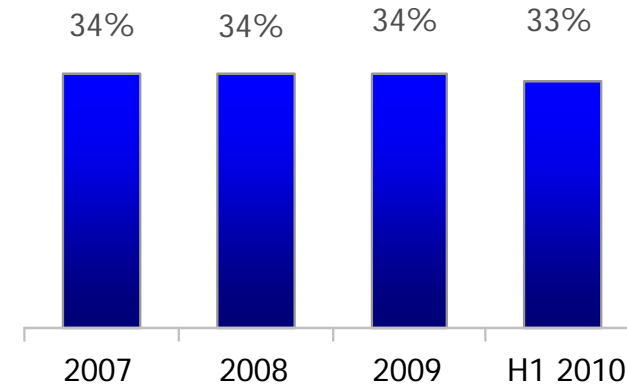
- As IP sales grow over the next few years, results expected to meaningfully improve as business moves to cash neutral in two to three years
 - Capital will be mostly success-based and around \$100 million annually
 - Additional cost reductions from legacy and telco estimated costs of \$250 million
- Opportunity to benefit from changes to the foreign investment restrictions in telecom which is positive for Allstream
 - Potentially enables foreign investor interest in Allstream
 - Potentially enables establishment of strategic partnerships with a foreign provider with customers in Canada

Focus on cost efficiency

Annualized cost reductions



EBITDA margins



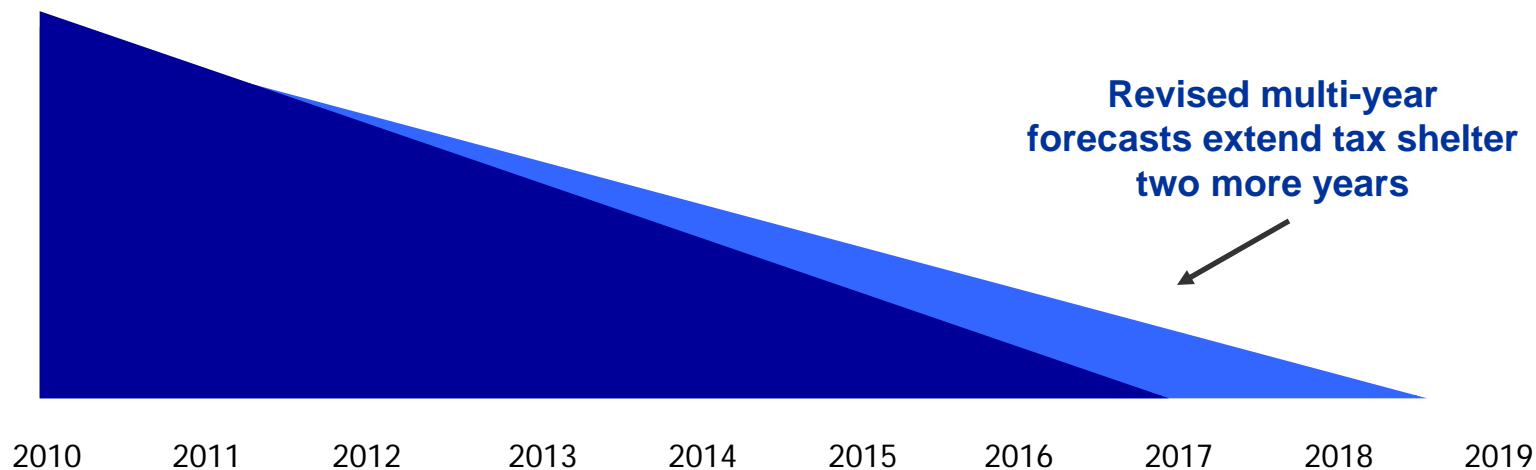
- \$303 million in annualized savings achieved since 2005
- 2009 program achieved high-end of target range; annualized savings \$58.4 million
- 2010 program target range is \$30 million to \$40 million
- **\$29.2 million achieved H1/10**

- EBITDA margin from continuing operations stable
- 2010 expectation is for continued stability

Long history of disciplined cost management

Unique tax assets – no cash tax payment before 2019 ²⁰

Estimated NPV tax assets at
June 30, 2010: \$320M



Tax asset worth \$5.00 per share

Stable revenues and EBITDA (continuing operations)*

