



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

The financial information contained herein has 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 and second quarters of 2010, as well as our 2009 annual MD&A.

Manitoba Telecom Services Inc. Reports Second Quarter 2010 Results

Company Modifies Quarterly Dividend Rate on Reduced Outlook and Announces Plan for \$125 Million Multi-Year Investment In Fibre-to-the-Home In Manitoba

WINNIPEG, MB, August 6, 2010 – Manitoba Telecom Services Inc. (the "Company" or "MTS Allstream"), including its two primary operating units "MTS" and "Allstream", today reported its financial results for the second quarter ended June 30, 2010.

As discussed in greater detail below, MTS Allstream's results for the second quarter of 2010 were up marginally from the first quarter of 2010 and are consistent with the second half of 2009, but were lower for several key metrics when compared with the second quarter of 2009 and lower than management initially expected for 2010. These 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.

MTS Allstream's Board of Directors has approved an update to the Company's 2010 financial outlook. Consistent with its statements made in February that the prior dividend level was based on the business performing according to its expectations, the Board of Directors set a new dividend payout ratio target of 70% to 80% of free cash flows¹ from its highly profitable MTS telecom operations in Manitoba, which have delivered stable and solid results over the last 10 years. As a result of the updated outlook and payout target, the Board revised the quarterly dividend to \$0.425 per outstanding common share. This represents an annual dividend of \$1.70 and a yield of 6.2%, based on the Company's closing share price August 5, 2010.

Commenting on the change in the Company's dividend policy, Pierre Blouin, Chief Executive Officer, said, "The change to the dividend reflects the Company's current outlook and provides important funds for reinvestment in the Company's highly profitable Manitoba operations. The Board took great care to set the new dividend rate at a level that it believes is fully sustainable based on today's revised financial outlook and importantly leaves room for potential increases when major strategic investments are completed and/or business conditions improve. For now, MTS Allstream will continue to pay a very attractive dividend that is

more in line with our peers, while significantly strengthening the Company's long-term strategic advantages in Manitoba."

MTS plans to invest \$125 million over the next five years to accelerate its strategic investment in fibre-to-the-home technology across the province of Manitoba. By year-end 2015, the Company expects to provide fibre-to-the-home to close to 120,000 homes in many Manitoba communities, including areas of Winnipeg.

More importantly, this plan when completed would cover 65% of Manitoba households with either VDSL or fibre-to-the-home technology. This will enable MTS to provide customers with access to the most advanced high-speed Internet and television services. Based on announced plans across the industry, this would place MTS in a unique position with the greatest penetration of VDSL and FTTH services in Canada. The Company also plans to invest surplus cash flows to fund the next phase of its integrated billing platform initiative during this time frame to consolidate its remaining TV, Internet and wireline customers. This is expected to result in significant future cost savings as well as an improved ability to serve and sell.

Over the past several years, MTS has proven to be one of the best equipped, and most successful telecommunications companies in Canada at defending its core business against cable competition and gaining share in the television market. This is in large part due to MTS's decision in 2003 to proactively build its broadband infrastructure in Manitoba and quintuple play offering. Today's announcement follows the same principle of market and technical leadership in Manitoba.

More details on this announcement can be found in the Company's news release on its fibre-to-the-home investment in Manitoba also issued today.

Updated 2010 Outlook

MTS Allstream's updated 2010 financial outlook is intended to provide stakeholders with more clarity and transparency on its expectations for the second half of 2010. The updated outlook incorporates second quarter results and assumes a continuation of aggressive promotional pricing by MTS's main cable competitor in Manitoba for the remainder of 2010 and the slow recovery of the national enterprise market.

<i>2010 Financial Outlook - Continuing Operations²</i>		
	Updated 2010 outlook	Original 2010 outlook
Revenues	\$1.740 billion to \$1.790 billion	\$1.780 billion to \$1.880 billion
EBITDA ³	\$570 million to \$600 million	\$585 million to \$635 million
EPS ⁴	\$1.80 to \$2.15	\$2.00 to \$2.50
Free cash flow	\$160 million to \$190 million	\$175 million to \$225 million
Capital expenditures	14% to 16% of revenues	14% to 16% of revenues

The Company expects its financial results to improve over time as competitive conditions stabilize in Manitoba and as enterprise customers begin to reinvest in telecommunications and information technology. Management continues to take action to drive better near term performance. The Company achieved \$11.6 million in annualized savings in the second quarter from its cost reduction efforts. This brings the Company's total annualized cost savings to \$29.2 million for the first six months of the year against a 2010 target of \$30 million to \$40 million.

In addition, in 2009, the federal government outlined a series of reform proposals intended to help federally regulated pension plan sponsors better manage their funding obligations, while also providing member benefit security. Although the enabling legislation has been passed, certain new regulations were not finalized and these proposals were not enacted by June 30, 2010 as had been expected. As a result the Company made a solvency funding payment of \$7.3 million in July 2010. If the regulations are in place before the next quarterly payment is due, the Company expects to have no further solvency funding in 2010.

Allstream's long-term prospects are another key element of the Company's 2010 and multi-year outlook.

"We believe there is an achievable path to bring Allstream to a cash neutral position over the next few years," said Mr. Blouin. "We have been surprised by the slow pace of recovery in the national enterprise market, but continue to believe Allstream is well-positioned to benefit from increasing demand for IP-based services. In the near-term, we are seeing promising returns on our strategy of extending fibre in select urban markets. We also believe the removal of foreign investment restrictions has significant potential to open up valuable new opportunities for Allstream."

With more than 25% of its business generated from converged IP and a cumulative average growth rate in converged IP revenues of about 10% over the past three years, Allstream is actively positioning itself as a strong competitor in the fastest growing portion of Canada's \$10 billion telecom enterprise market. Allstream's 2010 reported converged IP revenues have been below prior growth rates because they reflect sales made during the recession in 2009. This past June and July, however, sales returned to the level required to hit double-digit revenue growth rates, which bodes well for 2011.

Allstream's converged IP business, which today represents over \$200 million of its annual revenues, is projected to grow by 10% to 12% over the next three years, while its legacy suite of products (long distance and legacy data services), which had 2009 annual revenues of about \$300 million, is expected to decline by 9% to 11% over the same period. Other Allstream products are expected to remain relatively stable.

Q2 2010 Financial Results and Divisional Highlights

Quarterly Financial Highlights*

<i>(in millions \$, except EPS)</i>	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	0.54	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%

*All financial metrics in this table are from continuing operations

MTS

The aggressive promotional pricing actions from MTS's main cable competitor reduced margins in the second quarter and through the first six months of 2010, compared with a year earlier. Despite this competition, in the second quarter of 2010 MTS has grown its customer base in key strategic products, such as wireless, high-speed Internet and TV which grew by 5.3%, 3.1% and 7.0%, respectively, year-over-year.

"Our action plans to fight aggressive pricing pressures in Manitoba are delivering the results expected. We achieved strong results in our most important growth product lines and the number of customers utilizing

our bundled services climbed by 10%,” said Kelvin Shepherd, President of MTS. “Our Ultimate TV services continue to grow in popularity reflecting our product superiority over cable. We now have more than 25,000 customers using MTS Ultimate TV. Our wireless results were also very strong in the quarter, with revenues growing by more than 7% driven by growth in our subscriber base and a 58% increase in wireless data revenues.”

During the quarter, MTS expanded the availability of its Ultimate TV service to more than 80% of Winnipeg households, and further advanced its HSPA network build and fibre-to-the-home deployment. MTS has already started its deployment of its fibre-to-the-home network in the City of Selkirk to the north of Winnipeg, and is on track to migrate 2,200 subscribers to its new fibre optic network by the end of 2010.

Allstream

Through the second quarter of 2010, Allstream continued to show signs of stabilizing in a market that is recovering slowly. Revenues and EBITDA in the second quarter were lower than a year ago, reflecting the stronger economy in the second quarter of 2009, prior to the full impact of the recession. On a sequential basis compared to the first quarter of 2010, Allstream’s revenues declined slightly and EBITDA improved by 2.3%. The sequential EBITDA improvement reflects the impact of cost cutting programs as well as the Company’s focus on IP services where margins are the highest and on attracting and retaining customers that generate on-net revenues.

“Business conditions remain challenging for Allstream but we were pleased with the sales momentum we generated in June and July, and the success we are experiencing from our strategic investment in our national IP fibre network. We are confident that converged IP will return to delivering double-digit growth rates to support bringing back Allstream to a cash neutral position over the next few years,” said Dean Prevost, President of Allstream.

Through the first half of 2010, Allstream continued to advance its three-year plan to extend fibre to 675 multi-tenant buildings where opportunities exist for multiple sales. This is an important part of a cost-effective strategy to expand Allstream’s IP on-net capability to address a larger share of Canada’s \$10 billion enterprise market. The investment is intended to drive growth in higher-margin, on-net IP revenues in markets where Allstream has a proven track record of success. The results of this targeted, success-based investment continue to come in on plan. At the end of the second quarter, Allstream has earned 54 new IP contracts through this initiative, including multiple sales in the same connected buildings as well as a further 35 wins in Allstream’s collocation footprint. Based on the sales cycle for enterprise customers, the Company anticipates the benefits from this program should begin to positively impact financial results in 2011.

MTS Allstream has submitted its position to Industry Canada as part of the national consultation on foreign investment restrictions supporting the removal of the restrictions in the Canadian telecom market.

Settlement agreement with Bell Mobility

On August 5, 2010 the Company executed a comprehensive settlement agreement with Bell Mobility in respect of various historical disputes, including an arbitration proceeding relating to the provision of wireless services in Manitoba. Under this confidential settlement agreement, the Company is pleased to announce that it is receiving over \$20 million of value from Bell Mobility and its affiliates, including a \$10 million one-time cash payment received August 5, 2010.

Quarterly Dividend

The Company's Board of Directors declared a cash dividend of \$0.425 per share for the third quarter of 2010, which is payable on October 15, 2010 to shareholders of record on September 15, 2010.

Dividend Reinvestment Plan

In June 2010, the Company launched a dividend reinvestment plan ("DRIP") which provides shareholders with the option to have dividends automatically reinvested in additional common shares without incurring brokerage fees. The DRIP also provides shareholders with the option to make cash payments to purchase additional common shares. Since its launch, participation levels for the DRIP plan have been in line with the Company's peers, with the number of shares participating approximating about 3.3%.

OTHER DEVELOPMENTS

The following are various announcements made recently by the Company.

Corporate announcements

- On July 30, 2010, MTS Allstream filed its submission in the federal government's consultation on how the commitment in the Speech from the Throne to open up the telecommunications industry to global investment can best be met. In its submission, MTS Allstream endorses removal of the existing foreign investment restrictions which continue to represent an impediment to investment, competition and innovation and to Canadian leadership in the digital economy. MTS Allstream recommends the government accept the advice it has received from expert panels like the Competition Policy Review Panel and act quickly to lift the restrictions.
- On June 22, 2010, MTS Allstream announced that it was the sole telecommunications company to be named among the Best 50 Corporate Citizens in Canada by Corporate Knights Inc. in its annual ranking survey. Companies who made the list were evaluated and ranked based on pension health and quality, board and executive diversity, executive compensation, community investment, and carbon footprint.
- On June 8, 2010, Pierre Blouin, CEO, MTS Allstream addressed the 2010 Canadian Telecom Summit in Toronto, ON where he discussed the importance of removing foreign investment restrictions which would remove barriers to global investment in Canadian telecommunications and present an opportunity for Canada to lead in the digital economy.
- On May 17, 2010, Manitoba Telecom Services Inc. announced that the Toronto Stock Exchange approved the establishment of its Dividend Reinvestment and Share Purchase Plan for qualified holders of its common shares.

MTS announcements

- On August 6, 2010, MTS announced its plans to invest \$125 million over the next five years as part of an accelerated deployment of its fibre-to-the-home network named FiON in Manitoba.
- On July 30, 2010, MTS announced that it had been awarded a ten-year, \$100 million contract by the Government of Manitoba to provide IP network services to government, health and other public sector organizations. MTS will evolve the government from its current Provincial Data Network to a suite of enhanced next generation network services called the "Manitoba Network".

- On July 27, 2010, MTS announced that it had started the deployment of its brand new fibre optic network FiON in the City of Selkirk and is on track to migrate 2,200 subscribers by the end of the year.
- On May 31, 2010, MTS announced that it had renewed its sponsorship of Manitoban athlete Adam Speirs, one of Canada's top professional golfers.
- On May 13, 2010, MTS announced a three-year contract renewal with Manitoba-based company New Flyer Industries Canada ULC, North America's leading manufacturer of heavy-duty buses. MTS will support New Flyer's wireless devices, voice and data services and long distance calling.

Allstream announcements

- On June 15, 2010, Allstream announced that its contract with NAV CANADA, Canada's civil air navigation services provider, had been renewed for the next three years, with an option to renew for an additional three years. The contract includes the enhancement of business communication solutions and will allow NAV CANADA to take full advantage of the latest WAN technology, such as managed multi protocol label switching.
- On June 3, 2010, Allstream announced that the expansion of the Allstream IP fibre network in targeted cities across Canada had been gaining positive momentum and generating solid new sales with more than 20 new contracts signed with enterprise customers such as Williamson-Dickie Canada Co., First Financial Underwriting Services Inc., Hibernia Atlantic, Delmar and OneConnect Services Inc.
- On May 11, 2010, Allstream announced that it had attained Vendor of Record status with the Ontario Ministry of Government Services for the provision of videoconferencing products, services and support.

Quarterly Conference Call

MTS Allstream's second quarter 2010 conference call with the investment community is scheduled for 9:00 a.m. (Eastern time) on August 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 August 19, 2010, and can be accessed by dialing 1-800-642-1687 or 1-416-849-0833 (access code 83887081).

Note

MTS Allstream's interim Management's Discussion and Analysis ("MD&A") for the three and six months ended June 30, 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 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 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. Manitoba Telecom Services Inc.'s common shares

are listed on Toronto Stock Exchange (trading symbol: MBT). Customers, stakeholders and investors who want to learn more about MTS Allstream services 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, future financial results and performance and future cash flows and distributions to shareholders 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 and second 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. In addition, any future declaration of dividends is at the sole discretion of the Board of Directors and is subject to applicable law.

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.

1 Refer to MTS Allstream’s second quarter 2010 interim MD&A for the definition of free cash flow.

2 Refer to MTS Allstream’s second quarter 2010 interim MD&A for the definition of continuing operations.

3 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.

4 EPS is earnings per share.

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FOR FURTHER INFORMATION, PLEASE CONTACT:

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