



Stock Symbol: MBT

NewsRelease

MTS Allstream reports 2011 fourth-quarter and full-year results, and announces 2012 financial outlook

WINNIPEG, MB, February 10, 2012 – Manitoba Telecom Services Inc. (the “Company” or “MTS Allstream”), including its two operating divisions, MTS and Allstream, today reported net earnings of \$167.1 million for the year ended December 31, 2011. Earnings per share (“EPS”) were \$2.55, compared with \$2.18 for the year ended December 31, 2010.

Fourth-quarter net earnings were \$36.9 million. EPS were \$0.56, compared with \$0.46 for the three months ended December 31, 2010.

Annual highlights:

- **MTS Allstream met 2011 improved financial guidance and its 2012 financial guidance demonstrates continued progress**
- **Earnings per share were \$2.55: an increase of 17.0% over 2010**
- **Free cash flow increased by \$95.7 million to \$129.8 million in 2011**
- **MTS wireless revenues up 8.6%, ARPU up \$2.34, driven by 46.1% wireless data revenue growth**
- **MTS IPTV revenues up 19.3%; 64% of IPTV customers now subscribe to the premium service**
- **Allstream EBITDA up 34.0%, with IP revenue growth of 8.7%**
- **Allstream added 299 buildings in 2011, totaling 2,388 buildings on its IP fibre network**
- **Board of Directors declares \$0.425 per share Q1 2012 cash dividend**

“We are focused on remaining the leading telecommunications provider in Manitoba and growing Allstream’s converged IP business. In 2011, we made significant progress on these strategic objectives by launching our 4G wireless network in Manitoba and by extending Allstream’s national fibre network to 2,388 new buildings,” said Pierre Blouin, Chief Executive Officer. “We saw a significant increase in our free cash flow for the year, which was driven by lower capital expenditures, the benefit of our cost saving programs and the growth in our strategic lines of business. Manitoba Telecom Services is well positioned to continue to perform for our customers and our shareholders in 2012.”

MTS Allstream

<i>(in millions \$, except EPS and capital expenditures/revenues)</i>	2011 results	2011 outlook (at August 4, 2011)	2010 results
Revenues	1,765.6	1,700 to 1,780	1,782.6
EBITDA ¹	594.4	580 to 610	564.8
EPS ²	\$2.55	\$2.40 to \$2.80	\$2.18
Free cash flow ³	129.8	110 to 150	34.1
Capital expenditures/revenues	16.3%	16% to 18%	20.3%

¹ MTS Allstream defines EBITDA as earnings before interest, taxes, depreciation and amortization, and other income (expense). See the Notes section of this news release for further information.

² Earnings per share ("EPS") are based on weighted average shares outstanding of 65.5 million and 64.7 million for the twelve months ended December 31, 2011 and December 31, 2010, respectively. The increase in the number of weighted shares outstanding is mainly due to participation in the Company's dividend reinvestment plan.

³ MTS Allstream defines free cash flow as cash flows from operating activities less capital expenditures, and excluding changes in working capital. See the Notes section of this news release for further information.

MTS Allstream delivered solid financial performance in 2011. MTS Allstream's EBITDA was up 8.4% to \$146.9 million in the fourth quarter and 5.2% to \$594.4 million for the year, when compared to the same periods of 2010. Although consolidated revenue declined 1.6% in the fourth quarter and 1% for the full year due to declines in local, long distance and legacy data services, this was consistent with the Company's improved 2011 financial guidance and reflected management's plan to exit low-margin and declining lines of business. Free cash flow was up \$82.4 million, to \$18.3 million in the fourth quarter, and up \$95.7 million, to \$129.8 million in 2011, when compared to the same periods of 2010, due to higher EBITDA, lower capital expenditures and lower pension costs, partly offset by higher wireless costs of acquisition. Capital expenditures were lower when compared to 2010, due to higher-than-normal costs associated with the wireless 4G network build-out in 2010 and the favourable impact of an \$18.5 million scientific research & experimental development ("SR&ED") investment tax credit ("ITC") adjustment to capital expenditures received in 2011. The Company achieved \$28.8 million in annualized cost savings for the year, meeting its 2011 guidance range for annualized cost savings.

MTS

By leveraging its unique bundle offers, MTS increased the number of bundled customers by 5% to almost 89,000 and achieved strong customer retention and ARPU growth across all product lines in 2011. MTS delivered revenue growth of 2.7% for the fourth quarter and 2.3% for the full-year of 2011. Wireless, high-speed Internet and IPTV services generated strong revenue growth, which offset declines in local, long distance and legacy data services. MTS maintained an EBITDA margin of over 50% throughout the year and delivered EBITDA growth of 3.5% for the fourth quarter and 0.7% for the full-year of 2011.

MTS built on the successful 4G wireless network which launched March 31, 2011 through the remainder of the year, and grew wireless revenue and subscribers.

- Wireless data services are now available to 97% of Manitobans through MTS Allstream's 4G wireless network which, along with its Wi-Fi hotspots, provide the best customer experience in the province.
- Wireless revenues increased by 8.5% to \$92.8 million for the fourth quarter and by 8.6% to \$356.3 million for the full-year of 2011, driven by a 46.1% increase in wireless data revenues that has generated a 4.1% increase in ARPU for the year. At December 31, 2011, 41% of all postpaid wireless subscribers had data plans, up from 27% in 2010.

- Wireless subscribers totaled 496,432 as of December 31, 2011, up 2.6% over last year. MTS's extensive 4G wireless network, together with the planned deployment of Long Term Evolution ("LTE") technology in Winnipeg and Brandon in 2012, is expected to drive continued strong demand for wireless data services in the coming years.
- Blended wireless churn was 1.84% in the fourth quarter of 2011. Postpaid churn was 1.35% in the fourth quarter, up from 1.20% last year.

Broadband and converged Internet protocol ("IP") lines of business delivered strong performance in 2011, driven by demand for high-speed Internet and premium IPTV services. Broadband and converged IP revenues were up 12.8% at \$52.1 million and up 10.7% at \$201.1 million for the fourth quarter and full-year of 2011, respectively.

- Internet revenues grew 7.8% to \$26.2 million in the fourth quarter and 6.8% to \$102.6 million in 2011, with ARPU up 8.1% to \$38.56 when compared to 2010, due to fewer customers on promotional plans, subscriber growth and price increases. At December 31, 2011, 188,946 customers subscribed to high-speed Internet.
- IPTV revenues grew 21.8% to \$19.0 million in the fourth quarter and 19.3% to \$70.6 million in 2011, driven by fewer customers on promotional plans, subscriber growth, and price increases.
- MTS has more HD channels than its competitors. With its state-of-the-art Whole Home PVR, demand continues to grow for premium IPTV service: MTS maintained 34% of Winnipeg market share and increased the proportion of customers subscribing to its premium television service to 64% of its IPTV customer base.

MTS maintained industry-leading network access line erosion rates, though local, long distance and legacy data services continued to decline in the fourth quarter of 2011.

- Local access revenues declined by 3.8% to \$68.0 million in the fourth quarter and by 6.3% to \$274.9 million in 2011, due to ongoing residential and business network access services ("NAS") erosion and a \$5 million one-time deferral account adjustment in 2010. Residential NAS declined by 16,774 or 5.1%, while business NAS declined by 5,993 or 2.7%, compared to last year. MTS maintained 77% market share for local and access services.
- Long distance revenues declined by 9.4% to \$12.5 million in the fourth quarter and 8.2% to \$52.6 million in 2011, mainly due to customer migration to lower-priced long distance plans and reduced volumes, as customers continue to substitute long distance calling with alternative methods of communication, such as email, text messaging and social networking.
- Legacy data revenues were consistent year over year at \$8.3 million in the fourth quarter and up 2.5% to \$32.9 million in 2011, mainly due to an increase in wholesale data services.

Allstream

Allstream remains focused on winning high-margin, on-net IP revenues and exiting certain low-margin legacy services, while reinvesting cash flows from declining legacy services into IP platforms. Allstream's EBITDA increased by \$5.3 million, or 28.0%, to \$24.2 million in the fourth quarter of 2011 and by \$27.5 million, or 34.0%, to \$108.5 million in 2011, mainly due to higher gross margins from increased on-net IP sales wins and lower restructuring expenses. Consistent year-over-year EBITDA growth throughout 2011 proves Allstream's strategy is working. As part of the Company's strategic plan to transition away from low-margin products and services, Allstream revenues declined 6.6% to \$193.5 million in the fourth quarter and 4.6% to \$801.8 million in 2011.

- Allstream increased converged IP sales by 19% in the fourth quarter and 21% in 2011, when compared to the same periods of last year.
- Converged IP revenues were up 6.6% to \$60.0 million in the fourth quarter and up 8.7% to \$235.4 million in 2011, representing approximately 30% of Allstream's total revenues.

- Allstream continued its pursuit of high-margin on-net IP revenues. In 2011, 47% of the IP data circuits provisioned were completely on the Allstream IP fibre network; which is more than double the proportion in Allstream's existing base.
- The Company continued to make targeted, success-based investments in Allstream's IP fibre network to extend its on-net reach and provide incremental, high-margin revenue opportunities in 2011. Allstream added a total of 75 buildings to the IP fibre network in the fourth quarter of 2011, increasing Allstream's total number of fibre-fed buildings to 2,388 at December 31, 2011. These investments are expected to drive growth in markets where Allstream has a proven track record of success.

Allstream's local access revenues were consistent with the prior year, down \$0.4 million to \$49.5 million in the fourth quarter and down \$2.2 million to \$199.3 million in 2011. The decreases in local access rates and volumes were partly offset by continued growth in the number of small and medium-sized business customers subscribing to bundled services.

Allstream continues to implement its strategy to improve profitability of legacy services by exiting low-margin long distance and legacy data services, reducing costs and transitioning customers to IP-based services.

- Long distance revenues declined by 15.0% to \$23.8 million in the fourth quarter and 11.6% to \$104.3 million in 2011, mainly due to lower domestic and cross-border rates, along with decreased volumes in the domestic, cross-border and international markets.
- Legacy data revenues declined by 16.6% to \$24.7 million in the fourth quarter and 13.6% to \$105.3 million in 2011, due to customers' continued transition to broadband and other IP-based services.

Dividend

The Company's Board of Directors declared a quarterly dividend of \$0.425 per share for the first quarter of 2012, which is payable on April 16, 2012 to shareholders of record on March 15, 2012.

2012 outlook

MTS Allstream's 2012 financial guidance reflects the continued execution of its corporate strategy, including its three strategic objectives : i) to maintain MTS's industry-leading position in Manitoba, ii) to drive growth in IP-based services and improve profitability, and iii) to deliver superior customer service, while aggressively improving the Company's cost structure.

MTS Allstream's financial guidance for 2012 is as follows:

<i>(in millions \$, except EPS and capital expenditures/ revenues)</i>	2012 outlook	2011 results
Revenues	1,675 to 1,775	1,765.6
EBITDA	590 to 630	594.4
EPS	\$2.20 to \$2.65	\$2.55
Free cash flow ¹	110 to 150	129.8
Capital expenditures ²	18% to 20% of revenues	16.3% of revenues

¹ Free cash flow of \$129.8 million in 2011 includes the impact of an \$18.5 million SR&ED ITC adjustment to capital expenditures received in 2011; the free cash flow guidance range for 2012 does not contemplate a similar adjustment.

² The actual increase in capital spending in 2012 over 2011 is expected to be less than \$20 million after adjusting for the \$18.5 million SR&ED ITC adjustment to capital expenditures received in 2011. Excluding the impact of the SR&ED ITC, capital intensity would have been 17.4% in 2011.

“Our financial outlook demonstrates our confidence that our corporate strategy will continue to produce strong results,” said Pierre Blouin. “We are making the right investments by deploying LTE technology and by increasing our national fibre network reach in 2012.”

MTS Allstream expects consolidated revenue in 2012 to be \$1,675 million to \$1,775 million, compared with revenue of \$1,766 million in 2011. Strong wireless, broadband and converged IP revenue growth in 2012 is expected to be offset by declines in revenues from legacy services, such as local access, long distance and legacy data services, while the Company strategically exits low-margin and declining lines of business.

With higher revenues from strategic services (including wireless, high-speed Internet, IPTV and converged IP) and a continued focus on cost reduction, MTS Allstream is targeting EBITDA of \$590 million to \$630 million in 2012, consistent with or up from 2011 EBITDA of \$594.4 million.

MTS Allstream is targeting EPS of \$2.20 to \$2.65 in 2012 due to higher EBITDA, offset by an increase in depreciation and amortization expense, reflecting growth in the Company's asset base, higher amortization of wireless costs, and the impact of a one-time SR&ED received in 2011.

MTS Allstream expects to be able to generate \$110 million to \$150 million of free cash flow in 2012, which will provide the Company with financial flexibility to maintain strategic investments in growth lines of business. Total capital spending is expected to be 18% to 20% of revenues in 2012, including investments in fibre to the home ("FTTH") in Manitoba and LTE technology in Winnipeg and Brandon. The Company's 2012 capital program also includes funding to connect more buildings to Allstream's national IP network.

Investor day & 2012 outlook event

MTS Allstream will hold an Investor Day & 2012 Outlook Event for the investment community on February 10, 2012 at 8:00 am (Eastern Time) in Toronto, in lieu of a quarterly results conference call. Investors, media and the public are invited to participate on a listen-only basis by dialing 1-866-212-4491 or 1-416-800-1066. A replay will be available until midnight (Eastern Time) on February 24, 2012, and can be accessed by dialing 1-866-583-1035 and entering access code 9299651.

There will also be a live audio webcast of the presentation, available on MTS Allstream's website www.mtsallstream.com or at http://www.snwebcastcenter.com/custom_events/mts-20120210/site/. A replay of the audio webcast will be available following the event on www.mtsallstream.com.

Notes

- (1) MTS Allstream defines EBITDA as earnings before interest, taxes, depreciation and amortization and other income (expense). The term "EBITDA", as it relates to 2011 and 2010 results prepared using International Financial Reporting Standards ("IFRS"), does not have any standardized meaning according to IFRS. It is therefore unlikely to be comparable to similar measures presented by other companies.

<i>(in millions \$)</i>	Q4 2011	Q4 2010	2011	2010	% change
Operating revenues	439.4	446.7	1,765.6	1,782.6	(1.0)
Deduct: Operating expenses	(371.9)	(386.1)	(1,470.1)	(1,508.5)	(2.5)
Add: Depreciation and amortization	79.4	74.9	298.9	290.7	2.8
EBITDA	146.9	135.5	594.4	564.8	5.2

- (2) MTS Allstream defines free cash flow as cash flows from operating activities, less capital expenditures, and excluding changes in working capital. Free cash flow is the amount of discretionary cash flow that the Company has for purchasing additional assets beyond its annual capital expenditure program, paying dividends, buying back shares and/or retiring debt. The term “free cash flow”, as it relates to 2011 and 2010 results prepared using IFRS, does not have any standardized meaning according to IFRS. It is therefore unlikely to be comparable to similar measures presented by other companies.

<i>(in millions \$)</i>	Q4 2011	Q4 2010	2011	2010	\$ change
Cash flows from operating activities	126.6	132.7	386.6	451.7	(65.1)
Add (Deduct): Changes in non-cash working capital	(23.7)	(67.4)	31.2	(55.7)	86.9
Deduct: Capital expenditures	(84.6)	(129.4)	(288.0)¹	(361.9)	73.9
Free cash flow for the period	18.3	(64.1)	129.8	34.1	95.7

¹ Capital expenditures were favourably impacted by an \$18.5 million SR&ED ITC adjustment received in 2011; this investment tax credit adjustment will be utilized when the Company becomes taxable.

- (3) More information can be found in MTS Allstream’s 2011 Annual MD&A and Annual Information Form, which are available in the “Investors” section of the MTS Allstream website at www.mtsallstream.com and on SEDAR at www.sedar.com.

Supplemental information for the three and twelve months ended December 31, 2011 is also available in the “Investors” section of the MTS Allstream website at www.mtsallstream.com.

Forward-looking statements disclaimer

This news release includes forward-looking statements and information (collectively, the “statements”) about the Company’s 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. Therefore, forward-looking statements should be considered carefully and undue reliance should not be placed on them. 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 “Material assumptions” section below, the “Risks and uncertainties” section, elsewhere in the Company’s 2011 Annual MD&A and 2011 Annual Information Form, all of which are available on SEDAR at www.sedar.com.

Please note that forward-looking statements reflect Management’s expectations at February 10, 2012. The Company disclaims 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 the Company’s Audit Committee and approved by the Company’s Board of Directors.

Material assumptions

Forward-looking statements for 2012 are based on certain economic and market assumptions, operational assumptions and financial assumptions, including, but not limited to, the following:

Economic and market assumptions

MTS consumer services are expected to benefit from the continued resiliency of the Manitoba economy, which is forecast to grow in real gross domestic product (“GDP”) by 2.3% in 2012, according to the Manitoba Department of Finance. The Bank of Canada is forecasting real GDP growth for Canada in 2012 to be 2.1%. The Company anticipates the continuation of the growth seen in 2011 will positively impact MTS Allstream’s enterprise markets in 2012.

The Company expects market conditions to be similar to those seen in 2011. Management expects competitive pressures in wireline and broadband markets in Manitoba will generally remain consistent in 2012, as compared to 2011, with Shaw occasionally introducing aggressive offers. It is anticipated that Wind Mobile will enter the wireless market in Manitoba in 2012, but that this new entrant will not materially affect the pricing and churn rates in the wireless market in 2012. MTS Allstream expects to experience ongoing competitive pressures in its local and long distance services. Revenues generated by the residential and business voice telecommunications market will continue to decrease, due to competition and wireless substitution, at levels similar to 2011. The Company expects Allstream to benefit from the IP sales contracts won in 2011, with growth in IP revenues in 2012. It is expected that enterprise customers will continue to migrate from legacy to IP-based services at levels similar to 2011.

Operational assumptions

For 2012, management expects to achieve \$25 million to \$35 million in annualized cost reductions through operational efficiency and restructuring efforts. The Company’s restructuring costs for 2012 are anticipated to be nominal. The Company also expects that there will be no significant one-time expenses or costs affecting the business.

In 2012, MTS Allstream’s capital program is expected to be approximately 18% to 20% of the Company’s revenues. Major investments include \$15 million to \$20 million for the expansion of MTS’s FTTH footprint in 2012, as well as \$20 million to \$25 million for the deployment of LTE technology in Winnipeg and Brandon over the next two years.

For the Allstream division, the Company anticipates continued customer migration to IP-based technology and expects demand for IP fibre to drive growth in the number of buildings and tenants connected to the network, as well as in the overall size of the network’s footprint. The Company expects that as new and existing customers adopt high-margin IP services, revenues in legacy lines of business will decrease. Management does not anticipate the loss of any large customers which would materially affect 2012 financial guidance.

For the MTS division, the Company plans to launch IPTV service in two communities where FTTH installation began in 2011 and to launch IPTV service in four additional communities as part of its five-year FTTH initiative. The Company expects to launch LTE services in Winnipeg and Brandon later this year, but does not anticipate the launch to materially impact MTS’s results in 2012. The Company expects that it will be able to leverage its Wi-Fi, CDMA-EVDO, 4G and LTE wireless networks to drive demand for smartphones (including LTE-enabled devices) and increase wireless data revenues. The Company anticipates it will maintain its share of the wireless, high-speed Internet and IPTV markets and will see market share declines in local telephone service markets due to the continued migration of customers to wireless services, combined with competitive residential and business NAS line losses.

Finance assumptions

Management has been able to reduce taxable income by utilizing MTS Allstream’s substantial capital cost allowance (“CCA”) pools and available tax losses. By utilizing deferred CCA deductions, management projects that the Company will not pay cash taxes before 2019. The Company assumes the statutory tax rate in 2012 will be 27%. The present value of MTS Allstream’s tax asset is approximately \$330 million.

MTS Allstream's financial outlook does not include any one-time payments relating to a potential 700 MHz spectrum auction in 2012.

Pension assumptions

The *Pension Benefits Standards Act, 1985 (Canada)* permits the use of letters of credit in lieu of cash funding for solvency special payments, up to 15% of plan assets. Management assumes the Company's estimated \$80 million pension solvency funding requirement for 2012 will not have an impact on free cash flow, as the Company expects to have both sufficient plan asset levels and credit facilities to satisfy these obligations using letters of credit.

The Company also made material assumptions in respect to discount rates, as described in note 16 of the Notes to Consolidated Financial Statements.

Management does not anticipate the need to make any payments following the outcome of pension litigation relating to one of the Company's Manitoba pension plans.

Material risks

For a detailed review of material risks and uncertainties, please consult the section entitled "Risks and uncertainties" on page 22 of MTS Allstream's 2011 Annual Management's Discussion and Analysis, which is available in the "Investors" section of the MTS Allstream website at www.mtsallstream.com and on SEDAR at www.sedar.com.

Manitoba Telecom Services Inc. (MTS Allstream)

MTS Allstream 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 5,500 employees across Canada. MTS Allstream's business is dynamic and consists of two operating divisions. In Manitoba, MTS is the leading full-service telecommunications provider for residential and business customers. MTS's suite of services include the latest in wireless technology, broadband services, IPTV, voice services, home security, and an extensive range of business solutions. Across Canada, Allstream is a leader in IP communications and is the only national provider that focuses exclusively on the business telecommunications market. 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 fibre optic network spans more than 30,000 kilometres. MTS Allstream has spent 11 consecutive years on the Jantzi Social Index for leadership in social responsibility and is the recipient of the 2011 Governance Gavel Award from the Canadian Coalition of Good Governance, recognizing clear and effective public disclosure and leading governance practices. MTS Allstream's common shares are listed on the TSX (trading symbol: MBT). Customers, stakeholders and investors who want to learn more about MTS Allstream are encouraged to visit: www.mtsallstream.com. For more information about MTS's products and services, please visit www.mts.ca. For more information about Allstream's products and services, please visit www.allstream.com.

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