

# Annual Address to Shareholders

## 2011 Annual General Meeting

### May 4, 2011

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**Pierre Blouin**

Chief Executive Officer

MTS Allstream

Manitoba Telecom Services Inc.

Check Against Delivery



Good morning. Bonjour.

Thank you for joining us today. It is great to see so many fellow shareholders here.

We gather at an exciting time for our businesses and our company. Telecom is top of mind for many Canadians and we are seeing the introduction of new technologies and exciting new devices like never before. And it is no different for your company, a lot of exciting things are happening at MTS Allstream.

For example, one month ago MTS launched very successfully its new 4G wireless network in Manitoba. Our new network gives customers faster download speeds of up to 21 meg, and enables us to sell exciting devices like the iPhone 4 (including the new white iPhone), RIM® playbook™ and the Blackberry® Torch™ and many more. And our customers are responding very positively.

MTS wireless subscriber additions rebounded strongly in April. In addition MTS was recently named the best wireless company in Winnipeg by the readers of a leading newspaper.

We are also deploying fibre-to-the-home technology in Manitoba, which will allow download speeds of over 100 meg to households. In fact by the end of 2013, we will have deployed our fibre-to-the-home technology in about 25 communities, some located in remote parts of the province, for example, Thompson. Who would have thought that just a few years ago?

These communities will have access to the most advanced telecommunications services, including our Ultimate TV service. When we are done with this deployment, 65 per cent of Manitoba households will have access to very high-speed Internet delivered by FTTH or VDSL technology and creating growth opportunities for your company.

This will make MTS stronger, more competitive and put us in a position of competitive strength that I believe will be unmatched in Canada.

At the same time, we are accelerating our expansion of Allstream's fibre network in major urban centres around the country and increasing Allstream's focus on IP sales, which is the fastest growing product line in the national business telecom market.

After living the market impacts of the recession, we are quite happy to see the successful turnaround at Allstream. Allstream's results have improved over the past few quarters, and you can see it again in our first quarter results announced earlier today.

Allstream IP strategy is working and delivering the more positive results we announced as part of our 2011 outlook.

With these important announcements and initiatives, I can say that your company has a strong foundation, and that it is well positioned for a strong future.

These are challenging but exciting times and telecom is an industry right in the middle of the action. Consumers and businesses want the products and services that our industry – and your company – provides. Customers want more broadband capacity at faster and faster speeds, wirelessly or connected directly to a network. And this will be the case for years to come.

The products we sell are now part of everybody's life, at work or at home. They are part of our DNA.

With our innovative service bundles and industry-leading products, MTS Allstream is well positioned to give its customers the best that today's technology has to offer.

I hope you have had a chance to spend some time looking at our 2010 annual report. The report's theme, Strong Foundation, Strong Future, perfectly describes where we are as a company.

Before I tell you why, allow me to introduce some of our key leaders, who will stand when I call their name. These people, and their teams, will play central roles in helping us capitalize on the opportunities the future offers us.

- o Kelvin Shepherd, President, MTS;
- o Dean Prevost, President, Allstream;
- o Wayne Demkey, Chief Financial Officer;
- o Aliana Rozenek, Chief Human Resources Officer;
- o Paul Frizado, Chief Technology and Information Officer;
- o Helen Reeves, Chief Communications Officer;
- o Chris Peirce, Chief Corporate Officer.
- o Brenda McInnes, Vice President and Treasurer;
- o Paul Beauregard, Vice President, General Counsel and Corporate Secretary; and
- o Debbie LeBlanc, Vice President, Customer Care for MTS who will be available after the meeting to answer your service questions.

Our first quarter results for 2011 show the results of our work over the past years. These results show positive upward trends in 2011 in line with our outlook which build on the momentum we finished with last year.

We are optimistic for a number of reasons such as the stability of our leadership position in Manitoba, the upside opportunities we are seeing at Allstream, particularly with the strong growth of the IP product line and the continued strength of our balance sheet. As a result, we believe that MTS Allstream will be a stronger, more competitive, and more valuable company in the years to come.

Let me talk about each of these points individually, starting with MTS. We expect MTS to continue to provide solid results and stability to the company. MTS has for years delivered strong cash flows. We believe MTS will retain its leadership position in Manitoba because it has shown it can compete in a challenging market against fierce competition.

MTS has unmatched customer loyalty, unique service bundles, and an overall network footprint that no competitor today can match. MTS customers are demanding faster speeds and a leading customer experience. We are working hard and making the technology investments to meet those demands.

As I mentioned briefly earlier, in March we launched our 4G wireless network across the province and are developing a new billing platform. This is a \$110 million investment in modern infrastructure for a modern Manitoba, and brings the next generation of wireless services to Manitobans.

At the same time, we are in the process of rolling out a \$125 million investment in fibre-to-the-home technology across the province.

These are very important investments in our company to build a strong future for MTS. But they are also vital commitments to our communities – urban and rural alike. Together, these investments in 4G and fibre to the home will give MTS the network and unique product bundles to maintain its leading position in Manitoba.

Turning to Allstream, we believe that the business is on a path toward stronger performance. Allstream's 2010 results show that the business has stabilized and is improving.

EBITDA grew in four straight quarters and by the end of 2010, EBITDA was up 14.6 per cent and IP revenues were up 9.7 per cent compared to the fourth quarter of 2009. I am pleased to say that these improvements are continuing in 2011 with Allstream's EBITDA increasing, excluding restructuring costs, by \$16 million in the first quarter of 2011.

Cash flow from Allstream in the last two quarters has also improved and Allstream is now on a path to get back to a cash positive position as per our outlook.

We have delivered this performance by focusing on on-net IP sales and connecting more and more office buildings in urban centres. We now have 2,164 buildings connected to our fibre network which spans 30,000 km nationally.

So looking at MTS and Allstream combined business we see a number of positives. We see Allstream's results as evidence that our tighter focus on higher margin on-net IP contracts is working. And we believe that our investments in MTS will support its market share and create growth opportunities in Manitoba.

But while the successful execution of our business strategy is important, we have always believed that the Company's success is about more than market share. What do I mean by that? I mean that we take considerable pride in the connection our company has to our home province.

We are proud that our products and services benefit individual Manitobans and their families. For example, 97 per cent of Manitoba's population has access to our wireless network.

Our wireless and IP services have an enormous economic impact on the province as a whole. Our products and services help build small businesses and support the functioning of the economy. So as we continue to work hard to build a strong future for MTS Allstream, we continue to help build this province and strengthen the fabric of our community. This reflects the priority we place on community involvement.

We are honoured to be the only telecom company in the Corporate Knights top 50 corporate citizens for 2010. And this year marked the tenth straight year we have been on the Jantzi index for leadership in social responsibility.

Through our actions – our use of local suppliers, our network investments, and the salaries we pay our employees – we contribute directly or indirectly about \$1 billion to the province each year.

As you saw in our video, we take our role in the community very seriously.

From our involvement and sponsorship in nearly 30 community festivals, the Manitoba Homecoming, the Memorial Cup, to supporting the University of Manitoba, St. Boniface and Red River Colleges; to providing important gifts to the Canadian Museum for Human Rights and the United Way here in Manitoba and across the country and so many more.

Our commitment to community flows through our entire organization. In addition, our employees, our retirees and their families commit more than 50,000 volunteer hours every year across the country – I thank them all for their commitment.

Looking to the future, we see 2011 as another year of change, challenge and opportunity in our industry. The environment will remain competitive, but we are disciplined as a company, and with the exciting initiatives I have mentioned, we are improving our competitive position in many markets.

The regulatory and policy environment will also continue to change, and we will continue to actively engage in these issues. The telecom agenda is as crowded as ever at the CRTC and at the Federal Government.

Let me comment on two important files to your company: First, the CRTC is reviewing the implications of the vertical integration that has taken place in the broadcasting industry: Bell taking over CTV and Shaw taking over CanWest.

We are making our views clear to the regulator about the importance of ensuring that consumers have real choices both in terms of provider and in terms of content. These new integrated providers should not be allowed to prevent fair access to their content to other providers and thereby limit consumer choices.

And a few words on this week's remarkable Federal election. We look forward to the government moving ahead on its announced intentions of liberalizing the restrictions on foreign investment in telecom in Canada. We support the government intentions and will be encouraging early action by them under their fresh mandate.

The removal of foreign investment restrictions would expand the range of strategic alternatives available to your company for raising capital and forming strategic partnerships that can strengthen our business and increase value. We believe it would also make the industry more competitive and benefit not only us but all Canadian businesses and consumers.

I will reiterate what I said at the outset: our outlook for 2011 is positive.

We finished 2010 with momentum, and I speak for the Board, the senior management, and my 5,500 colleagues across the Company when I say that we are committed to building on this performance and delivering value to all our stakeholders.

Personally, I would like to extend my continued thanks to our Chair, David Leith and all Board members for their support and counsel to me as Chief Executive Officer. I would also like to welcome Sandy Riley to the Board. Our company will most certainly benefit from his business experience and perspective.

In closing, I will take you back to the words in our annual report: MTS Allstream is building on a strong foundation toward a strong future. For more than 100 years, we have done well to establish our strong base of business, we will work hard to deliver an even stronger future.

Thank you.