Investor presentation

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CEO, MTS ALLSTREAM

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This presentation contains certain forward-looking information. Material factors or assumptions were applied in drawing conclusions or making a forecast or projection reflected in such forward information. Actual results may differ materially from a conclusion, forecast or projection in such forward-looking information. Therefore, forward-looking statements should be considered carefully and undue reliance should not be placed on them. Additional information about such material factors and assumptions can be found in MTS Allstream’s filings with Canadian securities regulatory authorities. Except as required by law, MTS Allstream disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.
Content

- MTS Allstream – company overview
- MTS division – undisputed market leader in Manitoba
- Allstream division – leading competitor in national business sector
- Consolidated financial results
- Key developments
MTS Allstream overview

- A top-Canadian national telecommunications provider and the market leader in Manitoba
- 2011 revenues - $1.8 billion
- More than 100 years of experience
- Two divisions: MTS and Allstream
- Common shares listed on the TSX (trading symbol: MBT)
MTS Allstream – 2012 accomplishments

- MTS Allstream on-track to meet 2012 outlook
- MTS customers first to experience 4G LTE network - launched in Winnipeg and Brandon, expansion continues in 2013
- MTS expanded extensive handset line-up with the addition of iPhone 5
- MTS FTTH now deployed in 7 Manitoba communities
- Allstream added 256 buildings to its national IP fibre network which now totals 2,644 (as of Q3 2012)
- Allstream strategic growth policy drove the eighth-straight quarter of year-over-year EBITDA growth
MTS Allstream strategic practices

- Maintain our market-leadership in Manitoba
- Produce solid on-net IP revenue results while managing investments and cash flows
- Focus on expanding market reach and providing a first-rate customer experience

... to produce strong cash flows in support of our dividend policy.
Free cash flow was $17.3 million in the third quarter of 2012, as expected. This $12.0-million decrease was primarily due to the timing of capital expenditures and to higher required pension funding, partly offset by EBITDA growth. The greater part of our capital spending program for 2012 is complete. Full year free cash flow is expected to be within guidance range for the year.

<table>
<thead>
<tr>
<th></th>
<th>Q3 2012</th>
<th>Q3 2011</th>
<th>%</th>
<th>YTD 2012</th>
<th>YTD 2011</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated revenues</td>
<td>424.3</td>
<td>443.2</td>
<td>(4.3)</td>
<td>1,291.0</td>
<td>1,326.2</td>
<td>(2.7)</td>
</tr>
<tr>
<td>EBITDA</td>
<td>151.7</td>
<td>146.9</td>
<td>3.3</td>
<td>459.2</td>
<td>447.5</td>
<td>2.6</td>
</tr>
<tr>
<td>EPS</td>
<td>$0.61</td>
<td>$0.56</td>
<td>8.9</td>
<td>$2.08</td>
<td>$1.99</td>
<td>4.5</td>
</tr>
<tr>
<td>Free cash flow*</td>
<td>17.3</td>
<td>29.3</td>
<td>(41.0)</td>
<td>80.5</td>
<td>111.5</td>
<td>(27.8)</td>
</tr>
<tr>
<td>Capital expenditures*</td>
<td>94.5</td>
<td>81.1</td>
<td>16.5</td>
<td>264.4</td>
<td>203.4</td>
<td>30.0</td>
</tr>
</tbody>
</table>

*Free cash flow was $17.3 million in the third quarter of 2012, as expected. This $12.0-million decrease was primarily due to the timing of capital expenditures and to higher required pension funding, partly offset by EBITDA growth. The greater part of our capital spending program for 2012 is complete. Full year free cash flow is expected to be within guidance range for the year.
Memorable brand
Top coverage
Superior customer retention
Best bundles
MTS – market leader

- MTS maintained wireless market leadership, at 53% in Q3 2012
- Continued growth in revenues from strategic services, including a 29.4% increase in wireless data revenues
- In the first nine months of 2012 wireless ARPU was up 2.4%
- Year-to-date wireless data ARPU is up 31.2% to $19.18
- Year-to-date IPTV ARPU is up by 9.0%
- Year-to-date Internet ARPU is up by 8.6%
MTS owns the home in Manitoba

Focus on growth in wireless, IPTV and high-speed Internet

- MTS offers unique bundles - wireless, television, Internet, home phone and security services
- Bundled customers have less than half the churn of customers who are not on a bundle

Over 95K bundled customers in Q3 2012, up 10.5% over Q3 2011
MTS’s fibre optic network
Providing customers with higher quality, more reliable services

- Our fibre-to-the-home FiON network is now deployed in 7 communities in Manitoba
- MTS investing $125 million over several years in order to expand FTTH to 120,000 homes
- Part of our commitment to grow the reach and quality of our broadband networks
- Our combined FTTH and VDSL networks allow us to provide high speed Internet and IPTV to over 95% of Manitoba’s two major urban centres and a growing number of other communities
**MTS – broad and fast wireless networks**

<table>
<thead>
<tr>
<th>37%</th>
<th>97%</th>
</tr>
</thead>
<tbody>
<tr>
<td>of all Q3-12 MTS revenues are from wireless services</td>
<td>of Manitobans can access MTS’s 4G network</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>494k</th>
<th>LTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wireless subscribers in Q3-12</td>
<td>Launched in Winnipeg and Brandon in 2012</td>
</tr>
</tbody>
</table>

Network expansion continues in 2013
MTS – solid wireless results

1 Refers to nine-months ended at September 30, 2012

Wireless revenue growth

- Bell: 6.4%
- Rogers: 7.4%
- Telus: 3.3%
- MTS: 1.0%

Wireless data revenue growth

- Bell: 30.5%
- Rogers: 16%
- Telus: 23%
- MTS: 32.3%

Blended wireless ARPU

- Bell: $55.51
- Rogers: $59.55
- Telus: $60.20
- MTS: $60.58

Notes:
- Refers to nine-months ended at September 30, 2012
MTS delivers solid Q3 results

**Revenues**

- **Wireless data**: +29.4%
- **Internet**: +6.9%
- **IPTV**: +7.7%

**EBITDA up 1.6% in Q3 2012**
More IP
More on-net
More sales
Allstream – extensive national fibre optic network

- Leading competitor in the national business and wholesale markets
- 2,644 fibre-fed connected buildings
- Eight straight quarters of year-over-year EBITDA growth
- IP sales increased 14% in the third quarter over the previous year

Q3 2012 – Allstream revenue mix

- Broadband and converged IP: 33%
- Unified communications, security & monitoring: 10%
- Local access: 23%
- All other revenues: 34%
Allstream - Canada’s all-business communications provider

IP-fibre network spans 30,000 km across Canada.
Allstream – serving over 50,000 business customers
Allstream – focused IP-network strategy

Fibre-fed buildings

Total fibre-fed buildings has increased 14.3% over Q3 2011
Allstream – strong sales focus on high-margin IP

- IP adjusted revenue growth of 7.1%*
- More traffic on our network
- Short pay-off, high-leverage investments
- Growing IP network = growing target market
- Limited custom work
- IP gross margins continue to expand, Q3 increase of 3.5 points to 58.6%

On-net IP revenues have over 90% gross margin

*Revenues from converged IP and wins in IP sales were both up in the third quarter of 2012, reflecting Allstream’s continued focus on improving profitability. Adjusting for the impact of a Government of Ontario department contract reduction, converged IP revenues were up 5.5% in the third quarter and 7.1% in the first nine months of the year.
Allstream – more on-net is more profitable

**On-net IP network**
Shift of revenue mix from low-margin legacy services towards high-margin, on-net converged IP services

<table>
<thead>
<tr>
<th></th>
<th>Q3 2011</th>
<th>Q3 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of on-net IP circuits</td>
<td>20%</td>
<td>26%</td>
</tr>
<tr>
<td>Total gross margin</td>
<td>55%</td>
<td>59%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>13%</td>
<td>15%</td>
</tr>
</tbody>
</table>
Consolidated financial results
MTS Allstream – on-track with 2012 outlook

<table>
<thead>
<tr>
<th></th>
<th>2012 outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$1.675 - $1.775B</td>
</tr>
<tr>
<td>EBITDA</td>
<td>$590 - $630M</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>$2.20 - $2.65</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>$110 - $150M</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>18 - 20% of revenues</td>
</tr>
</tbody>
</table>
MTS Allstream – solid financials

- Practical cost management strategy = stable consolidated EBITDA (EBITDA performance expected to continue)
- Investment-grade debt ratings: “BBB/Stable” for DBRS and S&P

**EBITDA**

<table>
<thead>
<tr>
<th>2011</th>
<th>2012E</th>
</tr>
</thead>
<tbody>
<tr>
<td>$594M</td>
<td>$590 - $630M</td>
</tr>
</tbody>
</table>

- Increase in growth services
- Increase in cost efficiencies
- Legacy decline
- Other
MTS Allstream – *strong* free cash flows

- Free cash flow outlook for 2012 is $110 to 150 million, which is in excess of the cash dividend paid in 2011
- The Company is reinvesting the expected 2012 increase in EBITDA in growth lines of business

**Free cash flow**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free cash flow</td>
<td>$34M</td>
<td>$130M</td>
<td>$110 - $150M</td>
</tr>
</tbody>
</table>
MTS Allstream – targeted cost reductions

Reduction target met for 2012

Eight-straight year of hitting cost-reduction target

- 2010: $34.4M
- 2011: $28.8M
- 2012E: $25 - $35M
  - YTD: $26M
### MTS Allstream – credit metrics align with peers

#### Telco comparison

<table>
<thead>
<tr>
<th></th>
<th>MTS</th>
<th>Telus</th>
<th>BCE</th>
<th>Bell Aliant</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net debt(^2) to capitalization</strong></td>
<td>55.2%</td>
<td>47.1%</td>
<td>52.7%</td>
<td>45.3%</td>
</tr>
<tr>
<td><strong>Net debt/EBITDA</strong></td>
<td>1.7x</td>
<td>1.8x</td>
<td>1.9x</td>
<td>2.3x</td>
</tr>
<tr>
<td><strong>EBITDA coverage</strong></td>
<td>9.5x</td>
<td>11.5x</td>
<td>9.3x</td>
<td>9.0x</td>
</tr>
<tr>
<td><strong>DBRS rating/trend</strong></td>
<td>BBB/stb</td>
<td>A(l)/stb</td>
<td>BBB(h)/stb</td>
<td>BBB/stb</td>
</tr>
<tr>
<td><strong>S&amp;P rating/trend</strong></td>
<td>BBB/stb</td>
<td>BBB+/stb</td>
<td>BBB+/stb</td>
<td>BBB/stb</td>
</tr>
</tbody>
</table>

1. Source: Company financials, June 30, 2012
2. Debt due within one year + long-term debt + capital leases + securitized receivables less cash, all as at June 30, 2012
MTS Allstream – unique tax asset

$310M

- Estimated NPV of tax asset
- Tax asset worth $4.65 per share, as at September 30, 2012
- We do not expect to pay cash taxes before 2019
MTS Allstream – pension solvency

- Future pension funding primarily influenced by long-term Government of Canada interest rates, which are at historic lows. Note: A 260 bps increase in interest rates would eliminate all funding obligations under the pension solvency test.
- Pension plans are 97% funded on a “going concern” basis.
- MTS Allstream has sufficient options to fund plans beyond 2012 without impacting annual free cash flow.
MTS Allstream

- MTS is the market leader in Manitoba
- Allstream is focused on growing on-net converged IP services
- MTS Allstream continues to deliver great customer service while reducing costs

MTS Allstream delivered a year-to-date total shareholder return of 18% at September 30, 2012
EBITDA
EBITDA is defined as earnings before interest, taxes, depreciation and 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 International Financial Reporting Standards) as a measure of liquidity.

Free cash flow
Free cash flow is defined as cash flow from operating activities, less capital expenditures, and excluding changes in working capital. Free cash flow is the amount of discretionary cash flow available for purchasing additional assets beyond our annual capital expenditure program, paying dividends, buying back shares, and/or retiring debt.
MTS Allstream – Contacts

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