



Stock Symbol: MBT

NewsRelease

MTS Allstream Reports Third Quarter 2011 Results

Q3 highlights include

- MTS Allstream is on track to meet its 2011 financial outlook for all metrics
- Annualized cost savings meet annual target and reach \$25.1 million
- MTS wireless revenues grow 7.3% in Q3, driven by 47.8% increase in wireless data revenue
- MTS IPTV revenues up 19.9% in Q3
- Allstream achieves fourth consecutive quarter of year-over-year EBITDA growth at 6.2% in Q3
- Allstream converged IP revenues climb 9.8% in Q3
- Board of Directors declares \$0.425 per share Q4 cash dividend

WINNIPEG, MB, November 3, 2011 – Manitoba Telecom Services Inc. (TSX: MBT) (the “Company” or “MTS Allstream”), including its two operating divisions MTS and Allstream, today reported solid third quarter 2011 financial results that are on track to meet the Company’s updated financial outlook for 2011.

“While year-over-year consolidated results are negatively impacted by one-time recoveries in the third quarter of 2010, the Company delivered another strong quarter with solid performance at both MTS and Allstream. We achieved strong revenue growth in the third quarter from each of our strategic lines of business,” said Pierre Blouin, Chief Executive Officer. “We are delivering on our strategic objectives and expect to meet the improved 2011 outlook ranges we provided last quarter.”

Quarterly Financial Highlights

<i>(in millions \$, except EPS and capital expenditures/revenue)</i>	2011			2010	
	Q3	Q2	Q1	Q4	Q3
Revenues	443.2	443.7	439.3	446.7	451.0
EBITDA ¹	146.9	150.8	149.8	135.5	159.9
EPS (\$)²	0.56	0.76	0.67	0.46	0.76
Free cash flow³	29.3	57.8	24.4	(64.1)	44.3
Capital expenditures/revenue	18.3%	12.3%	15.4%	29.0%	17.4%

All financial metrics in this table are presented on a consolidated basis and reported in accordance with International Financial Reporting Standards (“IFRS”).

MTS Allstream reported strong wireless, broadband and converged IP revenue growth in the third quarter, which was offset by declines in revenues from traditional services, such as local access, long distance and legacy data services. Revenues were consistent with expectations for the full year, totalling \$443.2 million in the third quarter and \$1,326.2 million for the first nine months of the year. The Company achieved \$25.1 million in annualized cost savings in the first nine months of the year, already reaching the 2011 guidance range of \$25 million to \$35 million in annualized cost savings.

MTS Allstream's EBITDA was up 1.4 per cent in the third quarter excluding favourable one-time items that occurred in the third quarter of 2010 (including a \$5 million deferral account rebate adjustment as a result of the CRTC's deferral account rebate decision and a \$10 million one-time wireless transition recovery). In total, EBITDA was \$146.9 million in the third quarter compared to \$159.9 million in 2010. EPS was also affected by these one-time items, down \$0.20 year-over-year in the third quarter. Excluding these one-time items, EPS was down \$0.05, when compared to the same period of last year due to higher depreciation and amortization expense.

Free cash flow was \$29.3 million in the third quarter, compared to \$44.3 million a year ago, due primarily to the \$15 million of one-time items recognized in the third quarter of 2010 and an increase in wireless costs of acquisition related to wireless data growth and strong smartphone adoption. Free cash flow was \$111.5 million in the first nine months of the year, up from \$98.2 million in the same period of 2010. This increase was due to lower capital expenditures (including the impact of the \$20.7 million one-time scientific research and experimental development investment tax credit achieved in the second quarter of 2011) and higher EBITDA, partly offset by higher pension funding in the first quarter of 2011 and higher year-over-year wireless costs of acquisition.

On September 27, 2011, the Company successfully issued \$200.0 million of 4.59 per cent Medium Term Notes which mature on October 1, 2018. Proceeds were used to repay the long-term debt that matured on September 27, 2011.

MTS

MTS saw strong year-over-year revenue growth from strategic services - wireless, high-speed Internet and IPTV - in the third quarter and first nine months of the year.

Wireless revenue growth was 7.3 per cent in the third quarter, driven by a 47.8 per cent increase in wireless data revenues combined with increased subscribers. MTS's extensive 4G wireless network, together with the planned deployment of Long Term Evolution ("LTE") technology in Winnipeg and Brandon next year, is expected to drive strong wireless data revenues in the coming years. Planning and infrastructure development for the initial urban LTE deployment will be accommodated within normal capital funding for 2011 and coming years.

Broadband and converged IP revenues grew 12.7 per cent in the third quarter, driven by strong growth in Internet and IPTV. Internet revenues grew 8.3 per cent year-over-year in the third quarter, while IPTV grew 19.9 per cent, due to fewer customers on promotional plans, subscriber growth, and price increases. Demand continues to grow for premium broadband services; Ultimate TV subscribers now represent nearly 60 per cent of MTS's IPTV customer base.

"Our customers are upgrading to higher-value services – whether it is smartphones, high-speed Internet or premium IPTV services. This is solid evidence that our strategy is working," said Kelvin Shepherd, President of MTS. "We are making the right investments to maintain our leading position within Manitoba through best-in-class infrastructure and an unparalleled bundle offer."

MTS has the most complete bundle offer in the Manitoba telecom market with five services eligible for the bundle discount, including wireless, high-speed Internet, IPTV, home phone and security services. Customers opting for bundled services grew 3.8 per cent year over year. By continuing with a disciplined bundle strategy, MTS has achieved industry-leading customer retention and ARPU growth that has resulted in overall revenue growth.

Allstream

Allstream's EBITDA increased by 6.2 per cent to \$27.5 million in the third quarter of 2011, the fourth consecutive quarter of significant year-over-year improvement. The improved EBITDA is mainly due to higher gross margins from increased on-net IP sales wins and lower restructuring expenses.

Allstream is 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. Converged IP revenues grew strongly in the third quarter, up 9.8 per cent to \$59.4 million, representing approximately 30 per cent of Allstream's total revenues. Due to the strategic decision to transition away from low-margin products and services, overall revenues declined year-over-year in the third quarter. Converged IP sales remained strong in the third quarter. Over 55 per cent of new IP circuits sold in 2011 were on-net, a threefold increase over the proportion of on-net circuits in the base. This increase in on-net IP sales has contributed to the year-over-year gross margin improvement at Allstream.

"Our IP strategy is working. Our sales team has done a great job and increased on-net IP sales year over year," said Dean Prevost, President of Allstream. "In the third quarter, they saw real success winning second and third contracts in newly-connected fibre-fed buildings."

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. Allstream added a total of 102 buildings to the IP fibre network in the third quarter of 2011. This increased Allstream's total number of fibre-fed buildings to 2,313 at September 30, 2011. These investments are expected to drive growth in markets where Allstream has a proven track record of success.

Dividend

The Company's Board of Directors declared a cash dividend of \$0.425 per share for the fourth quarter of 2011, which is payable on January 13, 2012 to shareholders of record on December 15, 2011. The fourth quarter dividend is designated as an "eligible dividend" under the *Income Tax Act* (Canada) and any corresponding provincial legislation. Under this legislation, individuals resident in Canada may be entitled to enhanced dividend tax credits that reduce income tax otherwise payable.

Quarterly Conference Call

MTS Allstream's third quarter 2011 conference call with the investment community is scheduled for 9:00 a.m. (Eastern Time) on Thursday, November 3, 2011. Investors, media and the public are invited to listen to the conference call. The dial-in number is 1-888-231-8191. A live audio Webcast of the conference call can be accessed by visiting the Investors section of the MTS Allstream website (www.mtsallstream.com). A replay of the conference call will be available until midnight (Eastern Time) on November 17, 2011, and can be accessed by dialing 1-855-859-2056 or 1-416-849-0833 (access code 19102460).

Note

MTS Allstream's interim Management's Discussion and Analysis ("MD&A") for the three and nine months ended September 30, 2011 and supplementary financial information are available in the Investors section of the MTS Allstream website 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 5,500 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 the Toronto Stock Exchange (trading symbol: MBT). Customers, stakeholders and investors who want to learn more about MTS Allstream 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 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 "Risks and Uncertainties" section and elsewhere in our interim MD&As for the first, second and third quarters of 2011, as well as our 2010 annual MD&A, and our Annual Information Form, all of which are available on SEDAR at www.sedar.com.

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.

Footnotes:

1. *EBITDA is earnings before interest, taxes, depreciation and amortization and other income (expense). Refer to the "Non-IFRS measures of performance" section of MTS Allstream's third quarter 2011 interim MD&A for more information.*
2. *EPS is earnings per share.*
3. *MTS Allstream defines free cash flow as cash flows from operating activities, less capital expenditures, and excluding changes in working capital. Refer to the "Non-IFRS measures of performance" section of MTS Allstream's third quarter 2011 interim MD&A for more information.*

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