

MTS

Delivering On Our Strategy: Sale of Allstream to Zayo

November 23, 2015

Safe harbour notice

This presentation includes forward-looking statements and information (collectively, the "statements") about the sale of Allstream, use of proceeds, satisfaction of closing conditions, including the national security review process, Competition Bureau approval and other customary closing conditions (including the operation and performance of the Allstream business until the time of closing and the requirement that Allstream's business does not incur a material adverse effect), the compliance by both MTS and Allstream of various covenants prior to closing, the timing of closing, the actual realizable net cash proceeds from the transaction (including the quantum of actual transaction costs, net working capital, cash on hand and debt at Allstream as of the date of closing), the approval of OSFI of the underlying pension transfers, the expected future accounting treatment of Allstream, the competitive state of Canadian telecommunication markets and the Company's future financial results and its ability to generate free cash flow in the future, all of which are subject to risks, uncertainties and assumptions. As a consequence, actual results in the future may differ materially from any expectation, 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 and the "Risks and uncertainties" section of the Company's 2014 Annual Management's Discussion & Analysis which is available on SEDAR www.sedar.com.

Please note that forward-looking statements reflect Management's expectations as at the date hereof. 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.

Delivering On Our Strategic Plan

Complete Turnaround and Planned Exit for Allstream

- Strategic review process reaffirmed Allstream as non-core
 - Immediate actions implemented to stabilize and fix Allstream
 - Allowed MTS to evaluate options for Allstream from a position of strength
- Launched comprehensive sales process which left no stone unturned
 - Engaged with a variety of potential strategic and financial buyers in robust process
 - Process included significant consultation efforts with relevant regulatory stakeholders with the view to facilitating timely, orderly approvals, including national security approval
- Sale to Zayo maximizes both value and deal certainty, and allows MTS to focus on core Manitoba business

"MTS is delivering on its complete turnaround of - and planned exit from - Allstream and its transformation of MTS into a customer first organization that will deliver enhanced value to shareholders. We have a new executive team, a new strategy and a new future."

Jay Forbes, President & CEO, MTS

Positioned for Future Success

MTS

- Tighter Focus – All resources can be directed to transforming MTS into a customer-first business
- More Stable Business – Stronger balance sheet and less volatile earnings
- FCF Growth - Plans for \$100 million in FCF improvements over next 3 years
- New executive team, new strategy, new future

allstream.

- New beginning for Allstream and new evolution in competitive landscape of Canadian telecoms
- Allstream can move forward confidently under new ownership with an improved cost structure, a strong focus on growth in its IP product segment and a disciplined capital investment plan

MTS & Allstream positioned for long term success in a competitive telecom marketplace

Zayo: Significant New Entrant

- Zayo is a significant new entrant to the Canadian telecommunications landscape
 - Strong track record of growth
 - From promoting dark fiber as a core product to partnering with new wireless entrants and to enabling innovative companies through large bandwidth solutions, Zayo brings a competitive and innovative approach, spirit and energy that is new to Canadian telecom
- Strengthens Allstream's competitive capabilities
 - Combines Allstream's national broadband infrastructure, operating platform and market position with the significant expertise and scale of Zayo
- In addition, the combination will create a highly unique North American fiber network, and enhanced connectivity and innovation
- Transaction structured to ensure a seamless transition for Allstream customers

Key Transaction Terms

Transaction Value	<ul style="list-style-type: none"> ▪ Transaction valued at \$465 million, subject to certain customary adjustments including: <ul style="list-style-type: none"> ▪ Working capital, debt-like items, other post retirement benefit liabilities and transaction costs ▪ MTS expects to realize net proceeds of approximately \$425 million after these adjustments ▪ MTS retains vast majority of the tax shield (NPV of ~\$275 million)
Use of Proceeds	<ul style="list-style-type: none"> ▪ MTS will evaluate a number of capital allocation options available, including retirement of debt used to finance its pension funding prepayment earlier this year and recent spectrum acquisitions ▪ Additional information will be provided in Q1 2016 ▪ MTS plans to maintain its current BBB credit ratings
Pension	<ul style="list-style-type: none"> ▪ MTS to retain the pension obligations and related pension plan assets in respect of retirees and other former employees of Allstream under Allstream's current DB plans ▪ Allstream will retain pension benefits in respect of current employees ▪ MTS will reimburse Allstream for certain solvency funding payments that may become payable in respect of employees of Allstream as they relate to pre-closing benefits <ul style="list-style-type: none"> ▪ Based on currently filed actuarial valuations, this pension funding obligation is ~\$20 million
Transaction Closing	<ul style="list-style-type: none"> ▪ Transaction has been approved by the MTS board of directors ▪ Expected to close in Q1 2016, subject to receipt of regulatory approvals and customary closing conditions

Regulatory Process / Timing

Transaction Designed to Maximize Deal Certainty

Competition Bureau

- Represents the first time a US carrier has entered Canada and is pro-competitive
- Today, Zayo has virtually no presence in Canada, and no expected competition law risk

National Security

- MTS has invested significant time building an understanding of the needs and expectations of all of the relevant regulatory stakeholders
- Process was deliberately and carefully structured to ensure high confidence that all stakeholder requirements would be capable of being appropriately addressed
- MTS undertook its own due diligence to assess all potential bidders through the lens of national security
- Zayo is an American public company, and is already a trusted and pre-cleared secure provider to the US government

OSFI & FCC

- OSFI and FCC approvals are expected to be readily obtained, but are not conditions to deal

- Orderly approvals are expected in the coming months, with a closing soon after receipt

High confidence of closing in Q1 2016

MTS: Charting a New Course

Strong Progress in Executing Strategic Plan



Complete turnaround and exit of Allstream



Eliminate solvency deficit payment risk /volatility through 2016, and possibly 2017, by prefunding pension plans



Reset the dividend to a level that is sustainable and capable of future growth



Launch the transformation of MTS into a customer-first organization

APPENDICES

Appendix: Supplemental Information

Value of Tax Assets



- Majority of tax assets remain at MTS post-sale
 - MTS has monetized the \$35.6 million of tax losses through the Allstream sale and retains \$416.4 million worth of tax benefits (with an estimated net present value of \$275 million)

Supplemental Tax Information			
Value of Tax Assets			
<i>(C\$M, unless otherwise stated)</i>	MTS	Allstream	Consolidated
Gross tax losses	718.1	163.9	882.0
Value of tax losses ⁽¹⁾	193.9	43.6	237.5
Value of UCC ⁽²⁾ greater than book value of fixed assets	147.9	(12.1)	135.8
Unutilized SR&ED tax credits	74.6	4.1	78.7
Value of tax assets	416.4	35.6	452.0
Value per share (\$)	\$5.26	\$0.45	\$5.71
Present Value of Tax Assets			
<i>(C\$M, unless otherwise stated)</i>	MTS	Allstream	Consolidated
Present value of assets utilized through 2023 ⁽³⁾	274.6	23.4	298.0
Present value per share (\$)	\$3.47	\$0.30	\$3.77

(1) Using tax rate of 27%.

(2) Undepreciated capital cost

(3) Discount rate used in present value calculation is 7.0%.

Appendix: Supplemental Information

Pension Solvency Deficit



- Allstream pension solvency deficit to be retained by MTS post transaction is small
 - Retired and deferred pension plan members will stay with MTS while active employees will remain at Allstream
 - MTS will fund the pension solvency deficit for the active employees as it relates to pre-closing benefits until the deficit is extinguished
- In addition to the above MTS has an obligation to reimburse Allstream for certain early retirement consent benefits that are currently ~\$6 million

Supplemental Pension Information			
	Solvency		
	Active	Retired &	
<i>(C\$M, unless otherwise stated)</i>	Employees	Deferred	Total
Contributory Plan			
Assets	115.4	427.7	543.1
Liabilities	(121.5)	(450.5)	(572.0)
Deficit	(6.1)	(22.8)	(28.9)
Non-Contributory			
Assets	60.3	94.0	154.3
Liabilities	(68.9)	(107.3)	(176.2)
Deficit	(8.6)	(13.3)	(21.9)
Total			
Assets	175.7	521.7	697.4
Liabilities	(190.4)	(557.8)	(748.2)
Deficit	(14.7)	(36.1)	(50.8)

For further information, please contact:

Investors

Brenda McInnes, Vice-President & Treasurer

204-941-6205

investor.relations@mtsallstream.com

www.mtsallstream.com/investors