



August, 2003

Annual Report

Your personal copy of the MTS Employee Pension Plan 2002 Annual Report was recently distributed.

If you have any questions about the information contained in this Annual Report or if you have questions about your personal retirement benefits, please refer to the contact information on the inside of the front cover of the Annual Report.

Cost of Living Adjustment

The Audit Committee of the Board of Directors of MTS has approved a 2.56% increase in pension payments effective July 1, 2003. This represents the guaranteed annual cost of living adjustment of two-thirds of the increase in the Consumer Price Index (CPI) for Canada during 2002. Unlike many pension plans, the MTS cost of living adjustment (COLA) is **guaranteed**. Retirees can count on an annual COLA adjustment equal to two-thirds of CPI (up to a maximum CPI increase of 4%). The combined effect of past COLA increases accounts for approximately 17% of the total benefits paid to retirees in 2002.

Election of Retiree Representative to Pension Committee

Harry Restall, the incumbent retiree representative on the MTS Pension Committee, has been reelected by acclamation. The retired members of the MTS Pension Plan first elected Harry as their representative in 1997. An election for the position of retiree representative on the MTS Pension Committee is held at least every three years in accordance with regulations under the *Pension Benefits Standards Act, 1985*.

A Secure Pension Plan

Over the past few months, there have been a number of articles in the newspapers regarding pension plans and whether or not they have sufficient assets to cover their obligations. Concerns over shortfalls in assets, especially for companies that are experiencing some financial difficulties, have been widely discussed in the media.

MTS would like to take this opportunity to bring you up to date on the status of the MTS Pension Plan, and to assure you that the Pension Plan continues to provide a secure and stable source of retirement income. As outlined in the MTS Pension Plan 2002 Annual Report, the Pension Plan is in sound financial condition. Although market conditions in 2002 were not favourable, the assets in the Pension Plan are conservatively invested. As a result, the Pension Plan achieved a return of - 1.7% in 2002, which compares very

favourably relative to the Canadian equity index return of - 12.4% in 2002. Over the longer term, since the inception of the Pension Plan on January 1, 1997, performance has been solid at 6.7%. This exceeds the Plan's objective of CPI + 4%.

As MTS has often said, the Company will continue to ensure that the MTS Pension Plan can meet its obligations to employees and retirees. MTS stands behind the Pension Plan and is committed to fund the Pension Plan when appropriate and in appropriate amounts to ensure the Pension Plan remains strong. MTS recently decided to resume making regular contributions to the Pension Plan. This decision clearly demonstrates MTS's commitment to your secure retirement.

The MTS Pension Plan is a solid pension plan that is conservatively invested. Your pension plan is backed by the financial strength of MTS - a company with a solid capital structure, strong cash flows and credit ratings, superior financing flexibility, and industry-leading profitability. The result is a pension plan that can, and will continue to, provide a secure source of retirement income to its members.