



ALIAN T INC.

2001 ANNUAL INFORMATION FORM

February 12, 2002

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ITEM 2 CORPORATE STRUCTURE

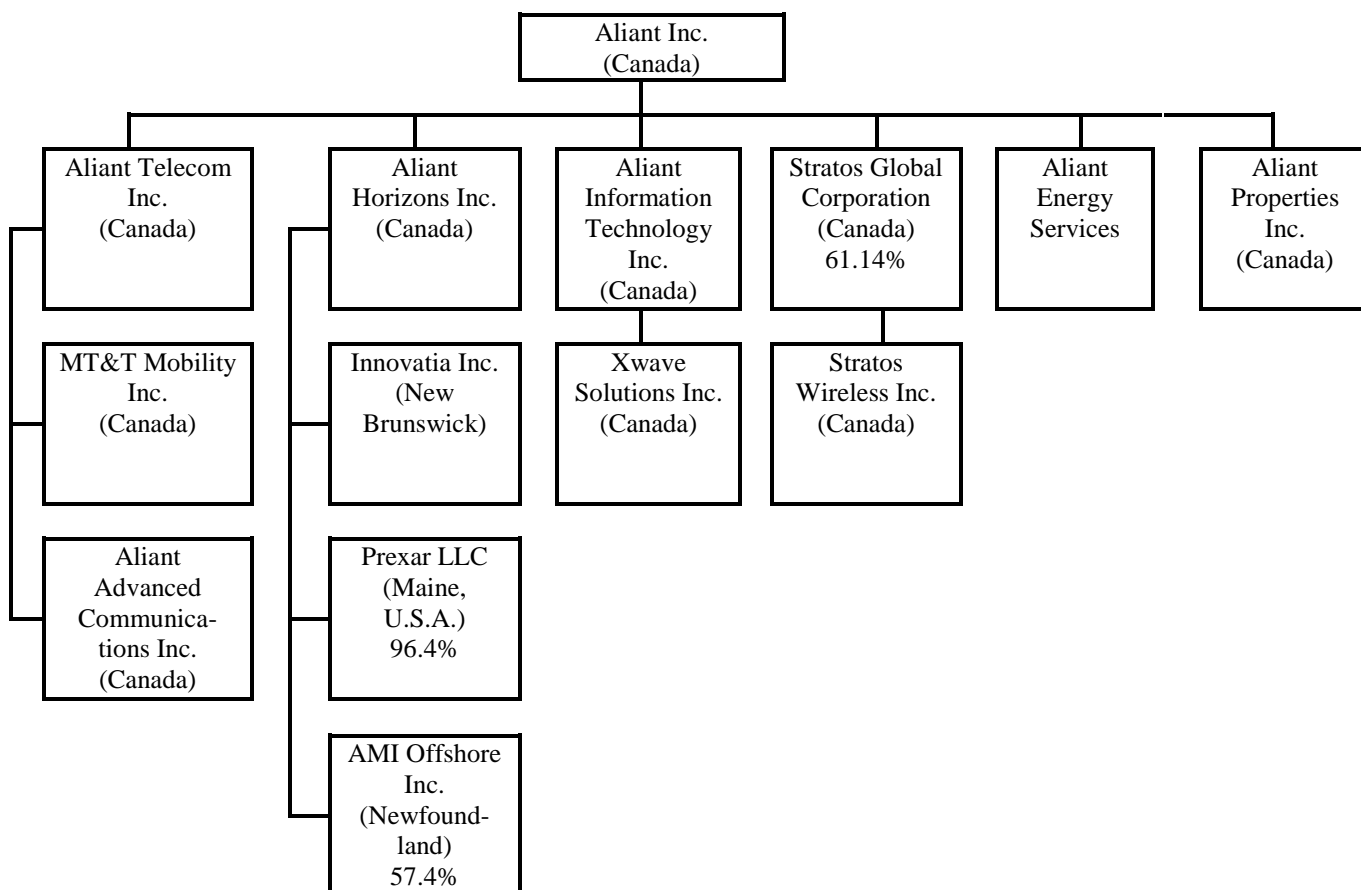
NAME AND INCORPORATION

Aliant Inc. (“Aliant” or “the Company”) was incorporated on March 9, 1999 as 3595641 Canada Inc. under the *Canada Business Corporations Act*. The Company was formed for the purpose of participating in a series of transactions which resulted in the combination of the businesses previously operated by Bruncor Inc. (“Bruncor”), Island Telecom Inc. (“Island Tel”), Maritime Telegraph and Telephone Company, Limited (“Maritime Tel”) and NewTel Enterprises Limited (“NEL”) (collectively referred to as the “Combining Companies”). The combination was effective May 31, 1999. The Company is engaged, through its subsidiaries, in four core lines of business: telecommunications, information technology, remote communications and emerging business.

The registered office of the Company is at 69 Belvedere Avenue, Charlottetown, Prince Edward Island.

INTERCORPORATE RELATIONSHIPS

The following diagram sets out the name of each direct or indirect subsidiary of the Company as at February 12, 2002, including the jurisdiction of incorporation, continuance, or organization of such subsidiary. Also indicated, where the percentage of outstanding common shares of the subsidiary owned by Aliant is less than 100%, the percentage owned by Aliant at February 12 2002. There are no subsidiaries of the Company, other than ones which are set out below: (i) the total assets of which constitute more than 10 percent of the consolidated assets of the Company, (ii) the sales and operating revenues of which exceed 10 percent of the consolidated sales and operating revenues of the Company, or (iii) if combined with other subsidiaries not depicted below, would exceed the thresholds in (i) and (ii) if the references to 10 percent were changed to 20 percent.



ITEM 3 GENERAL DEVELOPMENT OF THE BUSINESS

THREE YEAR HISTORY

Creation of Aliant

Over the past several years, the Combining Companies have developed, implemented and executed business plans that have been designed to provide substantial growth opportunities, both within and outside their traditional telecommunications businesses, and both inside and outside of their traditional territories. These business plans have been successful in maintaining and enhancing the profitability of each Combining Company within a demanding and increasingly competitive environment.

The Combining Companies decided in early 1999 that their combination, together with the development of a strong strategic relationship with BCE Inc. (“BCE”) and Bell Canada, would have benefits for their shareholders, customers, employees and other stakeholders. The benefits included:

- providing greater scale within their traditional territories that would allow for the maintenance of a competitive cost structure;
- permitting broader scope in the integration of the product lines of the Combining Companies for delivery of products and services throughout their traditional territories;
- providing more assured and cost-effective access to the technology and brands of Bell Canada and its partners for delivery within their traditional territories;
- permitting a greater scale of investment in the development and support of products and services to customers both inside and outside of their traditional territories;
- providing a larger platform from which to fund and evaluate growth opportunities, especially in remote communications services and emerging businesses, of the four Combining Companies. As a larger company, Aliant's portfolio of growth opportunities will benefit from the investment of additional capital. Aliant also has greater potential to export its products and services outside Atlantic Canada;
- achieving benefits from the merging of activities in the information technology business in order to develop further scale in specific industry capabilities; and
- creating a much more significant market capitalization and public float, which will provide substantially greater liquidity and the opportunity for significant institutional exposure for the shares of Aliant in comparison to the capital markets presence of each of the Combining Companies individually.

Organization into four lines of business

Aliant organized the various corporate entities under its ownership into four lines of business – telecommunications carried out primarily by Aliant Telecom Inc. (“Aliant Telecom”), information technology through Aliant Information Technology Inc. (“Aliant IT”), remote communications through its majority ownership of Stratos Global Corporation (“Stratos”) and emerging businesses organized under Aliant Horizons Inc. (“Aliant Horizons”). Aliant Energy Services, a wholly-owned subsidiary, is a marketing and sales company delivering the Aliant Premium solution by identifying opportunities for all of Aliant's lines of business within the oil and gas sector. Not representing a line of business, Aliant Properties Inc. (“Aliant Properties”) holds the real estate assets of Aliant.

Amalgamation of Aliant Telecom

Effective January 1, 2001, Aliant Telecom amalgamated (the "Amalgamation") with most of its wholly owned subsidiaries including Island Tel, Maritime Tel & Tel Limited (“MTT”), NBTel Inc. (“NBTel”) and NewTel Communications Inc. (“NewTel”), (collectively the “ATI Telcos”) and NewTel Mobility Limited (“NewTel Mobility”).

Effective with the Amalgamation, Aliant Telecom assumed all of the assets and obligations of the amalgamating companies, including the ATI Telcos. Most of the assets of Island Tel, MTT and NewTel were subject to mortgages and charges securing first mortgage bonds issued by these companies. Prior to the Amalgamation, on December 15, 2000, the holders of these first mortgage bonds approved certain changes to the trust indentures governing those bonds. These changes included (i) limiting the mortgage and charge created by the trust indentures to include only that real and tangible personal property located in the province where each company had maintained its primary operations (Prince Edward Island, Nova Scotia and Newfoundland, respectively); (ii) revising the provisions under which the indenture trustee is authorized to release the mortgage and charge, and (iii) prohibiting each company from issuing additional bonds under those trust indentures. The changes were necessary to ensure that, on amalgamation, the mortgage and charge created by these trust indentures did not extend to all of the property of Aliant Telecom and thereby violate the negative pledge provisions contained in Aliant Telecom's trust indenture and other trust indentures of the ATI Telcos.

Appointment of new officer positions

Effective February 26, 2001, J.A. (Jay) Forbes was appointed Executive Vice-President and Chief Financial Officer of Aliant Inc. and Senior Vice-President and Chief Financial Officer of Aliant Telecom. Effective December 17, 2001, Roch Dubé became President of Aliant Telecom and Executive Vice President of Aliant Inc. Gerry Pond stepped down as President of Aliant Telecom effective October 23, 2001. Mr. Pond stepped down as Executive Vice-President of Aliant Inc. effective January 11, 2002.

STRATEGIC ALLIANCE WITH BCE AND BELL CANADA

Aliant and the Combining Companies entered into a Memorandum of Agreement dated March 19, 1999, as amended, with BCE and Bell Canada. This long term strategic alliance agreement provides for an orderly transition and continuity of the business relationships among the parties and summarizes the understanding of the parties with respect to a strategic alliance for the provision and delivery of telecommunications services.

The agreement identifies the Atlantic Provinces as the traditional territory of Aliant and Quebec and Ontario as the traditional territory of Bell Canada. The agreement provides that Aliant is the vehicle by which telecommunications services will be offered in Aliant's territory, and commits BCE and Bell Canada to the development and growth of a strong and independent Aliant. It assures that Aliant is Bell Canada's preferred supplier of telecommunications services offered in the Atlantic Provinces. It identifies specific areas of co-operation for the purpose of providing a seamless delivery of services.

Aliant gains access to Bell Canada's technology, the exclusive right to use specified Bell Canada trademarks in Aliant's traditional territory, and a license to use Bell Canada's promotional materials. Bell Canada agreed to promote the use and sale of technology and intellectual property developed by Aliant. Each party has agreed to provide the other with support services, including access to operational support and technical, marketing,

training and similar assistance. Aliant and Bell Canada will attempt to achieve benefits resulting from a pooling of their requirements such as the aggregation of traffic and purchasing requirements.

With an initial term of five years, the agreement will continue in effect for as long as BCE holds an interest in Aliant of at least 10 percent, subject to termination rights on the occurrence of certain specified events. BCE may not increase its ownership interest in Aliant beyond 55% except by making an offer for all remaining common shares. BCE is entitled to appoint two directors to an Aliant board of 13 directors (which can be increased to 15 directors without BCE's consent or additional representation).

Building on this strategic alliance agreement, Aliant Telecom is strengthening its ties with the Bell family of companies to enhance growth opportunities and maintain its leadership in the Atlantic Canadian telecommunications market. There are many ways for the companies to mutually benefit through synergies and additional revenue opportunities; Aliant anticipates implementing plans to realize these opportunities over the next several months. With these strategic initiatives, Aliant will continue to drive growth in future years through more efficient and competitive operations

BCE's direct and indirect ownership of Aliant is 53.1% of the outstanding shares of the Company, making Aliant a majority-owned subsidiary of BCE.

SIGNIFICANT ACQUISITIONS AND DISPOSITIONS

Aliant did not make any significant acquisitions or dispositions during 2001.

TRENDS, COMMITMENTS AND UNCERTAINTIES

In addition to the trends and uncertainties involved in the operations of each line of business as discussed more completely below in Item 4 under the headings "Competition", "Regulation", "Technology" and "Litigation", the following are risks that management has identified as having the potential to have a material effect on Aliant's financial condition or results of operation:

Stratos Financial Risk

The total debt of Stratos at December 31, 2001, was 75.6% of its total capitalization. This is a significant debt burden to service and will require Stratos to raise additional equity financing in order to restore a more appropriate capital structure. Under the terms of the credit facilities with the Stratos' banking syndicate, Aliant will be required to participate in any additional equity financing by Stratos.

Aliant has guaranteed US\$150 million (approximately Cdn \$225 million) of the obligations of Stratos incurred under credit facilities provided to Stratos by a syndicate of Canadian banks to finance the acquisition by Stratos of the Inmarsat, VSAT and aeronautical businesses of British Telecommunications plc (the "BT A&M" assets). The guarantee by Aliant assisted Stratos in securing the financing necessary to complete this acquisition. Stratos' credit facilities contain various covenants relating to future financial

results. There can be no assurance that Stratos will meet these covenants and that Aliant will not become liable for Stratos' debt to the extent of the guarantee. Stratos is currently meeting all of its financial covenant requirements and has received a six-month extension of its bridge loan facility to January 2003. In 2002, Stratos intends to raise additional funds to ensure appropriate financing levels are in place prior to the expiration of this extension.

ITEM 4 DESCRIPTION OF THE BUSINESS

BUSINESS OF ALIANT

Aliant is comprised of four core lines of business: telecommunications, information technology, remote communications and emerging businesses as discussed below.

Consolidated Results

Aliant Inc. had revenues of \$2.6 billion, consolidated net income was \$120.9 million and assets totaling \$ 3.7 billion for the year ending and as at December 31, 2001. The following table summarizes the operating results for 2001 and 2000.

Aliant recorded a restructuring charge of \$111.2 million during the fourth quarter as the Company continues to accelerate the pace of operating efficiencies resulting from the merger. The charge is comprised primarily of staff severance costs and the cost of consolidating various entities into one operating unit. The charge will result in pre-tax cost savings of approximately \$56 million, expected to be achieved early in 2002.

Consolidated operating results (*Thousands of dollars*)

| | 2001 | 2000 | % change |
|---|-------------|-------------|-----------------|
| Operating revenue | \$2,601,566 | \$2,274,180 | 14.4 |
| Operating income (<i>before restructuring charge</i>) | 537,669 | 500,967 | 7.3 |
| Operating income | 426,432 | 500,967 | (14.9) |
| Net income | 120,928 | 217,121 | (44.3) |

TELECOMMUNICATIONS

The telecommunications line of business consists of 100%-owned Aliant Telecom and its subsidiaries, as well as Aliant's 87% partnership interest in Aliant ActiMedia (formerly TeleDirect Atlantic).

Development of the business

Aliant Telecom was incorporated on August 4, 1999, as the holding company for Aliant's telecommunications subsidiaries.

Measured by revenues, Aliant Telecom is Canada's third largest full-service telecommunications business. Aliant Telecom provides a full range of voice and data communications services including local, long-distance, data, Internet and other wireline and wireless services.

Segment results

The Aliant telecommunications group had revenues of \$1.85 billion, net income of \$195.1 million and assets totaling \$2.64 billion for the year ending and as at December 31, 2001. The following table summarizes the telecommunications operating results for 2001 and 2000.

Aliant Telecom recorded a restructuring charge of \$76.4 million during the fourth quarter as the Company continues to accelerate the pace of operating efficiencies resulting from the merger. The charge is comprised primarily of staff severance costs and the cost of consolidating various entities into one operating unit. The charge will result in pre-tax cost savings of approximately \$31 million, expected to be achieved early in 2002.

Telecommunication operating results (*Thousands of dollars*)

| | 2001 | 2000 | % change |
|---|-------------|-------------|-----------------|
| Operating revenue | \$1,847,831 | \$1,784,365 | 3.6 |
| Operating income (<i>before restructuring charge</i>) | 528,576 | 479,502 | 10.2 |
| Operating income | 452,128 | 479,502 | (5.7) |
| Net income | 195,127 | 204,615 | (4.6) |

Products and services

Local service

Local service revenues are derived principally from the provision of network access service to residence and business customers, local data access service, telephone set rentals and enhanced service features. Local services are also offered in service bundles or packages, which may include some long-distance, wireless, Internet, and interactive television services. Aliant Telecom's overall market share for local services remains

strong at 97.5% due to its strategy of retaining customers through targeted bundled service offerings. Contribution revenues are also included in local revenues.

The following is a breakdown of local revenues, showing revenues from external customers, from other Aliant lines of business and from Aliant's controlling shareholder, Bell Canada:

| Local revenues <i>(in thousands of dollars)</i> | 2001 | 2000 |
|--|-------------------|-------------------|
| Revenues from external customers | \$ 864,518 | \$ 847,476 |
| Revenues from other Aliant lines of business | 3,906 | 5,739 |
| Revenues from Bell Canada and BCE | - | - |
| | \$ 868,424 | \$ 853,215 |

Long distance service

Long distance service revenues are derived from toll service and network services. Toll service consists of basic message toll service, including long distance services, which are carried out by a variety of calling plans. Network services include private line voice services and business data services. Business data services are offered to customers to meet a wide variety of their needs, including public digital packet switched communications networks through such plans as DataPac, and digital private line services through such plans as DataRoute and MegaStream/MegaRoute. The large base of call-centre customers that Aliant Telecom has been able to attract to the Atlantic region continues to be a significant driver of minute growth. At the same time, bundled service offerings, including a flat-rate long-distance component, continue to drive up calling volumes in the residential market. As a result of these initiatives, Aliant Telecom has been able to grow its market share to 89% of the Atlantic Canada long-distance market at the end of 2001.

The following is a breakdown of long distance revenues, showing revenues from external customers, from other Aliant lines of business and from Aliant's controlling shareholder, Bell Canada:

| Long distance revenues <i>(in thousands of dollars)</i> | 2001 | 2000 |
|--|-------------------|-------------------|
| Revenues from external customers | \$ 384,044 | \$ 415,244 |
| Revenues from other Aliant lines of business | 16,009 | 11,495 |
| Revenues from Bell Canada and BCE | 8,604 | 13,034 |
| | \$ 408,657 | \$ 439,773 |

Wireless

Wireless services include the cellular, paging and other mobile communications provided by Aliant Mobility, a division of Aliant Telecom. Cellular and paging services are offered through various plans for consumer and business customers.

2001 saw the continued expansion of Aliant Telecom's digital cellular service to provide total cellular coverage of 95%. Aliant Telecom estimates it holds approximately 75% of the cellular market in Atlantic Canada.

The following is a breakdown of wireless revenues, showing revenues from external customers, from other Aliant lines of business and from Aliant's controlling shareholder, Bell Canada:

| Wireless revenues (in thousands of dollars) | 2001 | 2000 |
|--|-------------|-------------|
| Revenues from external customers | \$ 249,386 | \$ 216,279 |
| Revenues from other Aliant lines of business | 511 | 20 |
| Revenues from Bell Canada and BCE | - | - |
| | \$ 249,897 | \$ 216,299 |

Other telecommunications services

Other telecommunications revenues are derived from Internet services, telephone directory advertising, equipment sales, consulting services, network management, e-Commerce and new services such as *VibeVision*.

The following is a breakdown of other telecommunications revenues, showing revenues from external customers, from other Aliant lines of business and from Aliant's controlling shareholder, Bell Canada:

| Other revenues (in thousands of dollars) | 2001 | 2000 |
|---|-------------|-------------|
| Revenues from external customers | \$ 301,493 | \$ 264,110 |
| Revenues from other Aliant lines of business | - | - |
| Revenues from Bell Canada and BCE | 19,360 | 10,968 |
| | \$ 320,853 | \$ 275,078 |

In 2001, Aliant Telecom sold most of its telephone poles in Newfoundland and Labrador to Newfoundland Power. Without ownership of the poles, future depreciation expense and interest charges will be reduced, offset by attachment fees paid to Newfoundland

Power for access to the poles. While negative on an EBITDA¹ basis, the transaction is positive economically to Aliant as it frees capital otherwise committed to legacy infrastructure and results in a more efficient operating arrangement for poles.

Accounts Receivable Securitization

In December 2001, Aliant Telecom entered into an accounts receivable securitization agreement with Scotia Capital whereby it can sell accounts receivable on a revolving basis. As of December 13, 2001, the company had sold \$150 million of accounts receivable. Securitizing accounts receivable provides the Company with a lower cost source of short-term funds compared to commercial paper borrowing. The cash received was loaned to Aliant Inc. and used to retire commercial paper borrowing.

For a complete discussion on the operating results of the telecommunications line of business please refer to document entitled "Management's Discussion and Analysis for the Year Ended December 31, 2001" which is incorporated herein by reference.

Aliant Telecom and its predecessor companies have been influenced over the last six years by increasing competition in businesses that were formerly regulated monopolies and changes in regulation. These are described below under the headings "Regulation", and "Competition". Also, rapidly advancing technology is evolving the business more towards Internet-based, data and wireless services. This transition creates challenges in the form of shorter asset lives for new investments and opportunities in the form of new sources of revenue and growth.

Regulation

General

As "Canadian carriers", the ATI Telcos were, and Aliant Telecom is now, regulated by the Canadian Radio-television and Telecommunications Commission ("CRTC" or "Commission") pursuant to the *Telecommunications Act*. ATI is also a Broadcast Distribution Undertaking and is also regulated by the CRTC under the *Broadcasting Act*.

The Commission has broad powers with respect to the terms and conditions of provision of telecommunications services by Canadian carriers, subject to its power to forbear from regulation as described below under the heading "Forbearance". That is, unless the CRTC has decided to forbear from the regulation of certain services, a Canadian carrier is required to, among other things, file tariffs for approval with the CRTC for the rates and terms and conditions of the services it offers and obtain approval of all agreements it may enter into with other telecommunications carriers for the exchange of telecommunications traffic.

¹ EBITDA is defined by the company as operating income plus depreciation and amortization expense. The company has included information concerning EBITDA because it believes that it is used by certain investors as one measure of the company's financial performance. EBITDA is not a measure of financial performance under Canadian generally accepted accounting principles and is not necessarily comparable to similarly titled measures used by other companies. EBITDA should not be construed as an alternative to operating income or to cash flows from operating activities (as determined in accordance with Canadian generally accepted accounting principles) as a measure of liquidity.

Price cap regulation

In a 1994 decision, the CRTC announced that it would introduce price cap regulation for utility services beginning January 1, 1998. The CRTC established a price cap plan for the telephone companies, including the ATI Telcos (and now Aliant Telecom) that is in effect from January 1, 1998 until 2002. It provides that the companies may increase or decrease prices of those utility services that are subject to price cap regulation, so long as the aggregate of prices for those services does not exceed an index (the “price cap index” or “PCI”). The PCI is adjusted each year by the rate of inflation less a “productivity offset” of 4.5%, plus or minus an “exogenous factor” for matters beyond the control of the telephone companies.

The PCI is applied to a “basket” of utility services offered by telephone companies including residential local access services and single and multi-line local access business services. Residential local services are subject to further pricing constraints in that prices for those services cannot increase, on average, by more than the inflation rate. Certain utility services, such as optional local services, are not subject to price caps.

With price-cap regulation set to expire its initial four-year term, there is uncertainty as to what impact, if any, the new rules will have on future prices for utility services. In response, Aliant Telecom has provided its recommendations on revising price-cap regulation to the CRTC as part of a major regulatory proceeding conducted by the CRTC throughout 2001. ATI, along with other incumbent suppliers, is seeking a more streamlined approach with less stringent pricing rules. The Commission is expected to retain price regulation and a decision on the new price-cap regime should be known around April 2002.

Contribution and Banding

In 2001, significant changes in the collection mechanism for the subsidies required to support local residential service, were introduced by the CRTC:

- Commencing in 2001 all eligible telecommunication service providers were required to make contribution payments based on their eligible telecom revenues. In prior years only long distance providers were assessed contribution costs based on their long-distance minutes.
- Prior to 2001 these payments were made into regional pools to be "withdrawn" by local service providers, including Aliant Telecom, to subsidize certain residential services. Commencing in 2001 a national pool replaced the regional ones, requiring service providers to pay 4.5% on all eligible revenues.
- The decision also established a formula for the determination of the amount of subsidy to be paid to local service providers based on the incumbent's incremental or

Phase II costs. The formula also includes a prescribed allowance for cross subsidy from other services. The use of the new formula commences in 2002.

- The impact of the decision is to broaden the base of service providers making contribution payments and to broaden the base upon which contribution is assessed. In 2001 this had the impact of reducing the amount of contribution cost borne by Aliant Telecom.

In 2001 the CRTC issued its ruling on Banding which established the “high cost areas or bands”. The residential local access services in these high cost bands are the only services eligible for subsidy commencing in 2002. For Aliant Telecom approximately 39% of the residential access are classified as high cost and are therefore eligible for subsidies.

The amount of the subsidies required for the national pool will diminish substantially in Canada in 2002 reflecting the changes in the calculation of subsidies and the narrowing of the definition of a high cost area. This has the impact of reducing both the revenues and costs related to contribution in 2002 for Aliant Telecom.

In 2002, the contribution payment rate will decline to 1.4% of eligible revenues. As a result, a decline in local revenues over 2001 is expected of approximately \$110 million in contribution revenues. Costs of revenues in 2002 are also expected to be reduced by the regulatory changes, resulting in a net negative \$69 million EBITDA impact compared to 2001. Pricing measures taken in 2001 should partially offset the impact of these decisions. Local revenue is expected to be lower due to significantly lower contribution revenues partially offset by growth in use of enhanced service options and increases in data network access.

Forbearance

The CRTC has the power to forbear from exercising its regulatory powers, in whole or in part and conditionally or unconditionally, where it is satisfied that to do so would be consistent with Canadian telecommunications policy objectives. With increasing competition in telecommunications, the CRTC has found it appropriate, in several circumstances and to varying degrees, to forbear from regulating the telephone companies and their competitors with respect to the services they offer.

Between 1994 and 2000 the CRTC granted forbearance for many telecommunications services including the sale of terminal equipment, packet switched data services, frame relay services, electronic messaging and information services, voice long distance services, high-speed private line services on certain major routes, mobile wireless services (including paging, cellular, PCS, mobile data and two-way radio), Internet services and wide area network services (WAN).

Broadcast distribution

In 1998 NBTel became the first telecommunications company in Canada to be granted a broadcast distribution undertaking ("BDU") by the CRTC. The BDU allows Aliant

Telecom to provide television services through its broadband network in Saint John and Moncton. In 2000, NBTel launched interactive television services (*VibeVision*TM) in Moncton and Saint John. *VibeVision* was launched commercially in Halifax in 2001. Since the Amalgamation on January 1, 2001, Aliant Telecom has become the holder of the BDUs in Moncton, Saint John and Halifax.

Competition

Through the decade of the 90's, the CRTC has implemented a policy of introducing competition in various aspects of the telecommunications business, which were formerly regulated monopolies. Major steps were taken in 1990 with the allowance of resale of telephone service to provide long distance services, in 1992 with the allowing of voice long distance service competition by carriers using their own network facilities, and in 1997 with the allowance of competition in the provision of local services. The Commission has adjusted the regulatory framework as competition has become established. Initially, a number of competitive safeguards were imposed limiting the ability of the incumbent telephone companies to bundle services in offerings to customers, and restricting their ability to reduce prices. As competition has increased, certain of these safeguards have been reduced or withdrawn, and regulation of certain services has been forborne in whole or in part. (See the section above entitled "Forbearance")

Other aspects of the telecommunications business have been competitive for much longer or since their inception, including private line and data services, sale of telephone terminal equipment, telephone directory advertising and cellular and other wireless services. Virtually all aspects of Aliant's telecommunications business are now subject to competition. It is not dependent on any single customer for 10 percent or more of its revenues or income, but larger business customers do account for a significant portion of its revenues.

Local

In compliance with regulatory requirements, Aliant Telecom put in place the software, equipment and procedures to allow for local number portability ("LNP"), local network interconnection ("LNI") and the resale of local loops throughout the Atlantic region as required. There are a number of competitive local exchange carriers ("CLECs") operating in the region with particular focus on the business market in the Halifax and St. John's areas. One of these CLECs also offers residential access service, mainly in the Halifax market. Aliant Telecom expects that the degree of local competition will continue to grow in 2002 as Aliant Telecom continues to be an industry leader with market share of 97.5%.

Long-distance

Long-distance competition continued to be strong in 2001. There are competitors for long-distance services in Atlantic Canada, offering flat-rate monthly pricing packages

and discounted per-minute rates in both the residential and business markets. Management expects these pressures to persist and long-distance margins will continue to narrow, although the pace at which prices are falling in Atlantic Canada has moderated. Aliant Telecom continues to focus on maintaining margins through improved efficiency and stable market share. Long-distance competition in Atlantic Canada is reflective of the rest of the country. Aliant Telecom continues to be an industry leader with market share of 89%.

Wireless

In its wireless business, Aliant Telecom faces three competitors for paging services and two competitors for cellular services. A third cellular competitor has a limited presence in the region by way of offering roaming facilities to other national carriers. 2001 saw the continued expansion of Aliant Telecom's digital cellular service to 56% coverage, which combined with analogue services brought total cellular geographic coverage to 95%. Aliant Telecom estimates that it holds approximately 75% of the cellular market in Atlantic Canada. Although some additional cellular market share could be lost to new competitors, management is confident superior service offerings, competitive pricing and greater coverage will help the Company retain a strong market position.

Internet and interactive television

Aliant Telecom is the major Internet service provider (ISP) in Atlantic Canada, with an estimated market share of 69% of the dial-up and 62% of the high-speed markets. High-speed capability now passes over 506,000, or 57% of homes in Atlantic Canada. Competition exists throughout the region for both Internet dial-up and high-speed services. However, Aliant Telecom's focus on quality, customer service, and its range of applications, along with the dedicated two-way access on its high-speed network, should enable the Company to maintain its strong market position into the future.

Technology

The major technological challenge facing Aliant Telecom over the coming years is to deploy a "next generation network" infrastructure. Technological advances may also affect Aliant Telecom's level of earnings by shortening the useful life of some of its assets. Retention of customers for longer terms becomes even more important due to the high up-front costs of new technology. Further, technological advances may emerge that could reduce the costs of plant and equipment, and eliminate or reduce barriers that deter other companies from competing in particular market segments. The merger into Aliant and the formation of Aliant Telecom has partially addressed this technology risk as the larger company can now spread resources, investment and knowledge across the region. Further, Aliant Telecom's closer alignment with Bell will create efficiencies in capital expenditures as savings in shared products and services are realized.

Aliant Telecom has made fairly heavy investments in the last four years in advancing the capacity and scope of its broadband multimedia network. Evolving the communications

network to be able to carry and manage broadband services is essential to the future growth of Aliant. Many new sources of revenue with the greatest growth potential in the next few years are from services that are now or soon will be offered over this network. These include Internet, e-commerce, broadband data transmission and interactive television services. At this time there is no assurance that broadband technologies and services will continue to be developed according to anticipated schedules, that they will perform according to expectations, or that they will achieve commercial acceptance to the degree necessary to make these investments profitable. However, Aliant's emerging business segment as an industry-leader in innovation, understands the increasing complexity of customer demands and works closely with Aliant Telecom to develop new products and services for delivery over the broadband network.

Management expects the cooperative model between Aliant Telecom and Bell Canada to contribute revenue enhancements by leveraging Aliant's unique capabilities in Internet Protocol (IP) video and IP communications in a broader market. In addition, Aliant will play an expanded role in the Bell Alliance through Centres of Excellence in Contact Centres, Small and Medium Enterprise (SME) e-Business Applications and Enterprise Network Management and will maximize the alignment of products and services through joint collaboration on marketing strategy.

Throughout the next three years, management also anticipates that there will be an improvement in EBITDA from the Bell alignment. As well as the revenue enhancements noted, further cost reductions are expected. These savings will be created by taking advantage of Bell's scale and scope resulting in improved purchasing power and alliances, improving Aliant's supply chain, eliminating duplicate and redundant functions in both companies, sharing cost management programs and processes, exchanging products and services in each others' market and combining development and innovation initiatives along a common strategy.

Alliances

Stentor

The ATI Telcos were members of Stentor, a working association of nine provincial Canadian telephone companies. The Stentor alliance went through major changes in 1999 as the member companies decided to pursue independent, competitive service development and marketing strategies. Stentor managed the interconnections which provide long distance telephone and data transmission facilities across Canada, established operating procedures to expedite the handling of long distance calls within Canada and internationally, and administered the system of financial transactions among the members and with international carriers for the settlement of revenues for these services. Through Stentor, the members formed an alliance with MCI Telecommunications Corp. for the development and delivery of a portfolio of advanced network services. Additionally, the members were parties to agreements with AT&T, MCI WorldCom, Sprint, Teleglobe Canada and others that provide for interconnecting international telecommunications services. Stentor also served a role in research and development, national marketing and government-relations.

As of January 1, 1999, certain functions previously carried out by Stentor were assumed by the individual member companies. Functions of continuing value that were returned to the individual member companies were made available to other members on a contracted basis. The connecting agreement and the related governance agreement under which Stentor had operated was terminated effective December 31, 1999. Effective January 1, 2000, Bell Canada took over the remaining activities previously provided by Stentor, offering these services to the former member companies on a contractual cost recovery basis. It is expected that these costs will be reduced because of the synergy gains from the amalgamation with similar operations existing in Bell Canada.

Mobility Canada

The cellular operating divisions or affiliates of the Stentor member companies formed Mobility Canada, of which Aliant Telecom and its mobility affiliates are members. This alliance has provided coordination of cellular coverage across Canada and coordination of agreements with cellular service providers elsewhere. It also provided national marketing and certain shared administrative functions, such as financial settlements among the member companies and with other cellular service providers, and national billing infrastructure.

As in the case of Stentor, the members of Mobility Canada in 1999 decided to pursue independent, competitive service development and marketing strategies. Accordingly, Mobility Canada no longer provides national marketing and this function has been assumed by the member companies. Mobility Canada continues to provide certain shared administrative functions to the member companies on a contract basis.

New Alliance Agreements

In 1999 agreements were signed for an alliance with BCE's new national broadband and Internet provider company, BCE Nexxia Inc. ("Nexxia"). Under these agreements Aliant Telecom provides network and access facilities to Nexxia in the Atlantic Provinces, and provides and distributes Nexxia services to customers in the Atlantic Provinces. Aliant Telecom obtains access to Nexxia intellectual property, and access to a highly advanced national broadband network over which to offer many of its innovative applications.

Throughout 1999 and 2000, Aliant Telecom conducted negotiations for other specific agreements necessitated by the wind-down of the Stentor alliance, and to give definition to a new alliance with Bell Canada, MTS Communications Inc. and Saskatchewan Telecommunications. These include an Operational Support Services agreement with Bell Canada for the provision of former Stentor services, a revised arrangement for revenue settlement, the final requirements for the formal windup of Stentor, and a sub-license for the exclusive provision of MCI WorldCom Inc. On-Net Services to Aliant Telecom's customers.

New terms for interconnection and exchange of traffic with Telus Communications Inc. and Telus Communications (B.C.) Inc. were also negotiated.

Property

The physical property of Aliant Telecom consists of land, buildings, towers, plant and equipment including poles, wire, cable, underground conduit, microwave radio relay equipment, fibre optic cable and equipment, motor vehicles, office furniture, materials and supplies, other miscellaneous equipment and construction in progress. As at December 31, 2001, the gross value of the property amounted to approximately \$4.9 billion and the net book value was approximately \$2.1 billion. Aliant Telecom's buildings together with its other plant, apparatus and equipment are located throughout Atlantic Canada.

Research and Development

In 2001, the telecommunications group spent approximately \$1.0 million on research and development of new telecommunications products and services for its customers and for more cost-effective operation of the telecommunications network.

Environmental Matters

Aliant Telecom has adopted an environmental plan based on conducting its business affairs in a manner which protects people and their environment. The costs of these environmental plans are included in the capital expenditure program and are not expected to have a material impact on future years' earnings. As well, management is not aware of any environmental matters that materially threaten the Company's future earnings or financial position.

Litigation

NEW BRUNSWICK CLASS ACTION

An action was commenced against NBTel by 132 former employees who took early retirement under a 1998 Early Retirement Incentive Program. The former employees claim, among other things, unquantified general damages in the amount of the difference between what they received upon retirement in 1998, and what they would have received had they retired under a 1999 Early Retirement Incentive Program. Pleadings have been exchanged and the discovery process is ongoing. As of January, 2002, no trial date had been set."

Employee Relations

As of December 31, 2001, Aliant Telecom had 6,308 employees (2000 – 6,692).

Approximately 68% of the employees in the telecommunications line of business are covered by the terms of collective agreements:

In PEI, there are collective agreements with the union locals representing clerical staff, operators, craft employees and first level managers. Contracts with the Communications, Energy and Paperworkers Union of Canada ("CEP") representing PEI operators, clerical and craft employees expired December 31, 2001. The agreement with first level managers expires June 30, 2002.

In Nova Scotia, there are collective agreements with the Atlantic Communication and Technical Workers Union representing craft and clerical workers and operators. These contracts expired December 31, 2001.

In New Brunswick, there are collective agreements with the CEP union local representing operators and technical employees. These contracts expired on December 31, 2001.

In Newfoundland, there is a collective agreement with the CEP union local representing operators, clerical and craft employees. This agreement expires on December 31, 2001.

In October 2000, Aliant Telecom filed an application with the Canada Industrial Relations Board seeking single employer designation and a review of the current bargaining unit structure. The position taken in the application is that a single bargaining unit and a single collective agreement is the most appropriate future structure. This application has been approved resulting in expiration of all collective agreements noted above on December 31, 2001 with the exception of the first level managers collective agreement in PEI. The union has filed notice to bargain and both sides have tentatively agreed to meet on March 4, 2002 to begin negotiations.

INFORMATION TECHNOLOGY

Aliant's information technology line of business is conducted through 100%-owned Aliant Information Technology Inc. ("Aliant IT"). Aliant IT was incorporated on August 4, 1999, as the holding company for Aliant's interests in MITI Information Technology Inc. ("MITI") and Xwave Solutions Inc. ("xwave"). The information technology line of business is carried out through Xwave Solutions Inc. (**xwave**).

Development of the business

MITI was acquired in April 1998 by Bruncor and was amalgamated with Datacor/ISM Information Systems Management Atlantic Corp ("Datacor") in September 1998. In 1998, NBTel acquired 100% ownership of Datacor by purchasing a 49% voting interest from two minority shareholders. xwave was formed in December 1998 by amalgamating several subsidiaries of NEL, namely NewTel Information Solutions Limited, Paragon Information Systems Inc., Minerva Technology Inc. and 10735 Newfoundland Limited (a holding company for a wholly owned US-subsiidiary, Minerva Technology, Inc., now Xwave Solutions Corp.), and the information technology division of MTT.

During 1999, Aliant IT expanded its information technology business segment with a series of acquisitions. In February, MITI acquired the information technology business

of Keltic Technologies Group Inc. adding 80 employees with operations in Newfoundland, Nova Scotia and New Brunswick. In March 1999, MITI also acquired the assets and operations of Galahad Information Systems, an Ontario-based IT company with 11 employees. In April 1999, xwave acquired Software Kinetics Ltd. adding 270 employees in Halifax and Ottawa.

During 2000 Aliant IT consolidated and simplified its corporate structure. Aliant IT acquired the minority interests in xwave and MITI previously held by arm's-length parties. On August 31, in order to clarify and focus its brand in the market, MITI and xwave were merged and have since been carrying on business under xwave's name.

In early 2000, Aliant Telecom transferred 165 information technology employees to xwave. On January 31, 2000, xwave acquired Prior Data Sciences Ltd. with over 250 software and systems specialists and offices in Ottawa, Toronto, Montreal and Halifax. Then in July, xwave acquired the operations of MCW Business Systems Ltd., a Toronto-based IT-product fulfilment enterprise. During the fall of 2000, xwave established a subsidiary in Dublin, Ireland, operating as Xwave Solutions (Ireland) Inc. In December 2000, xwave purchased a 75% interest in Central Computer Associates, doing business as TechKnowledge Inc., a network services, systems integration and hardware supplier based in Maine.

xwave is an information technology (IT) services and fulfillment company with an established national presence and a growing presence in the United States and Europe. **xwave** has more than 2,800 professionals and is Canada's second largest Canadian-owned information technology services company on a gross revenue basis. **xwave** has offices throughout Atlantic Canada, in Montreal, Ottawa, Toronto, Calgary, Edmonton, Dallas, Texas and Dublin, Ireland. There are plans to close both the Calgary, Edmonton and Dallas, Texas offices in early 2002.

Segment results

Aliant IT had revenues of \$374.1 million, net loss of \$10.6 million and assets totaling \$31.8 million for the year ending and as at December 31, 2001. The following table summarizes the IT operating results for 2001 and 2000.

Information technology operating results *(Thousands of dollars)*

| | 2001 | 2000 | % change |
|--|-------------|-------------|-----------------|
| Operating revenue | \$ 374,144 | \$ 331,385 | 12.9 |
| Operating income (before restructuring charge) | 16,767 | 27,769 | (39.6) |
| Operating income (loss) | (8,988) | 27,769 | (132.4) |
| Net income (loss) | (10,595) | 13,476 | (178.6) |

The following is a breakdown of IT revenues, showing revenues from external customers, from other Aliant lines of business and from Aliant's controlling shareholder, Bell Canada:

| IT revenues <i>(in thousands of dollars)</i> | 2001 | 2000 |
|---|-------------|-------------|
| Revenues from external customers | \$ 221,040 | \$ 195,602 |
| Revenues from other Aliant lines of business | 153,104 | 135,783 |
| Revenues from Bell Canada and BCE | - | - |
| | \$ 374,144 | \$ 331,385 |

For a complete discussion on the operating results of the information technology line of business please refer to the document entitled "Management's Discussion and Analysis for the Year Ended December 31, 2001" which is incorporated herein by reference.

Research and Development

In 2001, the information technology group spent approximately \$0.8 million on research and development.

Employee Relations

As of December 31, 2001, Aliant IT and its subsidiaries had 2,824 employees, up 19.4% from 2,365 at the end of 2000. The employee base is non-unionized.

REMOTE COMMUNICATIONS

Aliant's remote communications business segment is carried out through its ownership in Stratos Global Corporation (the "Corporation" or "Stratos"). During 2001, Aliant's ownership in Stratos was reduced from approximately 62% to 61%. Aliant, through

NewTel Enterprises Limited, first took a controlling position in Stratos in September 1998.

Stratos is publicly traded on The Toronto Stock Exchange under the trading symbol "SGB". Stratos is a Canadian-based public company offering telecommunications services and network and other services to customers operating beyond the reach of traditional terrestrial telecommunications. The Corporation owns and operates its own telecommunications facilities and distributes the services of other network operators.

General Development of Stratos

Stratos began as an investment/management company which made equity investments in a variety of different operating entities, including a 24.5% equity investment in Stratos Wireless Inc. ("SWI"). Commencing in 1995, Stratos began a series of transactions, which resulted in its ownership interest in SWI increasing from 24.5% to 55% in 1996 and, ultimately, to 100% in 1998. The effect of these and other transactions (through which Stratos has divested its non-core assets) has been that Stratos is now exclusively in the business of providing remote mobile and fixed communications solutions to an array of diverse markets worldwide.

On August 12, 1998, Stratos acquired MarineSat Communications Network, Inc. ("MCN") of Jupiter, Florida for US \$1.3 million. MCN is the largest distributor of maritime telecommunications services to North American coastal and commercial vessels and private yachts using the Motient Corporation ("Motient") geostationary orbit satellite. Motient was formerly known as American Mobile Satellite Corporation or AMSC.

On September 10, 1998, Stratos acquired Teleglobe Canada's Inmarsat-related mobile communication satellite assets (the "Teleglobe Assets"), including its 29% equity interest in SWI for \$82.1 million. As part of the acquisition, the Canadian federal government designated SWI as the Canadian Inmarsat Signatory in place of Teleglobe.

On October 28, 1998, Stratos acquired the maritime mobile service business of Motient for US \$8.5 million. The assets acquired included 3,300 marine satellite ("MSAT") maritime terminals and approximately 3,000 active customers. In addition, Stratos entered into a four-year distribution agreement, which placed it atop the Motient maritime distribution chain.

On November 18, 1998, Stratos acquired Nova-Net Communications, Inc., now Stratos VSAT, Inc. ("Stratos VSAT") for US \$5.7 million. Stratos VSAT is a specialized provider of data communications networks utilizing very small aperture terminal ("VSAT") technology.

On April 7, 2000, Stratos completed the acquisition of the assets of Shell Offshore Inc.'s telecommunications subsidiary, Shell Offshore Services Company ("SOSCo"), for US \$51.7 million including acquisition costs. Based in New Orleans, Louisiana, SOSCo uses a digital microwave system to provide voice, data and video services, Internet access and network connectivity to over 250 remote drilling rigs and production platforms located

offshore in the Gulf of Mexico. Additionally, SOSCo is a licenced competitive local exchange carrier (“CLEC”) with central switches in Louisiana and Texas providing local and long distance telephone services to its offshore and traditional telecom customers.

On July 31, 2000 Stratos completed the acquisition of the assets of Seven Seas Communications, Inc. (“Seven Seas”) for approximately US \$16.2 million including acquisition costs. Post-closing adjustments, which were finalized in the year ended December 31, 2001, reduced this purchase price to US \$16.0 million. Seven Seas is the largest non-facilities based provider of global and regional satellite communication solutions to customers in the Americas. Seven Seas offers a full suite of products including Inmarsat, MSAT and Globalstar, as well as value-added services and customer care support. Seven Seas has built a leading position in key and maritime vertical market segments including natural resources, commercial fishing and yachting.

On October 25, 2000, Stratos acquired the assets of Rig Telephones, Inc., a Louisiana corporation, doing business as Datacom (“Datacom”) for approximately US \$46.2 million including acquisition costs. Datacom, based in Lafayette, Louisiana, uses a digital microwave system in the Gulf of Mexico to provide voice and data communications solutions, including Internet access and network connectivity, to more than 500 customers. Datacom is also a licenced CLEC in Louisiana and Texas.

Effective December 31, 2000, Stratos finalized the acquisition of British Telecommunications plc’s Aeronautical and Maritime Division (“BT A&M”) for US \$255.8 million including acquisition costs. Post-closing adjustments finalized in the year ended December 31, 2001 reduced the purchase price by US \$24.9 million to US \$230.9 million. The acquisition of BT A&M positions the Corporation as a leading provider of remote communications solutions to customers around the world. The BT A&M business provides a full range of Inmarsat, VSAT and terrestrial solutions to customers in a variety of industries including maritime, oil and gas, banking and aeronautical. BT A&M operated four teleports including two land earth stations (“LES”) located in the southwest of England and New Zealand which provide best in class global Inmarsat services.

Products and services

Stratos is a vertically-integrated satellite service provider that either owns and operates its own telecommunications facilities, or distributes the services of other network operators. At present, Stratos offers its customers Inmarsat, MSAT, VSAT, Microwave, Iridium and Globalstar services. Stratos also operates high frequency (“HF”) radio facilities providing service for oceanic users in the North Atlantic, as well as providing offshore oil and gas communications in eastern Canada. Stratos generates revenue through the sale of airtime contracts, end-user equipment and specialized software or hardware to meet its clients’ operational communications needs. Sales in the United States accounted for approximately 47% of total revenues in the year ended December 31, 2001 (2000 - 64%).

Stratos’ corporate strategy is to offer multi-technology solutions that best suit individual customer needs. It has utilized satellite-based solutions to solve the communications

needs of its customers and, with the acquisitions of SOSCo and Datacom, Stratos now provides non-satellite based technology services.

Segment results

Aliant's remote communications line of business had revenues of \$450.9 million, a net loss applicable to common shares of \$22.0 million and assets totaling \$810.9 million for the year ending and as at December 31, 2001. The following table summarizes the remote communications operating results for 2001 and 2000.

Remote communications operating results *(Thousands of dollars)*

| | 2001 | 2000 | % change |
|---|------------|------------|----------|
| Operating revenue | \$ 450,904 | \$ 177,501 | 154.0 |
| Operating income (loss) | 43,118 | (7,926) | - |
| Net loss before non-controlling interest | (36,263) | (22,748) | - |
| Net loss applicable to Aliant common shares | (21,954) | (14,470) | - |

The following is a breakdown of remote communications revenues, showing revenues from external customers, from other Aliant lines of business and from Aliant's controlling shareholder, Bell Canada:

| Remote revenues <i>(in thousands of dollars)</i> | 2001 | 2000 |
|---|------------|------------|
| Revenues from external customers | \$ 443,055 | \$ 177,101 |
| Revenues from other Aliant lines of business | - | - |
| Revenues from Bell Canada and BCE | 7,849 | 400 |
| | \$ 450,904 | \$ 177,501 |

For a complete discussion on the operating results of the remote communications line of business please refer to the document entitled "Management's Discussion and Analysis for the Year Ended December 31, 2001" which is incorporated herein by reference.

Regulation of the Industry

CANADIAN REGULATORY ENVIRONMENT AND LICENSING

General Regulatory Framework

Since the designation of SWI as the new Canadian Signatory to Inmarsat in August, 1998, the regulatory framework governing the provision of mobile and fixed satellite services in Canada has gone through significant changes in support of Canada's commitments to liberalize the mobile and fixed satellite services markets in Canada. These changes were required to implement Canada's commitments made under the World Trade Organization's ("WTO") General Agreement on Trade in Services - Agreement on Basic Telecommunications of February 1997. In particular, changes were made to Canada's foreign ownership restrictions on "Canadian carriers" to permit the foreign ownership and operation of satellite stations, LESs and subscriber earth stations for mobile and fixed satellite services. These amendments permit Stratos to enter into strategic ventures with a foreign carrier for the ownership and operation of its earth station assets and the provision of its satellite services. They also permit foreign satellite service providers to establish and operate earth stations in Canada and offer competitive mobile and fixed satellite services in Canada.

Regulation by the CRTC

As a "Canadian carrier", SWI is subject to regulation under the *Telecommunications Act* by the CRTC. On February 3, 2000, the CRTC advised Stratos that it had decided to conditionally forbear from the regulation of the Inmarsat mobile satellite services that are public switched mobile voice services and to unconditionally forbear with respect to other wireless services provided by Stratos and its affiliates.

Further, as a "Canadian carrier", SWI is required to be "Canadian owned and controlled" pursuant to the *Telecommunications Act* and the *Radiocommunication Act* in respect of all of its operations and facilities other than those relating to mobile and fixed satellite services. These restrictions require that, (i) at least 80% of SWI's voting equity be held by Canadians; (ii) at least 80% of SWI's board of directors be resident Canadians; (iii) at least 66 2/3% of Stratos' voting equity be held by Canadians; and (iv) SWI not be otherwise controlled in fact by non-Canadians. Under Stratos' current ownership structure by Aliant Inc., SWI is "Canadian owned and controlled".

Under the *Telecommunications Act*, all providers of international telecommunications services in Canada are required to hold and keep current an international telecommunications service licence issued by the CRTC. SWI holds a Class A international telecommunications licence which was issued by the CRTC on January 1, 1999 and reissued on November 22, 2000.

SWI is affected by the same November 2000 CRTC decision relating to changes in the contribution regime discussed above under "Telecommunications -- Regulation". Prior to the implementation of this decision, SWI had been advised by the CRTC by opinion letter dated June 2, 2000 that SWI was not responsible for paying contribution under the then existing per-minute collection mechanism. Under the new regime, which came into effect January 1, 2001, contribution is now paid by *all* telecommunications service providers (including satellite service providers such as SWI) based on a percentage of their total Canadian telecommunications service revenues ("CTSR"). Since the \$10 million CTSR threshold under which Canadian telecommunications service provider are required to pay contribution is applied against all *related* companies operating in Canada, CTSR for Aliant Telecom and SWI must be combined and totaled together. Accordingly, SWI is not eligible to take advantage of this exemption from the obligation to pay contribution.

As discussed above under "Telecommunications -- Regulation", the 2001 revenue-percentage charge was set at 4.5%. This new obligation for the payment of contribution by SWI in 2001 did not have a material effect on Aliant's earnings. Further, the percent revenue charge for 2002 is expected to be reduced significantly. In fact, in Order CRTC 2001-876, *Interim 2002 revenue-percent charge, national subsidy requirement and procedures for the revenue-based contribution regime*, issued December 14, 2001, the CRTC set the 2002 interim percent revenue charge at 1.4%. The final percent revenue charge will be established later in 2002.

Regulation by Industry Canada

Industry Canada manages the use and allocation of radio spectrum in Canada through the issuance of radio and spectrum licences pursuant to the *Radiocommunication Act* and its regulations. SWI holds radio licences for its Inmarsat LESs and tracking, telemetry and command earth stations, as well as its C-band earth stations and HF radio stations. SWI also holds a spectrum licence issued December 15, 1999 and renewable on an annual basis, in respect of its Inmarsat mobile satellite services in Canada. The spectrum licence provides that its issuance to SWI does not grant SWI a monopoly on the provision of domestic or international Inmarsat mobile satellite services in Canada. Accordingly, as one of the conditions of its spectrum licence, SWI is required to share the spectrum assigned under its licence with any other licenced Inmarsat service provider that may be authorized by Industry Canada to use the same spectrum to provide Inmarsat mobile satellite services in Canada. Currently, there is only one other service provider licenced to offer Inmarsat services in Canada, Skywave Mobile Communications Inc., which was issued a spectrum licence on August 21, 2000, to offer Inmarsat D services in Canada. In addition to the above, SWI is required to invest a minimum of two percent of its adjusted gross revenues from its Inmarsat mobile satellite services on satellite-related research and development activities, averaged over the first five licence years. This condition of licence will not have a material effect on Aliant's earnings.

In January of 2002, SWI received from Industry Canada type approval and equipment certification for all of the Inmarsat subscriber terminals it sells and leases in Canada. In accordance with the certification procedure, SWI is required to affix appropriate labels to all of the Inmarsat subscriber terminals used in Canada.

As an authorized service provider or reseller of Iridium satellite services, SWI is not required to hold a spectrum licence in respect of such services. Rather, a spectrum licence was issued to Iridium's Canadian subsidiary, Iridium Satellite Canada Ltd., on October 21, 2001.

Privatization of Inmarsat

Following the acquisition of the Teleglobe assets, Industry Canada designated SWI as the Canadian Signatory to Inmarsat replacing Teleglobe. In April of 1999, Inmarsat was restructured to form a new privatized company registered in the United Kingdom (known as Inmarsat Ltd.) and its business assets and commercial operations were transferred to Inmarsat Ltd. An intergovernmental organization continues to oversee Inmarsat Ltd. to ensure fulfillment of public service obligations relating to maritime distress and safety communication services. The status of "Signatory" thereby ceased to exist and the former Inmarsat Signatories, including SWI, received shares in Inmarsat Ventures plc., the holding company of Inmarsat Ltd., proportionate to their previous Investment Shares in Inmarsat.

Access to Inmarsat space segment is now governed by LES operator agreements entered into between former Signatories operating LESs and Inmarsat Ltd. Pursuant to the LES operator agreements, LES operators wishing to offer Inmarsat satellite services must receive authorization from Inmarsat Ltd. Inmarsat Ltd. also has the right to authorize parties other than former Signatories to construct LESs, to provide Inmarsat mobile satellite services and to enter into LES operator agreements with those LES operators.

U.S. Regulatory Environment & Licensing

Stratos provides services in the U.S. through its subsidiaries Stratos Mobile Networks (USA) LLC ("Stratos USA"), MCN, Stratos VSAT, Satellite Distribution Services, Inc., Stratos Telecom, Inc. ("Stratos Telecom") and Stratos Offshore Services Company ("SOSCo").

General Regulatory Framework

The U.S. Federal Communications Commission ("FCC") is responsible for virtually all aspects of U.S. regulation of telecommunications services provided by private companies, including licensing of services and equipment, assigning of frequencies, regulatory implementation of communications statutes and adjudicating complaints alleging violation of those statutes.

The primary U.S. statutes governing the operations of Stratos subsidiaries are the *Communications Act of 1934*, as amended (the "Communications Act"), the

Communications Satellite Act of 1962, as amended by the International Maritime Satellite Telecommunications Act of 1978 and the Open-Market Reorganization for the Betterment of International Telecommunications Act (the "Orbit Act").

The Communications Act requires that a provider of facilities-based or resold international telecommunications service obtain FCC authorizations. The Communications Act also requires that an operator of radiocommunication facilities (including satellite earth stations) obtain authorization from the FCC to operate the facilities. Maintenance of required licences is a condition of providing service in the United States, and the FCC has authority to suspend or revoke for violation of licence conditions or other improper conduct.

The Communications Act requires telecommunications common carriers to provide services on a non-discriminatory basis and to charge "just and reasonable" rates. The Communications Act also requires that most providers of interstate telecommunications service to the public contribute a percentage of end-user revenues to a "universal service" fund that is used to support service to high-cost and under-served customers.

The Orbit Act establishes licensing criteria for the provision of Inmarsat services. In considering applications to provide Inmarsat "non-core" services (*i.e.*, Inmarsat services other than global maritime distress and safety services or other existing maritime or aeronautical services for which there are no alternative providers), and to operate earth stations to provide such Inmarsat non-core services, the FCC must determine whether Inmarsat and any successor entities have been privatized in a manner that will harm competition in the United States market. In making such a determination, the FCC is required to find that competition will be harmed unless the privatization of Inmarsat and any successor entities is consistent with certain criteria established in the Orbit Act. The Orbit Act also requires the FCC to condition or deny applications for authority to provide "non-core" services – and similarly condition or revoke previous authorizations to provide such services – should the FCC determine that competition in the United States will be harmed or that the request for authority is otherwise not in the public interest. The Orbit Act also requires the Commission to construe the requirements of the Act in a manner consistent with the United States' obligations and commitments for satellite services under the Fourth Protocol to the General Agreement on Trade in Services, which require the United States to afford full market access and national treatment to all satellite services, including mobile data services, offered by providers, such as Inmarsat, that are licenced in WTO Member countries. On October 9, 2001, the FCC released an order in which it concluded that the privatization of Inmarsat satisfied the criteria of the Orbit Act and, as a result, the FCC concluded that it could now authorize use of Inmarsat for "non-core" services to, from, and within the United States. As part of the FCC's order, the FCC modified the earth station licences of the U.S. subsidiaries of the Corporation to permit U.S. domestic and international access to Inmarsat satellites. The FCC's conclusions set forth in the order are conditioned upon Inmarsat becoming a public company and conducting an initial public offering ("IPO") consistent with the requirements of the Orbit Act. In December 2001, a law was enacted that extended the time for completion of Inmarsat's IPO from December 31, 2001 to December 31, 2002.

Individual states in the United States have enacted laws to regulate the provision of local or intrastate telecommunications by carriers operating within the state. Accordingly, Stratos subsidiaries providing local or intrastate telecommunications services in the United States must obtain approval from the relevant state utility commissions prior to providing services in that state. The state utility commissions have the ability to revoke a carrier's authority to operate in the state for failure of that carrier to adhere to conditions of its authorization or for other improper conduct.

Inmarsat Services

Stratos USA is authorized to provide international Inmarsat services and global facilities-based and resold services. In October 2001, the FCC authorized Stratos to provide Inmarsat services to Inmarsat terminals in the U.S., as described above. Stratos' authorizations cover Inmarsat A, B, M, Mini-M, M4 and Aero services.

Inmarsat A

Stratos USA provides both fixed-to-mobile and mobile-to-fixed Inmarsat A services through the Corporation's LESs in the United Kingdom and New Zealand.

Inmarsat B, M, Mini-M and M4

In the United States, Stratos USA currently provides Inmarsat B, M, Mini-M and M-4 services via the United Kingdom and New Zealand LESs.

Inmarsat Aero

Stratos is currently authorized by the FCC to provide domestic and international Inmarsat Aero services.

Microwave Services

SOSCo is currently authorized by the FCC to use a digital microwave system to provide voice, data and video services, Internet access and network connectivity to customers located in the Gulf of Mexico.

CLEC Services

Stratos Telecom is authorized by the FCC and the states of Louisiana and Texas to provide CLEC services, including domestic and international long distance and local telephone services, to customers in the Gulf of Mexico, Louisiana and Texas. If Stratos Telecom begins providing additional services, it may require additional state authority.

Other Services

MCN is authorized by the FCC to provide global facilities-based and resold services. Under this authorization, MCN provides services via the Motient system. Stratos VSAT is authorized by the FCC to provide VSAT services.

Dominant Carrier Regulations

FCC rules and policies require that a U.S. carrier be regulated as “dominant” on international routes to countries in which the carrier has affiliates providing certain telecommunications services. Dominant international carrier regulation imposes certain regulatory burdens, including the requirement to file tariffs for services provided on a route on which the carrier is dominant. Stratos is dominant on the U.S.-Canada route.

U.K. Regulatory Environment & Licensing

Stratos provides services in the U.K. through its subsidiaries Stratos Global Limited and Stratos Aeronautical Limited.

General Regulatory Framework

The regulatory framework in the UK for the provision of telecommunications networks, services, and equipment is established in accordance with the Internal Market provisions of the European Union (“EU”). The Internal Market is defined as, “...an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured in accordance with the provisions of this Treaty.” (Article 14(2) Treaty of Rome 1957, as amended). Accordingly, a series of legislative steps have been adopted by the EU institutions since the 1980s designed to progressively liberalise the rules within the EU for the provision of telecommunications networks, services, and equipment. This process of liberalisation has been accompanied by further legislative measures designed to ensure the availability of interconnection and interoperability of these systems based on the principles of Open Network Provision.

The primary U.K. statute is the Telecommunications Act 1984 which Act makes it a criminal offence to run a telecommunications system in the UK without being licenced by the Secretary of State for Trade and Industry as the Government Minister responsible for the Department of Trade and Industry. Upon grant of an individual licence (note that under the liberalisation measures discussed above, there are also a number of ‘class’ licences which no longer require an individual application in this way), responsibility for the monitoring and enforcement of the licence is assigned to the Office of Telecommunications (“Ofcom”). Ofcom, which is headed by the Director General of Telecommunications, is a publicly funded regulatory body which is required under the EU liberalisation rules discussed above to be functionally independent from the UK government.

An additional authorisation requirement is required where the telecommunications services involve the use of radio spectrum (such as satellite earth stations). The Wireless Telegraphy Act 1949, as amended, makes it a criminal offence to install or operate

equipment for the transmission of radio signals without a licence from the Secretary of Trade and Industry. The Secretary for Trade and Industry performs this function, together with the monitoring, enforcement, and revocation of these licences through the Radiocommunications Agency - a specialist department within the Department of Trade and Industry.

In addition to these sector specific regulations, Stratos is required to comply with all generally applicable laws and regulations for operating in the UK. Of particular relevance in regard to the activities of telecommunications operators are provisions of UK and EU competition law, and regulations concerning data protection and privacy issues in telecommunication services.

Specific Licences Held

Stratos Global Limited, as the primary Stratos UK operating subsidiary, possess the authorizations described below, which it must maintain through the payment of annual renewal fees and by ensuring that its operations remain in compliance with the relevant licence conditions.

Telecommunications Act Licences

Stratos was granted an Individual Satellite Services Licence (“SSL”) by the Secretary of State for Trade and Industry on October 24, 2000 for a terms of 25 years. The SSL authorizes the operation of the Stratos UK network of earth stations for the provision of specified services to Stratos customers.

Stratos’ application to provide international services under the International Simple Voice Resale Class Licence (“ISVR”) was accepted by the Secretary of State for Trade and Industry on January 22, 2002. The ISVR enhances the authorization which Stratos already enjoys under the SSL by entitling Stratos to provide international voice services which may both originate and terminate on the Public Switched Telecommunications Network of the UK and any other country.

Please note that due to the EU liberalization process discussed above, certain authorizations under the Telecommunications Act no longer require specific authorization but are available to Stratos as ‘Class’ licences such as the *Telecommunications Services Class Licence* and the *Self Provision Class Licence*.

Wireless Telegraphy Licences

Stratos was granted a number of Permanent Earth Station Licences to authorize the use of radio spectrum by Stratos earth stations at Goonhilly, England and Mormond Hill and Aberdeen in Scotland. These licences are renewable annually.

Interconnection Rights

Stratos was granted full Annex II status by the Director General of Telecommunications on April 23, 2001 under the Telecommunications (Interconnection) Regulations 1997

which implemented the EU Interconnection Directive (EU Directive 97/33/EC of the European Parliament and of the Council of 30 June 1997 on Interconnection in Telecommunications with regard to ensuring universal service and interoperability through application of the principles of Open Network Provision (ONP)). This status confers on Stratos certain rights and obligations to negotiate interconnection with other network operators providing publicly available telecommunications networks and services. In particular, where the other operator has been designated by Oftel as having “Significant Market Power” in the fixed or leased lines market, the Annex II classification entitles Stratos to benefit from cost orientated pricing for the telecommunication services provisioned.

Litigation

SAIT v. SWI and IDB Mobile

SAIT has filed an international arbitration claim against SWI and IDB Mobile for approximately US \$8 million, claiming breach of a subparticipation agreement, where SAIT has a one-third interest in the Laurentides Joint Venture interest previously held by IDB Mobile and subsequently transferred to SWI. In December 2000, the arbitrator issued a decision rejecting SAIT’s arguments but adopting a new theory that SWI and IDB Mobile breached this subparticipation agreement. The arbitrator has required both parties to submit data for the damages phase of the proceeding.

Competition

At present, the Corporation is one of the only market participants to offer a diverse portfolio of multi-network service offerings. However, the Corporation faces competition in several of its markets and could face increased competition from newly formed or emerging entities as well as from more established telecommunications organizations that choose to emulate the Corporation’s business strategy.

The Corporation’s major competitors by service offered are as follows:

Inmarsat: In the Inmarsat marketplace, the Corporation faces competition from a number of other former Inmarsat Signatories such as Xantic and Telenor. To date, the Corporation believes that its entrepreneurial nature and diverse product offerings have given it a competitive advantage over these larger counterparts. In addition, while the Corporation competes with resellers, Stratos believes it has a competitive advantage due to its lower cost structure obtained as a result of its Inmarsat LES operator status.

MSAT: In the MSAT marketplace, competition presently comes from resellers, but may arise from the network operator TMI if the temporary authority it received from the FCC to offer service in the United States becomes permanent.

VSAT: In the VSAT marketplace, the Corporation faces little competition within its current target market, being the provision of data communications services via middle market networks of 300 sites and less. While larger competitors such as GE and Hughes

participate in this market, these competitors have historically focused on markets where the networks are larger (over 1,000 sites).

Microwave: In the microwave marketplace, there are four significant communications providers other than SOSCo in the Gulf of Mexico: SOLA, CapRock, PetroCom and Coastel. These companies have provided communication services in the Gulf of Mexico for a number of years and have significant name recognition in the oil and gas industry.

Other: In addition, the Corporation faces potential competition from existing technologies (like cellular) or from the potential emergence of new technologies. As well, liberalization of the Canadian regulatory framework governing the provision of mobile satellite services is expected to provide opportunities for new entrants to offer mobile satellite services in Canada which will compete with those offered by the Corporation, including competitive Inmarsat services.

Properties

The Corporation owns the property on which its Operations Centre is located in St. John's, Newfoundland. The Corporation also leases properties in various other jurisdictions where it carries on business.

Employees

Stratos had 615 employees as at December 31, 2001, compared to 586 as at December 31, 2000.

Emerging business

The emerging businesses segment is a group of companies under the ownership of Aliant Horizons Inc. (Aliant Horizons). These companies recognize revenue through several means: licensing of software, consulting services, one-time software sales, the outright sales of investments, transaction revenues, joint developments, and joint ventures. This group's primary operations are through Innovatia Inc. (Innovatia), Prexar LLC (Prexar) and AMI Offshore Inc. (AMI). Innovatia is focused on the research and development of Internet-based services for broadband networks. Innovatia designs, develops and sells Internet-based applications to service providers worldwide. Aliant Horizons owns 96.4% of Prexar, an Internet services provider based in Bangor, Maine and servicing the northern New England States. AMI (57.4% owned by Aliant Horizons) provides process and systems control technical services, logistics and supply chain management and contract manufacturing solutions to the offshore oil and gas and other industries. The emerging business segment also includes a number of portfolio and strategic investments in the Internet and e-commerce area including minority interests in iMagicTV Inc. ("iMagic TV"), Exigen Ltd., and Voice Mobility International Inc. among others. Aliant accounts for its investment in iMagicTV by the equity method, while the other minority investments are accounted for on a cost basis.

General development of the business

In May 2000, Innovatia, formerly NBTel Global Inc., was renamed and given a larger role by consolidating intellectual property formerly distributed amongst various Aliant companies.

In November 1999, AMI acquired K&D Industries Ltd., a distributor of telecom and industrial equipment. This transaction expanded AMI's operations throughout Atlantic Canada, and its customer base, particularly in the offshore oil and gas, telecommunications and construction industries. In November 1999, AMI also acquired St. John's based SEA Systems Limited and Tubecraft Atlantic Limited. This gave AMI a dominant position in Atlantic Canada's instrumentation and control industry. In a separate transaction in July 1999, AMI assumed direct responsibility for the operations of Newtech Instruments Limited, a business within the Aliant family focused on manufacturing.

In January 2000, AMI Pratt, K&D Industries Ltd. and Tubecraft Atlantic Ltd. amalgamated to form K&D Pratt Ltd. K&D Pratt Ltd. was disposed on December 5, 2001.

As part of Aliant's U.S. expansion strategy, Aliant Internet LLC ("AliantNet") was created and in December 1999 acquired AcadiaNet, an Internet Service Provider located in Ellsworth, Maine with 6,000 customers. In March 2000, AliantNet was re-branded as Prexar and expanded its customer base to 33,663 by the end of 2001.

Segment results

The emerging business segment had revenues of \$128.9 million, net income loss of \$14.3 million and assets totaling \$151.2 million for the year ending and as at December 31, 2001. The following table summarizes the emerging business operating results for 2001 and 2000.

Emerging business operating results (thousands of dollars)

| | 2001 | 2000 | % change |
|---|-------------|-------------|-----------------|
| Operating revenue | \$ 128,886 | \$ 149,324 | (13.7) |
| Operating income (loss) (before restructuring charge) | (13,849) | 27,626 | (150.1) |
| Operating income (loss) | (16,883) | 27,626 | (161.1) |
| Net income before non-controlling interest | (14,551) | 30,979 | (147.0) |
| Net income applicable to Aliant common shares | (14,283) | 30,810 | (146.4) |

For a complete discussion on the operating results please refer to the document entitled "Management's Discussion and Analysis for the Year Ended December 31, 2001" which is incorporated herein by reference.

The following is a breakdown of emerging business revenues, showing revenues from external customers, from other Aliant lines of business and from Aliant's controlling shareholder, Bell Canada:

| Emerging business revenues (in thousands) | 2001 | 2000 |
|--|-------------------|-------------------|
| Revenues from external customers | \$ 100,960 | \$ 125,094 |
| Revenues from other Aliant lines of business | 27,926 | 24,230 |
| Revenues from Bell Canada and BCE | - | - |
| | \$ 128,886 | \$ 149,324 |

Products and services

Prexar provides Internet dial-up, high-speed and enhanced services such as web-hosting to consumers and small-medium business customers in Maine and New Hampshire.

AMI provides process and systems control technical services, logistics and supply chain management and contract manufacturing solutions to the offshore oil and gas and other industries.

Innovatia is organized into four divisions, providing the following main products and services on a worldwide basis:

*LivingLAB*TM

The *LivingLAB* is a product and services research and development environment that includes access to real customers, employees, partners and physical development centres.

Interactive Knowledge

This division develops and delivers customized “e-learning” solutions to technology-based companies and their customers. Currently this division has two e-learning contracts with Nortel Networks Corp. (Nortel). Revenue expectations for these contracts have been reduced from earlier expectations given the current downturn in the global telecom sector and the resulting sales challenges being faced by Nortel. However cost reduction efforts are being made to balance any negative or delayed-revenue consequences. The first contract started in September 2000, while the second contract in support of Nortel’s UMTS portfolio began to generate revenue in the fourth quarter of 2001.

Interactive Television

This division develops Internet Protocol (“IP”) based software products and services that enable interactive broadband applications and content for the television and the personal computer (“PC”). Its primary product is *Genium*, a convergent IP-portal software solution that enables service providers to increase their speed to market while delivering a superior interactive television service to their consumers. *Genium* integrates "tuned for broadband" on-demand streaming video and audio, broadcast television, the Internet, telephony services, interactive applications and content management tools using a single interface for the television or PC.

eWorld Solutions

This division develops tools to uniquely enable “e-commerce” and provide productivity improvements for governments and the small and medium-sized enterprise market. Its flagship product, *NterWeb*, is a web-based software platform enabling government online solutions such as vehicle registration over multiple channels (touch tone phone, screen phone, PC and Internet).

Research and Development

In 2001, the emerging business group spent approximately \$6.3 million on research and development.

Litigation

Claim by Sable Offshore Energy Project

AMI and Genoyer Group Inc. (“GGI”) entered into a joint venture to procure work from the Sable Offshore Energy Project (“Sable”) in Nova Scotia. A contract was obtained to supply Sable with line pipe. In October 1999, Sable reserved the right to claim against AMI and GGI, alleging certain pipe was defective. Under the joint venture agreement, GGI is responsible for all warranty claims relating to the pipe. In September 2001, Sable filed identical court actions against AMI and GGI in Nova Scotia and Alberta. In January 2002, Sable advised that it intends to serve the court documents and proceed with the matter in Nova Scotia. In the court documents, Sable claims, among other things, special damages of \$6.5 million Cdn. If liability to Sable is proven, AMI has an indemnification from GGI.”

Employees

As at December 31, 2000, the emerging business segment had 608 employees (2000 -- 865 employees).

ITEM 5 SELECTED CONSOLIDATED FINANCIAL INFORMATION

THREE YEAR SUMMARY ⁽¹⁾

| As at December 31 (thousands of dollars, except per share amounts) | | | |
|--|-------------|-------------|-------------|
| | 2001 | 2000 | 1999 |
| Total operating revenues | \$2,601,566 | \$2,274,180 | \$2,030,705 |
| Total operating expenses | 2,063,897 | 1,773,213 | 1,583,695 |
| Restructuring costs | 111,237 | - | 78,000 |
| Other income (expense) | (16,821) | 16,872 | 19,652 |
| Interest charges | 157,489 | 124,387 | 120,638 |
| Income taxes | 145,023 | 183,890 | 133,929 |
| Non-controlling interest in net earnings | (13,829) | (7,559) | (5,975) |
| Net income | 120,928 | 217,121 | 140,070 |
| Total assets | 3,691,785 | 3,729,635 | 2,886,558 |
| Long term debt (including debt due within one year) | 1,545,529 | 1,568,271 | 1,187,573 |
| Shareholders' equity | 1,599,807 | 1,343,403 | 1,096,228 |
| Non-controlling interest | 71,738 | 82,486 | 29,718 |
| Earnings per average common share | 0.84 | 1.65 | 1.11 |
| Earnings per share excluding restructuring costs | 1.31 | 1.65 | 1.44 |
| Dividends declared per common share | 0.90 | 0.90 | 0.83 |

Notes to three year summary

(1) Certain information for 1999 has been restated to conform to the 2000 presentation format. The 1999 combination has been accounted for in these financial statements by the pooling of interests method, that is by combining the historical carrying values of the assets, liabilities, and shareholders' equity and historical operating results of the predecessor companies.

DIVIDEND POLICY

Aliant intends to pay dividends based upon its earnings level and capital requirements. Aliant intends to achieve a dividend payout level, as a proportion of net income, that is consistent with its growth agenda. Any payments will be at the discretion of the Board of

Directors based on the factors set out above and such factors as the Board of Directors consider relevant. The current dividend rate is \$0.90 per annum.

ITEM 6 MANAGEMENT’S DISCUSSION AND ANALYSIS

The Company’s document entitled “Management’s Discussion and Analysis for the Year Ended December 31, 2001” is incorporated herein by reference.

ITEM 7 MARKET FOR SECURITIES

Aliant’s common shares are publicly traded on The Toronto Stock Exchange under the symbol “AIT”.

ITEM 8 DIRECTORS AND OFFICERS

The name, municipality of residence and principal occupation for each of the Directors of Aliant appear below. The number and percentage ownership of common shares beneficially owned or controlled by the directors and senior officers are detailed in the Notice of Annual Meeting of Shareholders and Information Circular, which is incorporated herein by reference. The Company has an audit committee, a corporate governance committee, a defined benefit pension investment committee, a defined contribution pension investment committee, a human resources and compensation committee and an investment committee, memberships in which are indicated below.

| <u>Name / Director Since</u> | <u>Residence</u> | <u>Principal Occupation</u> |
|---|---------------------------|---|
| Miller H. Ayre ^{1,2} April 22, 1999 | St. John’s, Newfoundland | Publisher, The Telegram (Publishing) |
| J. Charles Caty ^{3,4} April 22, 1999 | Oakville, Ontario | Corporate Director |
| Lino J. Celeste ⁴ April 22, 1999 | Saint John, New Brunswick | Corporate Director |
| Robert P. Dexter, Q.C. ^{1,4} April 22, 1999 | Halifax, Nova Scotia | Chairman and Chief Executive Officer, Maritime Travel Inc. |
| Ivan E. H. Duvar ³ April 22, 1999 | Halifax, Nova Scotia | Corporate Director |
| Albert E. P. Hickman ² | St. John’s, Newfoundland | Chairman and President, Hickman |

| | | |
|--|-------------------------------------|---|
| April 22, 1999 | | Motors Limited (Automotive sales and service) |
| Margot Northey ^{3,5,6} April 20, 2001 | Kingston, Ontario | Dean, School of Business, Queen's University |
| Edward Reevey ^{1,5,6} April 22, 1999 | Rothesay, New Brunswick | Corporate Director |
| Randall J. Reynolds ³ April 22, 1999 | North York, Ontario | President, Bell Nexxia (Telecommunications) |
| Alan K. Scales, Q.C. ² April 22, 1999 | Charlottetown, Prince Edward Island | Partner, Stewart McKelvey Stirling Scales (Law Firm) |
| John Sheridan ⁴ June 23, 1999 | Toronto, Ontario | President, Bell Canada |
| Donald C. R. Sobey ⁴ April 22, 1999 | Trenton, Nova Scotia | Chairman, Empire Company Limited (Holding Company) |
| Catherine Tait ² April 20, 2001 | Brooklyn, New York | Communications and Entertainment Consultant |
| Stephen G. Wetmore April 22, 1999 | Saint John, New Brunswick | President and Chief Executive Officer of the Company |
| Charles W. White Q.C. ^{1,2,3,4,5,6} April 22, 1999 | St. John's, Newfoundland | Partner, White Ottenheimer & Baker (Law Firm) and Chairman of the Board |

1 Audit Committee Member

2 Corporate Governance Committee Member

3 Human Resources and Compensation Committee Member

4 Investment Committee Member

5 Defined Benefit Pension Investment Committee Member

6 Defined Contribution Pension Investment Committee Member

With the exception of the following individuals, all of the directors have been employed in the designated principal occupation for the preceding five years or have been engaged in different executive functions with their current corporation or with one of their affiliates:

Mr. Ayre is currently publisher of The Telegram, St. John's. Prior to this he was group Publisher and Chief Executive Officer of Thompson Newfoundland, prior to which he was Publisher and General Manager of The Evening Telegram. Prior to this he was Chairman, President and Chief Executive Officer of Ayre & Sons Limited.

Prior to Mr. Wetmore's appointment as President and Chief Executive Officer of Aliant on April 22, 1999, he was President and Chief Executive Officer of NewTel Enterprises Limited and Chief Executive Officer of NewTel Communications Inc. Prior to this he was President of Smart Capital Resources Inc. from 1997, prior to which he was President of Air Atlantic (1994) Ltd. from 1995 to 1997.

The officers of Aliant are as follows:

| <u>Name</u> | <u>Residence</u> | <u>Position Held</u> |
|--------------------|---------------------------|--|
| Stephen G. Wetmore | Saint John, New Brunswick | President and Chief Executive Officer |
| Jay Forbes | Rothesay, New Brunswick | Executive Vice President and Chief Financial Officer |
| Roch Dubé | Halifax, Nova Scotia | Executive Vice President and President, Telecommunications |
| Barrie H. Black | Rothesay, New Brunswick | Vice President, General Counsel and Corporate Secretary |
| G. Reid Parker | Quispamsis, New Brunswick | Vice President and Treasurer |
| David Rathbun | Bedford, Nova Scotia | Chief Human Resources Officer |
| Manon Losier | Quispamsis, New Brunswick | Assistant Secretary |

With the exception of the following individuals, all of the officers have been employed in the designated principal occupation for the preceding five years or have been engaged in different functions with their current corporation or with one of their affiliates.:

Prior to Mr. Dubé's appointment as Executive Vice President and President Telecom, he had been President and Chief Executive Officer of Connexim since 1999. Prior to this, he held a number of senior positions in the Bell Canada family.

Prior to Mr. Forbes' appointment as Executive Vice President and Chief Financial Officer, he was Chief Financial Officer for Oxford Properties Group. Prior to this he was Senior Vice President and Chief Financial Officer of Nova Scotia Power Holdings Incorporated and Vice President and Chief Financial Officer of Nova Scotia Power Incorporated.

ITEM 9 ADDITIONAL INFORMATION

The Company will provide to any person, upon request to the Corporate Secretary, One Brunswick Square, 18th Floor, P.O. Box 5030, Saint John, New Brunswick, E2L 4L4:

- a) when the securities of the Company are in the course of distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of securities, the following information:
 - i) a copy of the Annual Information Form, together with any document incorporated herein by reference,
 - ii) a copy of the comparative financial statements for the most recently completed financial year together with the accompanying report of the auditor and a copy of any interim financial statements subsequent to the financial statements for its most recently completed financial year,
 - iii) a copy of the Information Circular for the most recent annual meeting of shareholders,
 - iv) a copy of any other documents that are incorporated by reference into the preliminary short form prospectus or short form prospectus;
- b) or at any other time, a copy of any documents referred to in (1)(a)(i), (ii) and (iii) above.

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Company's Information Circular for its most recent annual meeting of shareholders. Additional financial information is available in the Company's comparative financial statements for years ended December 31, 2001 and 2000.