



ALIAN T TELECOM INC.

2001 ANNUAL INFORMATION FORM

February 12, 2002

TABLE OF CONTENTS

ITEM 1 COVER PAGE.....	1
ITEM 2 CORPORATE STRUCTURE.....	4
NAME AND INCORPORATION	4
INTERCORPORATE RELATIONSHIPS	4
ITEM 3 GENERAL DEVELOPMENT OF THE BUSINESS.....	4
THREE YEAR HISTORY	4
STRATEGIC ALLIANCE WITH BCE AND BELL CANADA.....	6
SIGNIFICANT ACQUISITIONS AND DISPOSITIONS	7
TRENDS, COMMITMENTS AND UNCERTAINTIES	7
ITEM 4 DESCRIPTION OF THE BUSINESS.....	7
PRODUCTS AND SERVICES	8
REGULATION.....	11
COMPETITION.....	13
TECHNOLOGY	14
ALLIANCES	16
PROPERTY.....	17
RESEARCH AND DEVELOPMENT	17
ENVIRONMENTAL MATTERS	18
EMPLOYEE RELATIONS	17
ITEM 5 SELECTED CONSOLIDATED FINANCIAL INFORMATION.....	19
THREE YEAR SUMMARY	19
ITEM 6 MANGEMENT’S DISCUSSION AND ANALYSIS.....	20
ITEM 7 MARKET FOR SECURITIES	20

ITEM 8 DIRECTORS AND OFFICERS.....	20
ITEM 9 ADDITIONAL INFORMATION	23

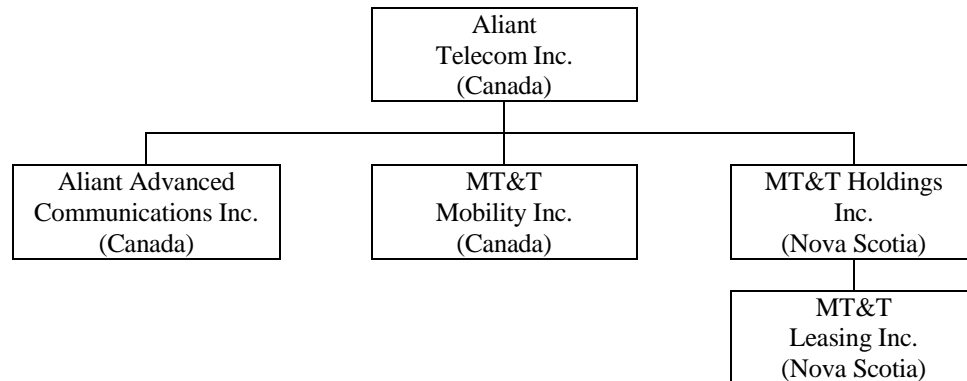
ITEM 2 CORPORATE STRUCTURE

NAME AND INCORPORATION

Aliant Telecom Inc. (“Aliant Telecom” or “the Company”) was incorporated on August 4, 1999 pursuant to the provisions of the *Canada Business Corporations Act* to become the telecommunications arm of its parent company, Aliant Inc. (“Aliant”). 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. Aliant Telecom owns 100% of the outstanding common shares of the companies indicated. 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

On March 22, 1999, Maritime Telegraph and Telephone Company, Limited, Island Telecom Inc. (“Island Tel”), Bruncor Inc. and NewTel Enterprises Ltd. (collectively referred to as the “Combining Companies”) announced that they had entered into a Combination Agreement which created Aliant. Aliant is engaged, through its subsidiaries, in four core lines of business: telecommunications, information technology, remote communications and emerging business. Aliant Telecom operates Aliant’s telecommunications line of business.

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.

Creation of Aliant Telecom

Aliant Telecom was incorporated on August 4, 1999, as the holding company for Aliant’s telecommunications subsidiaries. The primary subsidiaries were Island Tel, Maritime Tel & Tel Limited (“MTT”), NBTel Inc. (“NBTel”) and NewTel Communications Inc. (“NewTel”), (collectively the “ATI Telcos”), MT&T Mobility Incorporated (“MT&T Mobility”) and NewTel Mobility Limited (“NewTel Mobility”).

Reorganization of Aliant Telecom

Effective January 1, 2001, Aliant Telecom amalgamated (the "Amalgamation") with most of its wholly owned subsidiaries including the ATI Telcos.

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 officers

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 between them 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 its 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 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 Telecom did not make any significant acquisitions or dispositions during 2001.

TRENDS, COMMITMENTS AND UNCERTAINTIES

Operational trends and uncertainties faced by Aliant Telecom are discussed below in Item 4 under the headings "Competition", "Regulation" and "Technology".

ITEM 4 DESCRIPTION OF THE BUSINESS

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.

Aliant Telecom had revenues of \$1.8 billion, net income of \$181.9 million and assets totaling \$2.5 billion for the year ending and as at December 31, 2001.

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	\$1,799,907	\$1,743,716	3.2
Operating income (<i>before restructuring charge</i>)	504,288	454,709	10.9
Operating income	427,840	454,709	(5.9)
Net income	181,941	191,054	(4.8)

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 options. Local services are also offered in service bundles or packages, which may include some long-distance, 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 payments for access to Aliant Telecom's local network by long-distance carriers, including the long-distance operations of Aliant Telecom, 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 and BCE:

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 and BCE:

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 and BCE:

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 *VibeVisionTM*.

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 and BCE:

Other revenues (in thousands of dollars)	2001	2000
Revenues from external customers	\$ 253,569	\$ 223,461
Revenues from other Aliant lines of business	-	-
Revenues from Bell Canada and BCE	19,360	10,968
	\$ 272,929	\$ 234,429

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.

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.

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 five 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.

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 services and single and multi-line local 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 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 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. 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, however, 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 over 30 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, Aliant Telecom or its subsidiaries spent approximately \$1.0 million on research and development of new telecommunications products and services for 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.

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	\$ 1,799,907	\$1,743,716	\$1,605,070
Total operating expenses	1,295,619	1,289,007	1,194,783
Restructuring costs	76,448	-	78,000
Other income (expense)	(491)	(202)	10,868
Interest charges	97,403	101,716	98,497
Income taxes	147,137	161,392	114,310
Non-controlling interest in net earnings	868	345	-
Net income	181,941	191,054	130,348
Net income excluding restructuring costs	224,979	191,054	173,011
Total assets	2,516,794	2,535,479	2,447,502
Long term debt (including debt due within one year)	1,016,601	1,055,005	1,074,511
Shareholders' equity	1,162,648	1,078,767	944,061
Non-controlling interest	3,048	1,563	-
Dividends declared	143,218	157,483	304,995

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 shareholder's equity and historical operating results of the predecessor companies. Therefore, results for 1998 have not been restated to conform to the 2000 presentation format.

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

The Company's common shares are 100% owned by Aliant and are not publicly traded. The Company's medium term notes, which are publicly issued, have been rated A stable by Dominion Bond Rating Service and Standard & Poor's.

ITEM 8 DIRECTORS AND OFFICERS

The name, municipality of residence and principal occupation for each of the Directors of Aliant Telecom appear below. 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 Marlin Inc.
Ivan E. H. Duvar ³	Halifax, Nova Scotia	Corporate Director

April 22, 1999		
Albert E. P. Hickman ² April 22, 1999	St. John's, Newfoundland	Chairman and President, Hickman Motors Limited (Automotive sales and service)
Margot Northey ^{3,5,6} April 20, 2001	Kingston, Ontario	Dean, School of Business, Queens 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	Chief Executive Officer of the Company and President and Chief Executive Officer of Aliant
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 and Chief Executive Officer of the Company, 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 Telecom are as follows:

<u>Name</u>	<u>Residence</u>	<u>Position Held</u>
Stephen G. Wetmore	Saint John, New Brunswick	Chief Executive Officer
Roch Dubé	Halifax, Nova Scotia	President
Jay Forbes	Rothesay, New Brunswick	Senior Vice President and Chief Financial Officer
Helena Cain	Saint John, New Brunswick	President Business Services
Wendy Paquette	Halifax, Nova Scotia	President Consumer Services
Frank Fagan	St. John's, Newfoundland	President Wireless Services
David Rathbun	Bedford, Nova Scotia	Chief Human Resources Officer
Barrie H. Black	Rothesay, New Brunswick	Vice President, General Counsel and Corporate Secretary
G. Reid Parker	Quispamsis, New Brunswick	Vice President and Treasurer
Ronald Waite	Charlottetown, Prince Edward Island	Regional Vice President
Curtis Howe	Hampton, New Brunswick	Chief Technology Officer

Manon Losier	Quispamsis, New Brunswick	Assistant Secretary
Evan Kipnis	St. John's, Newfoundland	Assistant Secretary
David Landrigan	Halifax, Nova Scotia	Assistant Secretary

Prior to the Combination, each of the Officers held the following positions:

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 Senior 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 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 financial information is available in the Company's comparative financial statements for years ended December 31, 2001 and 2000.