



ALIANTELECOM INC.

2003 ANNUAL INFORMATION FORM - ENGLISH

March 26, 2004

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ITEM 1: CAUTIONARY NOTE

Throughout this Annual Information Form, “we”, “us”, “our” and “Aliant Telecom” refer to Aliant Telecom Inc. (“Aliant Telecom”).

This document contains certain statements and information about potential future circumstances and developments. Such forward-looking statements and information are qualified by any of the inherent risks and uncertainties surrounding future expectations generally and may differ materially from actual future experiences of Aliant Telecom. Reference is made to the “Risk Factors” and “Forward-Looking Statements” sections for further discussion about the inherent risks and uncertainties surrounding future expectations. Except as otherwise noted, we disclaim any intention or obligation to update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.

ITEM 2: CORPORATE STRUCTURE

NAME AND INCORPORATION

Aliant Telecom Inc. was incorporated on August 4, 1999, under the *Canada Business Corporations Act* to become the telecommunications arm of our parent company, Aliant Inc. (“Aliant” or “parent company”). Our registered office is at 69 Belvedere Avenue, Charlottetown, Prince Edward Island, C1A 7M1.

INTERCOMPANY RELATIONSHIPS

The table below presents our principal direct and indirect subsidiaries as at December 31, 2003. The table includes the jurisdiction of incorporation or continuance, and the percentage of voting and non-voting securities or partnership interests that Aliant Telecom beneficially owned or otherwise controlled directly or indirectly as at December 31, 2003.

Certain subsidiaries, which represent less than 10% of our consolidated assets, sales and operating revenues and which, in aggregate, represent not more than 20% of the same consolidated results, have been omitted from the table.

Subsidiary or Investment	Jurisdiction of Incorporation or Continuance	Percentage of voting securities which Aliant Telecom holds directly or indirectly
Aliant Telecom Inc.	Canada	
MT&T Mobility Inc.	Canada	100.0%

Aliant Telecom is a wholly owned subsidiary of Aliant. BCE Inc.’s (“BCE”) direct and indirect ownership of Aliant Telecom is approximately 53.5% (2002 - 53.1%) of our outstanding shares, making Aliant Telecom a majority-owned subsidiary of BCE.

ITEM 3: GENERAL DEVELOPMENT OF THE BUSINESS

THREE YEAR HISTORY

Aliant

From our home base in Atlantic Canada, Aliant delivers a wide variety of innovative and traditional communications services, including local and long-distance telephony, wireless, Internet, e-commerce,

interactive multimedia, data and managed network services, to more than two million consumers and over 80,000 enterprises. Aliant complements industry-leading telecommunications business with strengths in information technology solutions and knowledge services applications. Our 9,000 employees build on Aliant's 100-plus year history by collaborating to deliver the highest quality of customer service, choice and convenience. Aliant is a TSX 100 (TSX: AIT) company.

Aliant was formed to participate in a series of transactions which resulted in the combination of the businesses previously operated by Bruncor Inc., Island Telecom Inc., Maritime Telegraph and Telephone Company Limited and NewTel Enterprises Limited (collectively referred to as the "Combining Companies"). The combination was effective May 31, 1999.

Aliant Telecom

Aliant Telecom was incorporated on August 4, 1999, as the holding company for Aliant's telecommunications subsidiaries. Effective January 1, 2001, Aliant Telecom amalgamated with most of our wholly owned subsidiaries including Island Tel, Maritime Tel & Tel Limited, NBTel Inc. and NewTel Communications Inc. (collectively the "ATI Telcos"), and NewTel Mobility Limited ("NewTel Mobility").

In the years following the merger Aliant Telecom successfully integrated the ATI Telcos and NewTel Mobility into one company and increased profitability through synergies and growth in a highly competitive environment. Today, Aliant Telecom develops and markets pacesetting telecommunications technologies for our consumer and business customers. Aliant Telecom strives for the highest quality of customer service and places value on innovative capabilities that drive growth in existing and new markets.

Significant Acquisitions and Dispositions

We did not make any significant acquisitions or dispositions during 2003.

Outlook for 2004

In 2004, we will continue to focus on operational excellence. Embracing a model that preserves and strengthens our core business as a first priority, we will invest in and grow new opportunities, aligning telecommunications and IT, where appropriate.

We plan to boldly develop and deploy innovative technologies, beginning with wireless and broadband. In 2004, we will continue our broadband expansion to reach 70% of Atlantic Canadian homes and through collaboration with our partners and our business customers we will move towards an IP-based network allowing us to offer integrated services that provide more value to customers. On the wireless side of our business, we will expand our digital footprint to 90% of Atlantic Canadians and have already expanded our one times radio transmission technology ("1xRTT") high-speed wireless data network across 100% of our existing wireless digital network. We will continue to strengthen our product mix by launching innovative new services like wireless Internet access zones, commonly referred to as Wi-Fi, in selected high-traffic areas throughout Atlantic Canada. Anticipated changes to our business are also addressed in various sections, including "Competitive Conditions" and "Products and Services".

Relationship with BCE Inc. and Bell Canada

Memorandum of Agreement with BCE Inc. & Bell Canada

We entered into a Memorandum of Agreement ("MOA") dated March 19, 1999, as amended, with BCE Inc. and Bell Canada. This long-term strategic alliance agreement provides for an orderly transition and continuity of the business relationships between Aliant and Bell Canada and summarizes our understanding with respect to a strategic alliance for the provision and delivery of telecommunications services.

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

We gain access to Bell Canada's technology, the exclusive right to use specified Bell Canada trademarks in our traditional territory, and a license to use Bell Canada's promotional materials. Bell Canada agrees to promote the use and sale of technology and intellectual property developed by us. We agree to provide each other with support services, including access to operational support and technical, marketing, training and similar assistance. We 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%, 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 at least 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 the relationship established through the MOA, Aliant announced a strategic alignment with Bell Canada in the fourth quarter of 2001. Through this initiative, Aliant and Bell Canada agreed to work more closely together to achieve shared goals of improving customer service, reducing costs (expense and capital) and growing revenues. Throughout 2002 and 2003, the two companies undertook a number of initiatives that have provided Aliant with revenue generation and cost savings opportunities in addition to ongoing capital savings. These initiatives include a common voice mail and e-mail platform, shared creative work for advertising campaigns, adoption of certain Bell Canada pricing methodologies, lower cross border rates for calls terminating in the U.S, contact centre integration, various customer contact workforce management tools and access to intellectual property. Such strategic initiatives will allow Aliant to continue to drive growth in future years through more efficient and competitive operations.

Bell network alliance

In 2002, with the objective of developing a more integrated network infrastructure between Aliant Telecom and Bell Canada, we signed a Network Outsourcing Agreement ("NOA") under which:

- Bell Canada will provide Technology Planning & Development ("TPD") engineering services for the strategic evolution and development of Aliant Telecom's network architecture and services platform;
- Bell Canada will also provide Network Planning & Provisioning ("NPP") services for the planning, design and deployment of Aliant Telecom's network infrastructure for annual growth and augmentation; and
- Aliant Telecom will manage and approve network capital expenditures, manage technology introduction and support the development of enhanced service applications.

We also signed a bi-lateral Intellectual Property Agreement with Bell Canada that provides access to a broad spectrum of each other's intellectual property in addition to providing us with access to Bell Canada's engineering and network intellectual property.

Through these agreements we will be able to leverage the economies of scale of Bell Canada's engineering organization to plan and develop our network infrastructure. This will support the following:

- migration to common network technologies;

- sharing the best-in-class in systems & processes;
- improvement to customer service delivery and support;
- reduction of capital and operating expense costs; and
- reduction of provisioning intervals for technology deployment to support new services.

The implementation of the NOA began in early 2003. The integration of key systems and processes is expected to be completed in 2004.

ITEM 4: DESCRIPTION OF THE BUSINESS

BUSINESS OF ALIANT TELECOM

We are a world recognized leader in communications, focused primarily in Atlantic Canada. Measured by revenues, we are Canada's third largest full-service telecommunications business.

Employees

As of December 31, 2003, we had 6,363 employees (2002 – 6,102, 2001 – 6,308). A significant portion of our workforce is unionized. There are additional comments about the contractual relationship with these unionized employees under the section headed "Material Contracts".

Products and Services

We provide a wide variety of innovative and traditional communications services, including local and long-distance telephony, wireless, Internet, e-commerce, interactive multimedia, data and managed network. Atlantic Canada is the principal market in which Aliant Telecom operates. We focus on three core customer segments: residential, small to medium sized businesses and enterprise.

We sell our products and services through approximately 1,300 call centre representatives, 350 dealer stores, and 160 direct sales representatives, as well as our Aliant.net website. As well, we are able to facilitate customer payment through close to 200 payment agencies.

Customers can buy our full range of products through our call centres. We are also able to sell a variety of our products through the majority of our dealer locations. Our large wireline customer base and our ability to cross-sell through a variety of distribution channels are key competitive advantages. Cross-selling provides value for our customers, which increases the amount they spend with us. It also allows us to simplify our product offering and to compete effectively. Our ability to cross-sell enhances revenue per customer, reduces churn and improves productivity.

We are not dependent on any single customer for 15% or more of our revenues or income, but larger business customers and government agencies do account for a significant portion of our revenues.

The following tables summarize revenue for each category of principal products or services. Revenues are further summarized by the source from which they are derived: external customers, controlling shareholder and internal line of business.

Revenue by Category

For the period ended December 31, 2003

(in thousands of dollars)

Revenue category	Revenue source:			Consolidated operating revenue
	External customers	Controlling shareholder	Internal line of business	
Local	\$ 750,083			\$ 750,083
Long distance	336,340	47,629	10,334	394,303
Wireless	332,518			332,518
Internet	106,584			106,584
Other	166,003	1,139	943	168,085
Operating revenues	\$ 1,691,528	\$ 48,768	\$ 11,277	\$ 1,751,573

For the period ended December 31, 2002

(in thousands of dollars)

Revenue category	Revenue source:			Consolidated operating revenue
	External customers	Controlling shareholder	Internal line of business	
Local	\$ 766,120	\$ -	\$ -	\$ 766,120
Long distance	373,563	11,281	19,045	403,889
Wireless	281,321	-	-	281,321
Internet	91,450			91,450
Other	173,228	24,505	2,687	200,420
Operating revenues	\$ 1,685,682	\$ 35,786	\$ 21,732	\$ 1,743,200

Local

Our local revenue results from providing the following services to residential and business customers:

- Network access service – monthly access charges for provision of local telephone service;
- Enhanced service features – value-added services such as call waiting and call display;
- Data access – local data access services such as frame relay, asynchronous transfer mode (ATM) and interoffice digital access;
- Contribution payments – subsidies from the telecommunications industry-financed National Contribution Fund for the provision of residential local service in high-cost service areas;
- Competitor payments – rates paid by competitors that access our local network; and
- Telephone set rentals, payphone revenues and service charges.

Long distance

Our long distance revenue results from providing the following services to residential and business customers:

- Toll service – long distance voice services including toll-free service;

- Data network service – long distance data transmission circuits; and
- Long distance terminating – the rates paid by certain telecommunications carriers for long distance calls terminating with our customers.

Wireless

Wireless revenues are earned through the provision of cellular, paging and mobile radio services. Cellular revenues consist primarily of monthly recurring charges and also include charges for airtime, long distance, roaming and enhanced service features such as text-messaging. Customers can choose to pay for their cellular service through a monthly rate plan (post-paid) or in advance (prepaid).

Internet

Internet revenue consists of high-speed and dial-up service to residential and business markets. In 2003, we introduced new Internet services such as anti-spam, anti-virus, Music on my PC™, TV on my PC™, Gamesmania™, firewall protection, parental control, remote PC backup and other services to increase value to customers and enhance our profitability.

Other telecommunications services

Other telecommunications revenues are primarily derived from telephone directory advertising, equipment sales, Innovatia and newer revenue services such as network management and e-Commerce.

New products and services

We are constantly evaluating our market and changing our product and service offering to better meet the needs of our customers. These changes can involve pricing, packaging and new products such as those outlined below.

In 2003, we launched the BlackBerry® 6750™ handheld, which operates on our 1XRTT over our code division multiple access (“CDMA”) network and features wireless e-mail, cell phone, text messaging, browser and organizer functionality – all in a single handheld device. In addition, we also expanded our line of handsets to include models with colour screens, 1XRTT capabilities and camera phones. We also introduced picture messaging, ring tones and enhanced mobile browser services.

In mid-February 2004, we began a six-month trial of Wi-Fi service in key high-traffic areas in major cities throughout Atlantic Canada, including Halifax International Airport. The service is available for free to all Internet customers with a Wi-Fi enabled computer. Wi-Fi service, short for Wireless Fidelity, provides high-speed, wireless access to the Internet, e-mail and corporate networks in public locations without the need for a physical connection.

Evolution of our network

We are preparing for the future today, as continuous investments in infrastructure provide the foundation for the evolution to a next generation network (“NGN”) that will support Voice over Internet Protocol (“VoIP”), Optical Ethernet (“OE”) and Virtual Private Network Enterprise (“VPNE”) services. Our network will incorporate emerging standards such as Session Initiation Protocol (“SIP”) and Multi Protocol Label Switch (“MPLS”) as part of the transition to NGN. In 2003, we introduced Aliant Ethernet service into several major centers across Atlantic Canada by utilizing OE technology in conjunction with existing network capabilities.

In conjunction with Bell Canada and Nortel, we will begin transition to a VoIP network as customer demands, customer needs and technology dictate. We plan to invest over \$40.0 million over the next five years.

We have expanded our next generation wireless network. 1XRTT is the next evolution of our existing CDMA voice and data network, and will deliver the fastest wireless data speeds in Atlantic Canada. In 2002, we launched 1XRTT in Halifax, and throughout 2003 we expanded our network such that by year end 1XRTT was available to approximately 60 per cent of the population in Atlantic Canada, with 31 per cent of all digital usage by our customers being through the 1XRTT network. This mobile technology will provide faster access to the Internet, email, instant text-messaging, games, corporate networks and data. These features will bring a new level of appeal for wireless devices among customers seeking a personalized, feature-rich mobile experience.

Since 2000, we have invested more than \$280.0 million to build and maintain the required broadband network to deliver high-speed Internet ("HSI") in Atlantic Canada. We are an active partner in working with communities in the delivery of broadband solutions through Industry Canada's Broadband for Rural and Northern Development ("BRAND") program. We are partnering with Provincial and Federal Governments to identify alternative models to deliver HSI to more communities in Atlantic Canada. For example, 90% of New Brunswick will have access to HSI by the end of 2006 due to a partnership agreement announced by us and the two levels of Government in November 2003.

Competitive Conditions

Atlantic Canada is one of the most competitive regions for telecommunications services in North America. Virtually every aspect of our business is contested by a number of competitors, of domestic and international origin or affiliation. While we continue to build plans focused on the Atlantic Canadian market and the competitive landscape, it is impossible to predict every change. The number and nature of competitors continues to grow, ranging from telecom-centric organizations, to cable companies, to Internet service providers, to system integrators offering IT and communications solutions.

Technology is rapidly changing competitors' methods of entry to the Atlantic Canadian market and the means for offering products and services. As new domestic and international competitors seek out new opportunities, Atlantic Canada could become part of their plans through direct entry, partnership or consolidation of industry players

Local

During the 1990's, the CRTC implemented a policy of introducing competition in various telecommunications businesses, which were formerly regulated monopolies. In 1997, local competition was introduced even though the CRTC continues to regulate this segment. Other segments 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.

Increased activity from national telecommunications competitors and cable companies for local service will continue to pressure pricing downward. New competitors' entry could significantly change the landscape for local service dependent upon the method of entry and pricing.

Competitive Local Exchange Carriers ("CLECs") operate in the region primarily focusing on markets in Halifax, Charlottetown and St. John's. We expect that the degree of local competition will continue to grow.

Long distance

Long distance competition was first introduced in 1992. As long distance competition became entrenched in the marketplace, the CRTC withdrew regulation from this market (refer to "Risk Factors" section under the heading "Forbearance").

Long distance competition continued to be strong in 2003. Some competitors offer 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. Long distance competition in Atlantic Canada is reflective of the rest of the country.

We continue to compete directly with a host of alternate carriers for all or a portion of customers' long distance business. The increased use of alternate communications solutions, such as instant messaging and e-mail continues to impact the quantity of long distance per minute use and the related revenue we generate from it. The introduction of new long distance communication options or the increased use of existing alternatives can influence our long distance minute volume and the associated revenue. We continue to focus on maintaining market share and margins through improved efficiency.

Wireless

In our wireless business, we face 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. Although some additional cellular market share could be lost to new competitors, management is confident that our superior service offerings, competitive pricing and increased coverage will help us to retain a strong market position.

Since the introduction of our wireless services we have prospered in the local competitive wireless environment. Competition is focused on bulk minute plans, handset pricing and handset selection. As innovation continues in this market, competitive intensity is expected to continue.

Internet

Competition exists throughout the region for both Internet dial-up and high-speed services. However, our focus on quality, customer service and our range of applications, along with the dedicated two-way access on our HSI network, should enable us to maintain our strong market position into the future.

Internet competition from Internet service providers and cable companies continues to create pressure on Internet access pricing. These same providers are bundling Internet access with additional products ranging from Internet related products, to cable, and local telephone in an effort to create dominance within the household. Internet access prices in Atlantic Canada will be among the lowest in North America, as competitors for dial-up continue their efforts to retain and attract customers through low-priced access bundles, and as high-speed providers bundle multiple services. While pricing is being driven down, Internet costs may increase as a direct result of the nature of customer usage and related network traffic.

Cycles

We experience seasonality in our business as a result of product sales and other revenues. Directory revenues primarily occur in the second quarter coinciding with the timing of the issuance of the majority of our directories. As well, the timing of equipment sales is typically sporadic in nature.

Brand

We believe that our brands are very important to our success. We take appropriate measures to protect our intellectual property and to defend our brands. We undertake surveillance, registration, protection and prosecution of infringers, and we take great care not to infringe on the intellectual property and brands of others.

Environmental Policy

Aliant Telecom has adopted an environmental program based on conducting our business affairs in a manner that protects people and the environment. Protecting the environment is a top priority in all aspects of our operations. Our employees work together effectively:

- to identify activities and situations which may have potential to harm the environment; and
- to implement environmentally positive practices and preventive measures.

Our environmental program ensures we comply with regulatory requirements and monitor results that minimize risk to the environment. This policy is implemented through training and awareness, and is integrated into operations to ensure that we do not create significant impact to the environment in the course of our regular operations. We have an environment emergency response procedure in place in case an incident occurs. The policy statement itself is reviewed yearly and authorized by our Chief Operating Officer.

The costs of the environmental program 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 our future earnings or financial position. In the event there is a significant environmental infraction, it will be brought to the attention of our Audit Committee.

RISK FACTORS

While management is confident about our long-term prospects, the risks and uncertainties identified here could have a negative effect on our financial condition or the results of our operations. The risks noted may not be exhaustive.

Competition

In general, without adequate attention, competition could place our strategies, revenue and net income at risk. For this reason, we constantly monitor our environment and assess the competitive landscape, creating new plans and modifying existing plans to ensure that our optimum position in the Atlantic market is maintained. We continue to mitigate competitive risk through continuous efforts to provide superior quality of service, a reliable network and value packages that are reliable, simple to access and use.

Competition is a significant risk, which is outlined in "Item 4 Description of Business" section under the "Competitive Conditions" heading.

Regulation - general

As a "Canadian carrier", we are regulated by the CRTC pursuant to the *Telecommunications 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. 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, 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.

Regulatory decisions have challenged our ability to bundle services, win back customers and provide competitive rates to corporate customers. The present regulatory environment continues to foster opportunities for new entrants and as a result, the intensity of competition in Atlantic Canada is amongst the highest in North America. In particular, the deferral account mechanism decision (refer below) from the CRTC is still pending; the outcome of which may or may not impact 2004.

Price cap regulation

The CRTC first established a price cap plan for the telephone companies, for the period January 1, 1998 until 2002. On May 30, 2002, the CRTC released its second price cap decision that prescribed new rules to determine the rates charged for certain telecommunications services provided by Incumbent Local Exchange Carriers ("ILECs") for the four years beginning June 1, 2002.

Under the price cap rules, in 2003, our results were affected by the following:

- the annual rate change for many services provided to competitors was calculated at the rate of inflation (measured by GDP-PI) less a productivity factor of 3.5%; and
- certain other price capped services (largely digital network access services provided to businesses) required, on average, an annual rate reduction of inflation less productivity of 3.5%.

The price cap decision also established a mechanism, the deferral account, to mitigate the potential adverse effects on competition in the local market as a result of mandated rate reductions. Revenues arising from certain mandated rate reductions are accumulated in an interest bearing deferral account. The deferral account will be reduced by one or a combination of the following:

- Rate reductions for residential local services that are proposed as the result of competitive pressures;
- Certain rate reductions for services provided to competitors;
- The approval of exogenous factors for matters beyond the control of the ILEC;
- Rate increases less than the amount by which inflation exceeds productivity;
- Subscriber rebates; and
- Funding initiatives that would benefit residential customers in other ways.

We await clarification from the CRTC regarding application of the deferral account rules and allowable cost mitigation features related thereto. We have not recognized the deferral account as a liability in our financial statements because we have made a proposal to the CRTC to approve reductions to the deferral account by means other than rebates or rate reductions. Given the circumstances outlined we estimate the deferral account balance could be between \$nil and \$24.0 million (2002 - \$nil and \$10.0 million). A liability, should one arise, will be charged to operating income or capital as appropriate.

On March 18, 2003 the CRTC issued a series of decisions that provided final approval to rates that had been made interim on June 1, 2002. The final rates were not materially different from those approved on an interim basis.

Contribution and banding

All telecommunications service providers are required to make "contribution" payments calculated as a percentage of their eligible telecommunications revenues. These contribution payments are used to fund subsidies to telecommunications carriers who provide residential basic service in areas where the cost of providing service is substantially higher than the average cost in other parts of the ILEC's territory.

In 2003, the costs used in calculating the subsidy were reduced by the rate of inflation (measured by GDP-PI) less a productivity factor of 3.5%. This reduced both our revenues and costs, but the decrease in costs only partially offset decreased revenues.

Changing regulations

The degree of regulation on our local service offerings is increasing. In early 2003, the CRTC suspended any further approval of tariffs for win-back and other types of promotions in the local wireline market. We participated in the proceeding, with other ILECs, to propose to the CRTC that ILECs should be permitted to continue to use promotions. On January 27, 2004, the Commission granted an extension from three months to twelve months of the no-contact restriction under the win-back rules. The CRTC is also currently evaluating several applications of competitors to further restrict our ability to offer local services in competitive packages and bundles. If these competitor requests are granted, our market share in the major centers would likely be negatively affected.

Also, during the fourth quarter 2003, the CRTC issued a public notice that proposes changes in how floor prices will be determined for the regulated services of ILECs, how service bundles can be priced and how volume and term contracts can be developed. Should the CRTC ultimately rule to increase the floor prices of our regulated services and bundles, it would make our prices for such services less attractive than those of our competitors. Furthermore, if the CRTC alters the rules on volume and term contracts, it could make it more difficult for us to provide competitive pricing proposals to tenders issued by large customers. The CRTC public notice to review floor prices for the ILECs is a major new regulatory issue that could affect our pricing of local services in a fundamental way.

The restrictions on pricing and packaging of our products and services make it increasingly difficult to respond to rapidly evolving customer demands and competition from competitive local exchange carriers.

The federal government is also giving consideration to eliminating the foreign ownership restrictions for telecommunications carriers, which may result in increased competition from foreign companies with greater access to capital. Changing CRTC regulation may impact our ability to compete and as a result negatively impact net operating revenues.

Cost review

There are a number of CRTC proceedings underway reviewing the cost-based rates for certain services provided to competitors. If the CRTC approves final rates that are significantly lower than current rates, our revenues and competitive position could be negatively affected. Competitors would be able to obtain underlying facilities at lower rates than would otherwise be available and this would lower their operating costs and improve their competitive position.

In order to address these regulatory risks, we fully participate in proceedings before the CRTC to vigorously defend our position and present alternatives that promote economically sound competition that will benefit our customers rather than a regulated competition regime that inappropriately subsidizes competitors and restricts customer choice.

Technological change

Aliant Telecom operates in an industry that experiences constant technological change, driven occasionally by rapid advances in technology, evolving industry standards, customer demands and short product life cycles.

The technology environment in which we operate is experiencing an unprecedented rate of change. There is a risk in adopting selected technologies to serve our business needs, as investments may have shorter than anticipated product lifecycles due to sudden advances in the development of competing products or services. Failure to respond in a timely and effective manner could cause current products or services to become unmarketable or could cause prices to fall, resulting in reduced net income due to inventory write-offs and decreased revenues.

Open competition and the rapid pace of technological advancement foster an environment where industry standards bodies are unable to keep up with these leading-edge technology developments. Companies that choose to invest in these technologies are forced to adopt *ad hoc* standards. They may then incur the costs of significant re-engineering efforts to accommodate final standards that eventually emerge or they have made an investment in products and services that have become unmarketable.

We are responding to the fast pace of technological change by embracing new service development with strategic partners, accelerating new service introduction, and developing an integrated growth plan to remain a next generation services provider. The success of new products is linked to the actions of regulators and customers, and the technology solutions that we use to introduce these new services. Considerable effort is expended to ensure we correctly interpret, predict and respond to regulators and customers. However, we are not immune to sudden or unanticipated changes in those parties' actions and choices. This may result in the failure of new services and products to meet expectations and result in lower than anticipated net income.

Economic environment

Changes in general economic conditions, consumer confidence and spending affect the demand for our communication products and services. In particular, a downturn in general economic conditions could lead to:

- lower than expected growth in data revenue, because of softer demand from enterprises and wholesale customers;
- lower than anticipated long distance and wireless revenues due to decreased usage; and
- higher than anticipated bad debt expense due to increased customer credit risk.

The existence of these conditions or the emergence of new conditions could reduce revenues or increase costs, negatively impacting results. We constantly monitor economic conditions to enable us to respond by implementing strategies to mitigate risks or adjusting assumptions used in recording the effects of these risks on our results.

Renegotiating labour agreements

Approximately 68% of Aliant Telecom's employees are represented by unions and are covered by collective bargaining agreements. As stated below in "Material Contracts", a large portion of the collective bargaining agreements expired December 31, 2001. Renegotiating collective agreements could result in higher labour costs or work disruptions. Furthermore, difficulties in renegotiations or other labour unrest could hurt our businesses, operating results and financial condition.

ITEM 5: DIVIDEND POLICY

We pay dividends on our common shares to Aliant in such a manner and amount so as to fund quarterly dividend payments on Aliant's common shares and to manage our capital structure in an appropriate range. We paid dividends of \$180.0 million to Aliant during 2003 and \$162.0 million in 2002.

ITEM 6: DESCRIPTION OF CAPITAL STRUCTURE

GENERAL DESCRIPTION OF THE CAPITAL STRUCTURE

We had \$985.0 million (2002 - \$1,057.5 million) of public debt issues as at December 31, 2003. The foregoing was composed of \$185.0 million (2002 - \$192.5 million) of first mortgage bonds that are

secured by our assets and \$800.0 million (2002 - \$865.0 million) of unsecured debentures and medium term notes ("MTNs").

As at December 31, 2003, we had an operating line of credit available of \$42.0 million (2002- \$30.0 million). The balance outstanding on this was \$4.5 million (2002 - \$3.4 million).

Our outstanding common shares are wholly owned by Aliant.

CONSTRAINTS

While the common shares of Aliant Telecom are not publicly traded, the *Telecommunications Act* imposes foreign ownership limitations. Section 16 of this Act requires that in order to be eligible to operate in Canada, a telecommunications common carrier must be a "Canadian-owned and controlled corporation," incorporated or continued under the laws of Canada. Subsection 16(3) of the Act requires that Canadians beneficially own, directly or indirectly, in the aggregate and otherwise than by way of security only, not less than 80% of the corporation's voting shares issued and outstanding.

In 1994, the Government of Canada promulgated the *Canadian Telecommunications Common Carrier Ownership and Control Regulations*, which set the minimum Canadian ownership level for ownership at the holding company level at 66 2/3% of voting shares. Aliant, as the publicly traded holding company owning Aliant Telecom, maintains our foreign ownership limits within this constraint.

RATINGS

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. Dominion Bond Rating Service ("DBRS") provides ratings on corporate bonds ranging from "AAA", which represents the highest quality of securities, to "C", the lowest quality of securities rated. Similarly, Standard & Poor's ("S&P") ratings range from a high of "AAA" to a low of "C". For DBRS and S&P, a designation of "high" or "low" and "plus" or "minus", respectively, after a rating indicates an issuer's relative strength within the rating category. The lack of one of these designations indicates a rating that is essentially in the middle of the category.

S&P and DBRS rate Aliant Telecom's security's as follows:

Credit ratings

	DBRS	S&P
Aliant Telecom		
First mortgage bonds	A stable	A+ stable
Debentures and MTNs	A stable	A stable

The "A" rating range from DBRS is considered satisfactory credit quality. While the protection of principal and interest is substantial, these entities are considered more susceptible to adverse changes in financial and economic conditions and are more cyclical biased than higher rated companies. For S&P, the "A" rating represents a strong capacity to meet financial commitments, but is more vulnerable to a difficult economic environment than higher ranked companies.

DBRS highlighted regulatory, competition, technological change and growth limitations inherent of our primary market as our key challenges. S&P specifically mentions our postretirement benefits deficit of \$395.4 million as at December 31, 2003 (\$457.3 million at December 31, 2002), as a specific risk.

The credit ratings accorded to our securities by S&P and DBRS are not recommendations to purchase, hold or sell the securities inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that the foregoing ratings will remain in effect for any given

period of time or that the ratings will not be withdrawn or revised entirely by S&P or DBRS at any time in the future if, in the judgment of either or both, circumstances so warrant.

ITEM 7: MARKET FOR SECURITIES

Our common shares are wholly owned by Aliant and are not publicly traded. Our debentures, MTNs and first mortgage bonds were publicly issued and trade in the public bond market.

ITEM 8: DIRECTORS AND OFFICERS

NAME, ADDRESS, OCCUPATION AND SECURITY HOLDING

Directors

The Directors of Aliant are listed in the accompanying table. All Directors hold office for one term at a time. The term of office is the time period between the annual meetings of shareholders of Aliant. We do not have an executive committee of the Board of Directors. We have the following committees: 1) Audit 2) Corporate governance 3) Human resources and compensation 4) Investment 5) Defined benefit pension investment 6) Defined contribution pension investment. The name, board position, committee membership, province or state of residence and principal occupation for each of the Directors appears below:

Name , position and committees	Principal Occupation	Municipality of Residence	Director since
William D. Anderson ^{4,5,6}	President BCE Ventures Inc. (Equity investments)	Westmount, QC	April 19, 2002
Miller H. Ayre, C.M. ^{2,3} Corporate Governance Committee Chair	Publisher The Telegram (Newspapers)	St. John's, NL	April 22, 1999
J. Charles Caty ^{3, 4} Human Resources & Compensation Committee Chair	Corporate Director	Oakville, ON	April 22, 1999
Robert P. Dexter, Q.C. ^{1,4} Investment Committee Chair	Chairman and Chief Executive Officer Maritime Travel Inc.	Halifax, NS	April 22, 1999
Jay Forbes, C.A.	President and Chief Executive Officer Aliant Inc.	Rothesay, NB	March 26, 2002
R. Terry Mosey	Executive Vice President Bell Canada (Telecommunications)	Oakville, ON	December 15, 2003
Dr. Margot Northey ³	Corporate Director	North Saanich, BC	April 20, 2001
Edward Reevey, C.A. ^{1,5,6} Audit Committee Chair, Defined Benefit Pension Committee Chair & Defined Contribution Pension Committee Chair	Chairman and Chief Executive Officer, Addee Developments Limited and Eedda Capital Inc. (Private holding corporations)	Rothesay, NB	April 22, 1999
John W. Sheridan ⁴	Corporate Director	Toronto, ON	April 25, 2000
Catherine Tait ^{1,2}	President Duopoly, Inc. (Film and television production and consulting)	Brooklyn, NY	April 20, 2001
Stephen G. Wetmore, C.A. ³	Group President - National Markets, Bell Canada and Executive Vice President, BCE (Telecommunications)	Burlington, ON	April 22, 1999
Charles W. White Q.C. ^{1,2,3,4,5,6} Chairman of the board	Lawyer White Ottenheimer & Baker (Law firm)	St. John's, NL	April 22, 1999
Victor L. Young, O.C. ^{1,2}	Corporate Director	St. John's, NL	April 19, 2002

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 its affiliates:

Mr. Ayre is currently publisher of The Telegram, St. John's, prior to which he was group publisher and chief executive officer of Thomson Newfoundland, prior to which he was chairman, president and chief executive officer of Ayre and Sons Limited.

Dr. Northey was Dean of Queen's University School of Business until her retirement in June of 2002.

Mr. Sheridan is currently a Corporate Director, prior to which he was president and chief executive officer of Bell Canada, prior to which he held different executive functions with the BCE and Bell Canada organizations.

Ms. Tait is currently President of Duopoly, Inc., prior to which she was a communications and entertainment consultant, prior to which she was president and chief operating officer of Salter Street Films.

Mr. Young was chairman and chief executive officer of Fishery Products International Ltd. from November 1984 to May 2001.

For background information on Mr. Forbes please refer to the "Officers" section below.

Officers

The name, municipality of residence and principal occupation for each of the Board appointed officers:

Name	Office of Aliant Telecom presently held	Municipality of Residence	Officer Since
Charles W. White, Q.C.	Chairman	St. John's, NL	April 20, 2001
Jay Forbes, C.A.	President and Chief Executive Officer	Rothsay, NB	February 26, 2001
Frederick P. Crooks, Q.C.	Senior Vice President, General Counsel and Corporate Secretary	Halifax, NS	October 20, 2003
Barry Kydd	Executive Vice President and Chief Financial Officer	Rothsay, NB	July 22, 2002
G. Reid Parker	Vice President and Treasurer	Quispamsis, NB	April 22, 1999
David Rathbun	Senior Vice President Corporate and Chief Human Resources Officer	Bedford, NS	December 14, 2001
Frank Fagan	Executive Vice President and Chief Operating Officer	St. John's, NL	September 29, 1999
Wendy Paquette	Senior Vice President, Customer Services and Operations	Halifax, NS	September 29, 1999
Helena Cain	Vice President, Business Sales	Saint John, NB	December 14, 2001
Charles Hartlen	Vice President Aliant Mobility	Dartmouth, NS	July 24, 2003
Heather Tulk	Vice President Broadband and Marketing	Bedford, NS	July 24, 2003
Ivan Toner	Chief Information Officer	Halifax, NS	July 24, 2003
Gary Lund	Chief Operating Officer	Hampton, NB	July 24, 2003
Ronald Waite	Regional Vice President	Charlottetown, PEI	April 20, 2001
Evan Kipnis	Assistant Corporate Secretary	St. John's, NL	April 20, 2001
David Landrigan	Assistant Corporate Secretary	Halifax, NS	April 20, 2001
Manon Losier	Assistant Corporate Secretary	Saint John, NB	September 29, 1999

All of the officers have held their present position or other executive positions with Aliant, Aliant Telecom or one or more affiliated companies for the preceding five years with the exception of the following individuals:

Jay Forbes joined the Aliant organization as Executive Vice President and Chief Financial Officer of Aliant and Aliant Telecom in February of 2001. In March 2002, Mr. Forbes became President and Chief Executive Officer of both Aliant and Aliant Telecom. Prior to joining Aliant, Mr. Forbes held senior financial positions at Oxford Properties Group Inc. and Emera Inc.

Barry Kydd joined Aliant and Aliant Telecom in his role as Executive Vice President and Chief Financial Officer on July 22, 2002. Prior to Mr. Kydd's appointment as Chief Financial Officer, he was the Vice President of Global Financial Operations for Lucent Technologies Inc. He has also held a number of senior financial positions in the aerospace, health and resources sectors.

Frederick P. Crooks joined Aliant in the role of Senior Vice President, General Counsel and Corporate Secretary in October 2003, prior to which he was a partner with the law firm Cox Hanson O'Reilly Matheson in Halifax since 1985.

ITEM 9: LEGAL PROCEEDINGS

New Brunswick Class Action

On April 14, 2000, an action was commenced in the New Brunswick Court of Queens Bench against NBTel Inc. (now Aliant Telecom) by 132 former employees who took early retirement under a 1998 early retirement incentive program. The former employees seek 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. The outcome of this matter is not determinable at this time, but we have filed a defence and are vigorously contesting the claim. Pleadings are closed, Affidavits of Documents have been prepared and Discovery of the Plaintiffs is complete. Discovery of Aliant Telecom's witnesses has not been completed.

ITEM 10: MATERIAL CONTRACTS

Union Negotiations

Approximately 68% of Aliant Telecom's employees were covered by the terms of collective agreements:

- In PEI, there are collective agreements with the Communications, Energy and Paperworkers Union of Canada ("CEP Local 401") representing clerical staff, operators, craft employees, and with CEP Local 902 representing first level managers.
- In Nova Scotia, there are collective agreements with the Atlantic Communication and Technical Worker's Union ("AC&TWU") representing craft and clerical workers and operators.
- In New Brunswick, there are collective agreements with CEP Local 506 representing operators, clerical and craft employees.
- In Newfoundland and Labrador, there is a collective agreement with CEP Local 410 representing operators, clerical and craft employees.

A new collective agreement between Aliant Telecom and approximately 75 unionized, level one managers in PEI was signed in November 2003. This contract was retroactive to July 1, 2002 and expires on December 31, 2004.

In October 2000, we 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 was that a single bargaining unit and a single collective agreement is the most appropriate

future structure. This application was 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.

Bargaining of a new collective agreement between Aliant Telecom and the CATU began in March 2002. Based on the Aliant Telecom's application for conciliation in early September 2003, Human Resources Development Canada ("HRDC") appointed two conciliation officers to assist with the bargaining process. The conciliation process began on October 7, 2003. On March 11, 2004, Aliant Telecom tabled an Offer for Settlement during conciliation discussions with CATU.

The HRDC conciliation process ended on March 12, 2004. The CATU has indicated to the Company that it will be recommending that its members reject the Company's offer of March 11, 2004. The Company expects the voting process to end in early April 2004.

A 21 day "cooling off" period began on March 13 and expires on April 2, 2004. At that time, either party must give the other party a minimum of 72 hours notice of a legal strike or lockout. If notice is given by either party and is not acted upon, then the notice must be renewed. The 72 hour notice can be concurrent with the 21 day cooling off period. In order for the CATU to give notice of a strike, a current strike mandate must exist. While the previous CATU strike mandate expired in February of 2004, the CATU is currently seeking a new strike mandate by asking its membership to reject the Company's March 11 Offer for Settlement.

A new collective agreement will enable both unionized employees and management to more completely focus on serving customers and meeting business objectives in the coming year. The process of renegotiating collective agreements could result in higher labour costs or work disruptions thus affecting our operating results and financial condition.

ITEM 11: ADDITIONAL INFORMATION

Additional information regarding Aliant Telecom can be found on SEDAR at www.sedar.com.

Additional information including directors' and officers' remuneration and indebtedness, principal holders of our securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in our Information Circular for our upcoming annual meeting of shareholders.

Additional financial information is available in our financial statements and Management's Discussion and Analysis for the year ended December 31, 2003.

ITEM 12: FORWARD LOOKING STATEMENTS

Certain statements contained in this Annual Information Form, in particular the statements contained in the "Risk Factors", "Competitive Conditions" and "Legal Proceedings" sections, constitute forward-looking statements. These forward-looking statements relate to future financial condition and results of operations of Aliant Telecom. These statements are based on current expectations and estimates about the markets in which Aliant Telecom operates and management's beliefs and assumptions regarding these markets. In some cases forward-looking statements may be identified by words such as "anticipate", "believe", "could", "expect", "plan", "seek", "may", "intend", "will", "target", "goal" and similar expressions. These statements are subject to important risks and uncertainties which are difficult to predict and assumptions which may prove to be inaccurate. Some of the factors which could cause results or events to differ materially from current expectations include but are not limited to, general economic, market or business conditions; increased competition in the markets in which Aliant operates; technological developments; changes in laws and the regulatory environment; impact of acquisitions, divestitures and alliances; and other factors, many of which are largely beyond the control of Aliant Telecom. Should any factor impact us in an unexpected manner, or should assumptions underlying the forward-looking statements prove incorrect, the results or events predicted in this Annual Information

Form may differ materially from actual results or events. Consequently, all of the forward-looking statements made in this report and the documents incorporated into this document by reference are qualified by these cautionary statements, and there can be no assurance that the results or developments anticipated by Aliant Telecom will be realized or, even if substantially realized, that they will have the expected consequences for Aliant Telecom. Readers should not place undue reliance on any forward-looking statements. Except to the extent described in this document, Aliant Telecom disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or any other occurrence.