

Our place. Our time.



Aliant 

FIRST QUARTER REPORT 2003

The BlackBerry™ handheld, like the one shown here by Jennifer Wong of Aliant, uses our next generation 1X wireless network to transmit voice and data messages.

Dividend increases for the second time in a year



For the second time in a year it is my pleasure to announce an increase in Aliant's common share dividend rate. Our focus on profitability and working capital management as well as confidence in our future has allowed us to increase our common share dividend by 10 per cent. On an annual basis, our dividend is now \$1.10 per share.

Strong growth in wireless and Internet

For the first quarter of 2003, total revenues were \$655.4 million, up 1.5 per cent from \$645.6 million in the first quarter of last year. Revenue in the telecommunications business grew 2.5 per cent, with particularly strong performance in wireless and Internet where growth of 19.5 per cent and 16.2 per cent respectively was recorded. This was complemented by revenue growth of 13.8 per cent at Stratos, our remote communications company. This strong performance was partially offset by a \$17.1 million, or 16.6 per cent, decline in revenues from our non-core businesses.

Net income applicable to common shares was \$36.5 million in the first quarter of 2003, down from \$51.1 million in the first quarter of 2002. Earnings per share were \$0.26, down from \$0.37 in the first quarter of last year. The adoption of revised pension assumptions, the inclusion of stock option expense and a restructuring in the information technology business lowered net income by \$9.0 million and earnings per share by \$0.07. In addition, last year Aliant recognized

a \$7.4 million benefit, representing \$0.05 per share, related to tax losses in its remote communications business.

During the first quarter Aliant continued to generate sustainable and industry leading free cash flow. At \$156.5 million, free cash flow from operations was up 225.6 per cent from \$48.1 million in the first quarter of 2002. Capital investments this quarter of \$76.7 million were down 28.1 per cent from \$106.7 million in the first quarter of 2002.

Divesting non-core assets

During the quarter we continued implementing a plan to focus on our core telecommunications business in Atlantic Canada and divest of non-core assets. I am pleased to report that the plan is on track and we are making very good progress. We have a signed agreement for the sale of our New England Internet service provider, Prexar, subject to regulatory approvals, and an agreement for the sale of our 29 per cent investment in iMagicTV to Alcatel. Both agreements are expected to close by the end of May.

In addition, we have received over 40 expressions of interest regarding our information technology business, xwave. We are presently engaged in due diligence and are holding management meetings with prospective buyers. We are also making good progress towards exiting AMI. It is expected that we will finalize the sale of both xwave and AMI by the end of the second quarter allowing us to focus our attention on our core telecommunications business in Atlantic Canada.

Financial highlights

For the quarter ended March 31 (thousands of dollars except per share amounts)

	2003	2002	% change
Total operating revenue	\$ 655,433	\$ 645,647	1.5
Net income	\$ 38,888	\$ 53,453	(27.2)
Net income applicable to common shares	\$ 36,504	\$ 51,069	(28.5)
Earnings per average common share	\$ 0.26	\$ 0.37	(29.7)

Finding efficiencies and synergies

As we proceed through 2003 we continue to look for ways to reduce costs through operating efficiencies and synergies. We have a proven track record upon which to build including the \$27 million in savings achieved last year through the strategic alliance with Bell.

During the first quarter of 2003 we worked to lower costs by reducing customer churn. Thanks to a variety of loyalty programs and excellence in customer service, churn in wireless customers declined 5 basis points from 1.4 per cent in the fourth quarter of 2002 to 1.35 per cent in the first quarter of 2003. Internet customer churn also improved declining from 2.4 per cent in the fourth quarter to 1.9 per cent in this quarter. Aliant already has some of the lowest wireless and Internet churn rates in the industry and we are working to maintain and improve those rates even further.

We also reduced costs by rationalizing and integrating systems and processes across our organization. In March, we finalized our computer desktop project, an initiative that saw 6,000 new computers delivered to employees, including 1,000 to employees in our field operations. This initiative is anticipated to save \$4 million a year. A more streamlined technical support function will allow our helpdesk to remotely manage and resolve issues without physically deploying technicians. Computers that have been replaced are reconditioned and sold by the Aliant Pioneer Volunteers.

We are also extending our process improvements to our customers. We recently launched electronic billing, a new service that has the potential to save up to \$13 million a year by eliminating the production and mailing of paper invoices and statements.

Strengthening corporate governance

In our day-to-day activities we are very mindful of our corporate governance responsibilities and our pursuit of excellence in corporate governance matters. During the first quarter we took steps to ensure the transparency and integrity of our corporate practices. The Board of

During the quarter we continued implementing a plan to focus on our core telecommunications business in Atlantic Canada and divest of non-core assets. I am pleased to report that the plan is on track and we are making very good progress.

Directors formalized our existing approach to corporate governance practices in a disclosure policy ensuring that communications with the investing public are timely, factual, accurate and broadly disseminated in accordance with applicable securities laws.

Board declares dividend

Our Board of Directors declared a common share dividend of \$0.275 per common share payable on June 30, 2003 to shareholders of record on June 15, 2003. The Board of Directors also declared a preferred share dividend of \$0.340625 per preference share, payable on June 30, 2003 to shareholders of record on June 15, 2003.

Growing stronger

In summary, we are pleased with our operational progress and financial performance during the first quarter. We recognize that we are navigating through uncertain economic times and a fast-changing regulatory environment. But we take solace in the fact that we are doing as well or better than many other telecommunications companies. We are using this time to grow even stronger in our core business while remaining ever alert to opportunities to please our customers and to create industry-leading shareholder returns.



Jay Forbes

*President and chief executive officer
April 16, 2003*

MD&A

This is a discussion and analysis of the financial condition and results of operations of Aliant Inc. ("Aliant" or "the Company") for the first quarter of 2003. This document should be read in conjunction with Aliant's unaudited interim consolidated financial statements and accompanying notes for the period ended March 31, 2003. Information on significant accounting policies is included in the notes to the financial statements. This document and interim results should be read in conjunction with the Company's audited annual consolidated financial statements and management's discussion and analysis for the year ended December 31, 2002.

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 Aliant's actual future experience. Reference is made to the "Forward-looking statements" section below for further discussion about the inherent risks and uncertainties surrounding future expectations. Aliant disclaims 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.

The Company uses certain terms that are not measures of financial performance under Canadian generally accepted accounting principles to provide readers with additional measures of the Company's financial performance including: EBITDA, free cash flow from operations, and interest coverage ratio. These terms do not have any standardized meaning prescribed by Canadian generally accepted accounting principles and are therefore not necessarily comparable to similarly titled measures used by other companies.

OVERVIEW OF ALIANT'S LEGAL AND OPERATING STRUCTURE

Aliant Inc. ("Aliant" or "the Company") is comprised of three main segments: Telecommunications, Remote Communications and Information Technology. A fourth segment, Emerging Business, had existed until December 31,

2002 but this has been dismantled, as described later in this document.

Aliant's vision is to be the company with the strongest connection to the hearts and minds of Atlantic Canadians. Aliant intends to accomplish this by enhancing and simplifying the lives of consumers through world-leading communications solutions. This concept is the foundation of the Aliant brand campaign that is delivering the Company's updated image and message to consumers.

Effective January 1, 2003 Aliant transferred Innovatia Inc. ("Innovatia") from the Emerging Business segment to the Telecommunications segment for operating and reporting purposes. This integration will build on synergies between the companies and will provide greater operational support for the business. The remaining companies of the former Emerging Business segment are now reported as other operations. The Company is presently advancing plans to divest of these holdings: an agreement to sell Prexar LLC ("Prexar") has been signed in April 2003, with closing anticipated before the end of May, 2003; the sale of Aliant's interest in AMI Offshore Inc. ("AMI") is progressing well; Aliant Energy Services is being wound down; and, as announced on February 7, 2003, Aliant has entered into an agreement to support Alcatel's offer to acquire all of the outstanding shares of iMagicTV Inc. ("iMagicTV") including the 29.3 per cent interest held by Aliant.

During 2002, after considerable evaluation of the strategic and financial fit of Xwave Solutions Inc. ("xwave") with the Telecommunications business and the persistent weak market conditions in the information technology sector, the Company announced on January 24, 2003 that it no longer considers xwave strategic to its future. The Company has begun the divestiture process, which is progressing well.

The organization chart opposite reflects the Company's current external reporting structure and its core lines of business in 2003. It illustrates the main corporate entities carrying out the business of the core segments, as well as other corporate investments. This chart also shows the percentage

of voting securities that Aliant holds, directly or indirectly, in these companies.

The shaded boxes indicate those entities which will eventually become discontinued operations under Aliant's current strategic restructuring. The structure will become significantly more streamlined, simplified, and more operationally integrated than before.

CHANGES IN ACCOUNTING POLICIES AND MANAGEMENT ESTIMATES

Stock-based compensation

The accounting standard issued by the Canadian Institute of Chartered Accountants ("CICA") on stock-based compensation in late 2001 encouraged, but did not require, the use of the fair-value based method to account for stock-based awards, other than direct awards of stock, stock appreciation rights and similar awards with a cash settlement feature.

In recognition of the merits of including stock options as a part of compensation expense, Aliant began expensing stock-based awards issued to employees associated with its stock option plans effective January 1, 2003 using the fair-value approach. Previously, this cost was estimated and disclosed in the notes to the financial statements but not recognized as an expense in the financial statements themselves.

This accounting change reduced first quarter pre-tax income by \$0.2 million with an expected \$1.3 million negative impact on pre-tax income in fiscal 2003.

Pension assumptions

Commencing December 31, 2002, Aliant extended its conservative approach to pension accounting by reducing

the assumed rate of return on pension assets from 9.0 per cent to 7.5 per cent and lowered the discount rate used to calculate pension liabilities from 7.0 per cent to 6.75 per cent. The Company will undertake a full actuarial valuation in 2003.

The first quarter pre-tax impact of these changes is \$9.6 million with an anticipated annual pre-tax cost of approximately \$37.0 million.

ALIANT INC. CONSOLIDATED OPERATING RESULTS

Operating revenues

Aliant Inc.'s consolidated operating revenues of \$655.4 million in the first quarter of 2003, grew \$9.8 million or 1.5 per cent from the first quarter of 2002. Within that total, Remote Communications revenues grew \$17.5 million compared to the same period last year, as a result of increased mobile satellite services revenue due to new contracts and increased military activities in the Middle East, and Telecommunications' revenue grew \$10.5 million, principally due to wireless and Internet customer growth. However, these gains were offset by \$13.5 million of lower Information Technology revenues in the first quarter and lower other revenues of \$4.7 million mainly from those other businesses which will become discontinued in 2003.

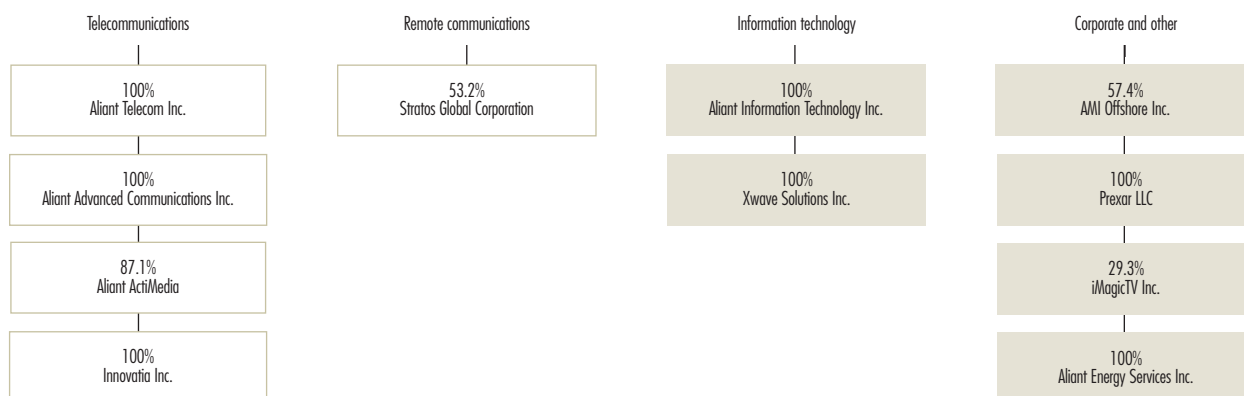
Cost of operating revenues

Cost of operating revenues has decreased \$2.0 million or 1.0 per cent in the first quarter of 2003 compared to the same period last year. This is principally the result of lower fulfillment sales in the Information Technology business.

Operating expenses

Operating expenses increased \$27.3 million over the first quarter of 2002. The primary reason was a charge of \$9.6 million resulting from a change in certain pension

Aliant Inc.



assumptions, as discussed under “Changes in accounting policies and management estimates”. In addition, \$5.2 million of restructuring costs were incurred in the Information Technology business early in the first quarter of 2003, and approximately \$12.5 million of cost increases in labour and other operating expenses in the Telecommunications business.

Depreciation and amortization

Depreciation and amortization expense for the first quarter of 2003 increased \$2.4 million or 2.2 per cent over the same period last year, due to the prior year investments in assets with shorter deemed useful lives.

Other expenses

Other expenses increased by \$1.0 million due to a \$1.8 million quarter over quarter increase in Aliant’s share in losses on one of its equity investments, offset by other miscellaneous items.

Loss on foreign exchange

A loss on foreign exchange was incurred in relation to Stratos Global Corporation (“Stratos”) in the first quarter of 2002. Under approved accounting procedures for self-sustaining organizations, and since July 1, 2002, gains and

losses are recorded on the balance sheet. This is further described under the “Accounting policy changes” section of Aliant’s 2002 Annual Management’s Discussion and Analysis.

Interest charges

Consolidated interest expense decreased \$6.4 million or 18.9 per cent from \$33.7 million for the first quarter of 2002 to \$27.3 million for the first quarter of 2003. Most of this reduction, \$5.9 million, was in Remote Communications and was attributable to the repayment of debt by Stratos after completion of a \$148.8 million equity offering in May 2002, in addition to scheduled repayments of US\$10.0 million each in September and December 2002, respectively. Stratos also benefited from lower interest costs under the terms of its credit facilities.

Aliant’s consolidated interest coverage ratio² for the twelve-month periods ended March 31, 2003 and March 31, 2002 were 3.8 times and 3.6 times, respectively. The higher coverage was attributable to lower consolidated interest expense.

Income taxes

Aliant’s consolidated income tax provision increased by 13.7 per cent from \$25.2 million in the first quarter of 2002

Consolidated statements of income

For the quarter ended March 31 (thousands of dollars except per share amounts)

	2003	2002	\$ change	% change
Operating revenues	\$ 655,433	\$ 645,647	\$ 9,786	1.5
Cost of operating revenues	189,770	191,750	(1,980)	(1.0)
Net operating revenues	465,663	453,897	11,766	2.6
Operating expenses	253,301	226,021	27,280	12.1
EBITDA ¹	212,362	227,876	(15,514)	(6.8)
Depreciation and amortization	110,205	107,851	2,354	2.2
Operating income	102,157	120,025	(17,868)	(14.9)
Other expenses	2,507	1,475	1,032	70.0
Loss on foreign exchange	—	458	(458)	(100.0)
Interest charges	27,354	33,745	(6,391)	(18.9)
Income taxes	28,664	25,214	3,450	13.7
Non-controlling interest	4,744	5,680	(936)	(16.5)
Net income	38,888	53,453	(14,565)	(27.2)
Preferred share dividends	2,384	2,384	—	—
Net income applicable to common shares	\$ 36,504	\$ 51,069	\$ (14,565)	(28.5)
Basic and diluted earnings per common share	\$ 0.26	\$ 0.37	\$ (0.11)	(29.7)

¹ EBITDA is defined by the Company as operating income plus depreciation and amortization expense. 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. The Company has included information concerning EBITDA because it believes that it is used by certain investors as one measure of a company’s financial performance. 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.

² The interest coverage ratio is calculated as operating income plus other income divided by total interest charges. The interest coverage ratio 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. The Company has included information concerning interest coverage because it believes that it is used by certain investors as one measure of the Company’s financial performance.

to \$28.7 million in the first quarter of 2003. The effective tax rate for the first quarter of 2003 was 39.6 per cent, an increase over the 2002 rate of 29.9 per cent, but was a more normalized level for the business. In the first quarter of 2002, Aliant recognized a \$7.4 million benefit related to the tax loss carry forwards of its Remote Communications business. The year on year increase was mitigated by a reduction in statutory income tax rates in 2003.

Non-controlling interest

The \$0.9 million decrease in Aliant's non-controlling interest was due to a decrease in the net income of Stratos, partially offset by a reduction in the total ownership position in that subsidiary.

LIQUIDITY AND CAPITAL RESOURCES

Operating activities

Aliant's free cash flow from operations³ increased \$108.4 million from \$48.1 million in the first quarter of 2002 to \$156.5 million in 2003. This significant improvement is the combination of an increase of \$78.4 million in cash from operations and a decrease of \$30.0 million in capital investments. The increase in cash from operations was driven by improved working capital, but partially offset by a \$14.6 million decrease in net income from operations.

Investing activities

Aliant's consolidated capital investment for the first quarter of 2003 was \$76.7 million, a 28.1 per cent decrease from the same period last year. Telecommunications' capital spending, at least in the short to medium term, is becoming more focused on sustaining expenditures and less on build-out such as the significant investments made in broadband infrastructure in recent years. Capital investment in the current year will focus mainly on maintaining existing infrastructure, supporting new opportunities that are economically justified, supporting wireless subscriber growth and higher customer usage, and increasing wireless digital coverage where appropriate. Remote Communications'

capital spending in the first quarter of 2003 decreased versus the same period last year when 2002 expenditures were required to support the then recently-won United States Navy contract.

Financing activities

Telecommunications

The primary external source of long-term financing for Telecommunications' operations is debt issued to the public while, with the exception of a small bank facility for one of the subsidiaries of Aliant Telecom Inc. ("Aliant Telecom"), Aliant itself provides internal short-term debt and common equity financing for its Telecommunications segment. Telecommunications' excess cash balances are either loaned or paid as dividends to Aliant.

In April 2001, Aliant Telecom filed a renewal shelf prospectus providing for the issue of up to \$350.0 million of Medium Term Notes (MTNs) in the Canadian market. On January 15, 2002 Aliant Telecom issued \$100.0 million of 5-year MTNs bearing interest at 5.35 per cent under this prospectus. The shelf prospectus will expire in May 2003 and will not be renewed at that time, as management does not foresee any need to borrow in the capital markets for at least the balance of this year.

There is a \$65.0 million Aliant Telecom bond maturing in June 2003 that is anticipated to be repaid out of free cash flow from operations. A \$7.5 million first mortgage bond maturing in July 2008 will become callable in July 2003 at the discretion of the company.

Remote communications

Remote Communications obtains its debt financing through bank facilities and its common equity financing through the public issue of shares that trade on the Toronto Stock Exchange. Aliant has provided a guarantee on the obligations of Stratos under its credit facilities. In the first quarter of 2003, Stratos repaid US\$10.0 million of debt

Capital investments

For the quarter ended March 31 (thousands of dollars)

	2003	2002	\$ change	% change
Telecommunications	\$ 69,791	\$ 90,523	\$ (20,732)	(22.9)
Remote communications	6,018	14,193	(8,175)	(57.6)
Information technology	507	946	(439)	(46.4)
Other	381	990	(609)	(61.5)
Total capital investment	\$ 76,697	\$ 106,652	\$ (29,955)	(28.1)

³ Free cash flow from operations is defined as cash and cash equivalents from (used in) operations, less capital investments. Free cash flow from operations 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. The Company has included information concerning free cash flow from operations because it believes that it is used by certain investors as one measure of the Company's financial performance.

according to its repayment schedule and this was split evenly between the bridge and term facilities. As a result of Stratos reducing its bridge facility, the amount guaranteed by Aliant has been reduced from US\$28.0 million at the end of 2002 to US\$23.0 million at the end of March 2003.

Information technology

The primary sources of financing for xwave are debt and equity investments from Aliant and bank credit facilities. xwave has an operating line of credit for \$15.0 million. This new line of credit replaces the bank facilities that were in place during 2002 and that were repaid with proceeds of a loan from Aliant. Amounts outstanding on these bank lines were \$46.0 million at December 31, 2002 and \$7.6 million at March 31, 2003.

Corporate financing

Aliant issued \$3.6 million in common equity during the first quarter by way of its common shareholder dividend reinvestment and stock purchase plan, employees' stock savings plan, and the exercise of options under its employee stock option plan. Shares were purchased on the open market to fulfill the requirements of the Company's employees' stock savings plan.

On July 18, 2002, Aliant announced acceptance by the Toronto Stock Exchange of notice of intention to purchase, from time to time, up to 1,600,000 of its outstanding common shares on the Toronto Stock Exchange pursuant to a normal course issuer bid (NCIB). This limit represents approximately 1.1 per cent of the issued and outstanding common shares of Aliant as of that date, being 139,567,382 common shares. Under the NCIB, the Company would acquire, from time to time, its common shares at market price through the facilities of the Toronto Stock Exchange. Purchases of common shares may be made during the 12-month period commencing July 22, 2002 and ending on July 21, 2003. During 2002 Aliant purchased and cancelled 264,300 shares for an aggregate price of \$7.2 million. Aliant has purchased and cancelled 751,800 common shares during the first quarter of 2003 for an

aggregate price of \$20.4 million.

Total dividends paid by Aliant to its common shareholders in the first quarter of 2003 increased over 2002 levels. Based on Aliant's demonstrated financial strength, its Board of Directors approved an increase in the quarterly dividend of 2.5 cents per common share in the third quarter of 2002. In addition, the Board of Directors has since approved another 2.5 cent increase to the quarterly dividend effective with the second quarter payment in 2003, raising the annual rate to \$1.10 per common share.

Aliant paid preferred shareholder dividends of \$2.4 million for the first quarter of 2003, consistent with the amount paid in the first quarter of 2002.

Free cash flow from operations and from the segments' external financing sources have sufficiently provided for debt repayment, dividends, investing and operating needs and for share repurchases throughout the quarter. Aliant maintains lines of credit totaling \$485 million in aggregate with its bankers, of which \$300 million is a committed facility supporting the Company's commercial paper program, \$75 million is a committed bank line held in reserve in support of the guarantee of Stratos' debt, and \$110 million is the total of Aliant's uncommitted operating lines. There were no balances outstanding on these lines of credit as at March 31, 2003.

Capital structure

The percentage of debt to total capital was 44.1 per cent at March 31, 2003 compared to 45.3 per cent at December 31, 2002. The improvement in this ratio was due to the reduction in debt held by Stratos and xwave being greater than the reduction in Aliant's common equity as a result of the repurchase and cancellation of common shares under the NCIB.

It is anticipated that Aliant will continue to generate sufficient free cash flow from operations to provide for dividend payments, when such dividends are declared,

Consolidated capital structure

(thousands of dollars)

	March 31, 2003		December 31, 2002	
Common equity	\$ 1,470,447	45.5%	\$ 1,498,311	44.5%
Preferred equity	172,264	5.3%	172,264	5.1%
Non-controlling interest	164,579	5.1%	170,856	5.1%
Long-term debt, including current portion	1,368,828	42.3%	1,408,600	41.8%
Short-term debt, including bank indebtedness and interest payable	57,284	1.8%	117,563	3.5%
	\$ 3,233,402	100.0%	\$ 3,367,594	100.0%

to repay a portion of its maturing long-term debt, and to repurchase common shares through its NCIB. Also, Aliant has sufficient capacity in its financing facilities to provide liquidity for existing operations, future growth, and the uncertain economic environment.

CONSOLIDATED OUTLOOK, RISKS AND UNCERTAINTIES

As Aliant continues its evolution to an Atlantic Canada based, telecom-focused business, the divesture of non-core businesses will free resources to focus on telecommunications. With the divesture programs well underway, Aliant is turning its attention to achieving three key initiatives: preserving and growing revenue, continually improving the cost structure of the organization and investing in its human capital. The focus on these key initiatives is reflected in strategic initiatives developed as part of the Company's performance measurement tool, the Balanced Scorecard. The Balanced Scorecard focuses and aligns employee effort towards advancing the Company's strategy by directly linking individual performance objectives to overall corporate strategy.

Preserving and growing revenues in one of North America's most competitive regions for telecommunications services is challenging given the ongoing regulatory constraints of the Canadian Radio-television and Telecommunications Commission ("CRTC") on the provision of local telecommunications service, including restrictions on bundling and win back promotions. The 2002 price cap

decision is anticipated to negatively impact revenues by \$25 million in 2003. Aliant is responding by providing customers with superior customer service, innovative products and services, and a total solutions approach. While Aliant anticipates a modest decrease in consumer network access subscribers due to a combination of competition and cannibalization to wireless solutions and migration from dial-up to high-speed Internet, wireless and Internet revenues are expected to continue to provide solid revenue growth.

Growth opportunities in wireless include obtaining new customers in key market segments and increasing revenue per customer through converting analog customers to digital and new wireless data offerings. Aliant has committed a further \$18.5 million investment in digital wireless coverage expansion in the Atlantic region during the first half of 2003. This digital expansion will extend access, improve service and enhance functionality to the more than half a million Aliant wireless customers throughout Atlantic Canada. This investment is part of an expected total wireless capital investment of approximately \$60 million in 2003. Aliant's 1xRTT technology will meet the needs of customers seeking a personalized, feature-rich mobile experience with faster access to the Internet, email, instant text messaging, games and other data.

Aliant is a major Internet service provider in Atlantic Canada and expects to maintain its strong market position into the future by focusing on quality, customer service,

Outstanding share information as of April 14, 2003

Authorized

Unlimited number of preference shares, issuable in series.

Unlimited number of common shares, without par value.

Issued

(thousands of dollars)

	<i>April 14, 2003</i>	
	Number of shares	Value
Preference shares, series 2	7,000,000	\$ 172,264
Common shares	138,820,814	1,045,522
		\$ 1,217,786

A summary of the Company's stock option plan is presented below:

	<i>April 14, 2003</i>	
	Number of options	Weighted average exercise price
Options outstanding	2,704,463	\$ 29.15
Options exercisable	1,960,491	\$ 28.98

range of application and dedicated two-way access on its high-speed network. Internet revenues are anticipated to grow in 2003 as a result of new customers and existing customer migration from dial-up to high-speed Internet connections.

Aliant strives for industry leading cost structures by achieving productivity savings and maximizing capacity utilization. Productivity savings will result from Aliant's continued focus on alignments with strategic partners and business process improvements. Aliant will also be placing increased emphasis on higher capacity utilization to take full advantage of the significant investment in the broadband infrastructure in prior years.

Aliant recognizes that in order to ensure superior customer service it must focus on its employees. Investing in human capital will include enhancing learning opportunities, leadership development, strategic alignment, performance recognition and the general work environment. Part of this initiative involves securing an appropriate collective agreement to replace the collective agreement with the unions representing operators, clerical and craft employees in the four Atlantic Provinces that expired on December 31, 2001. The bargaining unit is represented by the Council of Atlantic Telecommunication Unions. Negotiations began on March 4, 2002, and will continue into the second quarter of 2003.

OPERATING RESULTS BY LINE OF BUSINESS

Telecommunications

Telecommunications' total first quarter operating revenues increased \$10.5 million from the same period in 2002. This gain was attributable to the continued revenue growth in wireless and Internet of \$11.9 million and \$3.5 million respectively. These gains were partially offset by year over

year revenue decreases in local and other revenues, as discussed below.

Local

Local revenues are earned through the provision of voice and data network access, telephone set rentals, enhanced service features and revenues from the telecommunications industry-financed National Contribution Fund to support local service in high-cost serving areas. Local revenues decreased 1.0 per cent from \$190.0 million for the first quarter of 2002 to \$188.0 million for the first quarter of 2003. This decrease is a reflection of the changing regulatory environment. A prior year CRTC ruling resulted in contribution regime changes that lowered the contribution rate and related revenue. In addition, the 2002 price caps decision decreased competitor payment rates and data access revenues. Excluding the impact of regulatory changes local revenue would have grown \$1.1 million in the first quarter of 2003.

Local voice network access services (NAS) revenue remains relatively unchanged from the first quarter of 2002. NAS volumes declined 0.6 per cent, as higher business NAS was more than offset by lower consumer NAS. Consumer NAS is declining due to a combination of competition, cannibalization to wireless solutions and migration from dial-up to high-speed Internet. Overall market share for NAS remains strong at 96.0 per cent. Aliant's market share retention strategy is to provide customers competitively priced service offerings for all of their telecommunications needs. Revenue from the provision of enhanced service features grew 6.8 per cent from \$23.1 million for the first quarter of 2002 to \$24.7 million for the first quarter in 2003.

Long distance

Long distance revenues are derived from toll service,

Telecommunications operating results

For the quarter ended March 31 (thousands of dollars)

	2003	2002	\$ change	% change
Local	\$ 188,023	\$ 189,959	\$ (1,936)	(1.0)
Long distance	100,804	101,545	(741)	(0.7)
Wireless	73,161	61,224	11,937	19.5
Internet	25,386	21,848	3,538	16.2
Innovatia	5,570	5,123	447	8.7
Other revenues	36,917	39,708	(2,791)	(7.0)
Total operating revenues	429,861	419,407	10,454	2.5
Cost of operating revenues	41,709	45,987	(4,278)	(9.3)
Net operating revenues	388,152	373,420	14,732	3.9
Operating expenses	200,431	178,260	22,171	12.4
EBITDA	\$ 187,721	\$ 195,160	\$ (7,439)	(3.8)

data network services and long distance settlement. Long distance revenues have remained relatively flat with an overall decline of 0.7 per cent or \$0.7 million in the first quarter of 2003 compared to the same period last year. The decline is due to decreased per minute settlement rates paid by other telecommunications carriers for calls terminating in our region. Aliant's first quarter minute volumes increased by 7.1 per cent, from 901.8 million minutes in 2002 to 965.9 million minutes in 2003. Business long distance minutes have increased in Atlantic Canada, in part due to call centre activity. Aliant has maintained its market share of approximately 88 per cent of the Atlantic Canada long distance market.

Wireless

Wireless revenues are earned through the provision of cellular, paging and mobile radio services. Aliant's wireless revenues increased 19.5 per cent to \$73.2 million in the first quarter of 2003 due to subscriber growth and increased roaming and toll revenues. Aliant maintains an industry leading position with market share of approximately 75 per cent for cellular services and churn of 1.4 per cent. Continued new demand for these services is reflected in customer growth. Aliant's 558,393 cellular customers at the end of the first quarter of 2003 represents growth of 14.8 per cent over the same period last year, including a 62.5 per cent increase in digital subscribers.

Part of the growing demand for cellular services is due to growth in new digital services and digital coverage expansion. By March 31, 2003 approximately 70 per cent of Atlantic Canada's population had access to digital cellular service. This growth in digital service, which carries a higher monthly average revenue per customer (ARPC) than analog, helped produce an ARPC of \$41.16 for the first quarter of 2003 compared with \$38.77 for the same period last year. This was the first positive year over year ARPC change that Aliant has experienced, the result of pricing action in 2002 and increased roaming and toll activity in 2003. Prepaid ARPC has increased over 16 per cent to \$5.82 as a result of recent price increases and program changes. Average monthly revenue per postpaid customer was \$47.02 in the first quarter of 2003 compared to \$44.27 in the first quarter of 2002, an increase of 6.2 per cent.

Aliant is well positioned to meet anticipated increased demand for new wireless data services as the 1xRTT network has recently been rolled out in Halifax, Sydney, Moncton, Fredericton, Saint John and St. John's.

Internet

Internet services revenue increased 16.2 per cent over the first quarter of 2002 due to continued customer growth. During the first quarter of 2003 Aliant's high-speed

Other revenues

Increased revenues from product sales were offset by decreased other miscellaneous revenues, with the latter primarily due to the absence of approximately \$6.0 million in Internet Help Desk revenue, as that service is now provided by the Information Technology segment.

<i>For the quarter ended March 31 (thousands of dollars)</i>		2003	2002	\$ change	% change
Product sales	\$	24,625	\$ 18,732	\$ 5,893	31.5
Directory revenues		1,763	1,714	49	2.9
Other miscellaneous		10,529	19,262	(8,733)	(45.3)
	\$	36,917	\$ 39,708	\$ (2,791)	(7.0)

Cost of operating revenues

Cost of operating revenues decreased in the first quarter of 2003 due to lower per minute settlement rates and decreased Internet Help Desk costs as discussed above, offset by higher cost of goods sold associated with increased product sales.

<i>For the quarter ended March 31 (thousands of dollars)</i>		2003	2002	\$ change	% change
Settlement costs	\$	10,609	\$ 12,264	\$ (1,655)	(13.5)
Contribution payments		4,391	4,890	(499)	(10.2)
Cost of goods sold		23,868	17,738	6,130	34.6
Other		2,841	11,095	(8,254)	(74.4)
	\$	41,709	\$ 45,987	\$ (4,278)	(9.3)

customers increased by 28.1 per cent to 102,219 while the number of dial-up customers declined by 2.7 per cent to 192,097. Consumer high-speed customer growth has slowed during the first quarter of 2003. To stimulate growth, Aliant introduced offers for new consumer high-speed customers as of March 1, 2003. As at March 31, 2003 high-speed Internet services passed 61 per cent of the homes in Atlantic Canada. Aliant maintains an Internet churn of 1.9 per cent and is aggressively managing churn through new contract offers and increased customer contact.

Innovatia

Revenues from Innovatia increased 8.7 per cent over the first quarter of 2002 as a result of new contracts.

Remote communications

Aliant's Remote Communications line of business is represented by its 53.2 per cent ownership of Stratos Global Corporation, a publicly traded company (TSX:SGB). This section should be read in conjunction with Stratos Global Corporation's "Management's Discussion and Analysis of Financial Condition and Results of Operations for the three months ended March 31, 2003". Readers should note that Stratos reports its results in US dollars thus it is necessary for Aliant to convert those results to Canadian dollars for its presentation. Accordingly, results can vary due to foreign exchange rate fluctuations.

Stratos' first quarter revenue increased 13.8 per cent to \$144.1 million for the first quarter of 2003 from \$126.5

million in 2002. Strong activity in the corporation's mobile satellite business, due in part to new contract awards and the Middle East conflict, has contributed to this overall revenue growth. Cost of sales increased in accordance with revenue growth, adjusted for changes in product mix, resulting in increased EBITDA of 4.7 per cent or \$32.9 million for the first quarter of 2003 versus \$31.4 million for the same period in 2002.

Information technology

Aliant's Information Technology revenues were \$108.1 million for the first quarter of 2003, an 11.1 per cent or \$13.5 million decrease from the same period in 2002. Service revenues were \$5.4 million lower compared to the first quarter of 2002 as the slower than anticipated recovery of the industry continues. Fulfillment revenues have decreased by \$8.1 million due to a decline in product sales in the government sector. These revenue declines and change in sales mix caused an \$8.5 million decline in the cost of operating revenues, thereby minimizing the total impact on net operating revenues. Operating expenses increased because \$5.2 million in restructuring costs were recorded in January 2003. The combination of lower net operating revenues and higher operating expenses has negatively impacted EBITDA by \$10.1 million compared to the first quarter in 2002.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this document and in particular the statements contained in the "Consolidated

Remote communications operating results

<i>For the quarter ended March 31 (thousands of dollars)</i>	2003	2002	\$ change	% change
Operating revenues	\$ 144,056	\$ 126,540	\$ 17,516	13.8
Cost of operating revenues	93,414	78,597	14,817	18.9
Net operating revenues	50,642	47,943	2,699	5.6
Operating expenses	17,761	16,530	1,231	7.4
EBITDA	\$ 32,881	\$ 31,413	\$ 1,468	4.7

Information technology operating results

<i>For the quarter ended March 31 (thousands of dollars)</i>	2003	2002	\$ change	% change
Service	\$ 56,473	\$ 61,861	\$ (5,388)	(8.7)
Fulfillment	51,586	59,665	(8,079)	(13.5)
Operating revenues	108,059	121,526	(13,467)	(11.1)
Cost of operating revenues	46,753	55,260	(8,507)	(15.4)
Net operating revenues	61,306	66,266	(4,960)	(7.5)
Operating expenses	62,841	57,686	5,155	8.9
EBITDA	\$ (1,535)	\$ 8,580	\$ (10,115)	(117.9)

outlook, risk and uncertainties” section, constitute forward-looking statements. These forward-looking statements relate to future financial condition and results of operations of Aliant. These statements are based on current expectations and estimates about the markets in which Aliant 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 conditions, 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 beyond the control of Aliant.

Should one or more of these factors impact the Company in an unexpected manner, or should assumptions underlying the forward-looking statements prove incorrect, the results or events predicted in the Management’s Discussion and Analysis may differ materially from actual results or events. Consequently, all of the forward-looking statements made in this document and the documents referred to within are qualified by these cautionary statements, and there can be no assurance that the results or developments anticipated by Aliant will be realized or, even if substantially realized, that they will have the expected consequences to, or effect on Aliant. Readers should also consult when filed the Annual Information Form for the year ended December 31, 2002 for Aliant Inc., Aliant Telecom Inc., and Stratos Global Corporation. Readers should not place undue reliance on any forward-looking statements. Further, Aliant disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.


Statements (unaudited)

CONSOLIDATED BALANCE SHEETS

<i>(thousands of dollars)</i>	As at March 31, 2003	As at December 31, 2002
Assets		
Current assets		
Cash and short-term investments	\$ 286,563	\$ 263,599
Accounts receivable (note 3)	427,850	424,322
Inventory	37,541	35,229
Prepayments	47,117	41,656
Future income tax asset	11,178	—
	810,249	764,806
Capital investments (note 4)	2,277,108	2,329,359
Other assets		
Long-term investments (note 5)	40,278	44,724
Deferred charges	103,461	110,585
Future income tax asset	24,359	14,390
Goodwill (note 6)	343,472	365,810
	511,570	535,509
Total assets	\$ 3,598,927	\$ 3,629,674
Liabilities and shareholders' equity		
Current liabilities		
Notes payable and bank advances (note 7)	\$ 31,569	\$ 98,884
Payables and accruals (note 8)	296,319	191,912
Future income tax liability	—	2,116
Long-term debt due within one year (note 9)	135,438	143,064
	463,326	435,976
Long-term debt (note 9)	1,233,390	1,265,536
Accrued benefit obligation	82,457	73,873
Deferred credits	12,464	12,858
	1,791,637	1,788,243
Non-controlling interest (note 10)	164,579	170,856
Shareholders' equity		
Capital stock (note 11)	1,220,801	1,237,650
Contributed surplus	69,320	69,320
Retained earnings	355,835	354,080
Cumulative translation adjustment	(3,245)	9,525
	1,642,711	1,670,575
Total liabilities and shareholders' equity	\$ 3,598,927	\$ 3,629,674

See accompanying notes to the consolidated financial statements

Signed on behalf of the Board of Directors



Charles White
Chairman



Edward Reevey
Director

CONSOLIDATED STATEMENTS OF INCOME

<i>For the three months ended March 31 (thousands of dollars except per share amounts)</i>	2003	2002
Operating revenues (note 12)	\$ 655,433	\$ 645,647
Expenses		
Cost of operating revenues	189,770	191,750
Operating expenses	253,301	226,021
Depreciation and amortization	110,205	107,851
	553,276	525,622
Operating income	102,157	120,025
Other expenses		
Loss on foreign exchange (note 2)	—	458
Other expenses	2,507	1,475
	2,507	1,933
Interest charges		
Interest on long-term debt	27,032	33,343
Other interest	322	402
	27,354	33,745
Income before underlisted items	72,296	84,347
Income taxes	28,664	25,214
Income before non-controlling interest	43,632	59,133
Non-controlling interest	4,744	5,680
Net income	\$ 38,888	\$ 53,453
Earnings per common share (note 13)		
Basic	\$ 0.26	\$ 0.37
Diluted	\$ 0.26	\$ 0.37

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

<i>For the three months ended March 31 (thousands of dollars)</i>	2003	2002
Retained earnings, beginning of period	\$ 354,080	\$ 326,610
Net income	38,888	53,453
Preferred share dividends	(2,384)	(2,384)
Common share dividends	(34,749)	(30,991)
Retained earnings, end of period	\$ 355,835	\$ 346,688

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31 (thousands of dollars)

	2003	2002
Cash and cash equivalents from (used in) operations		
Net income from operations	\$ 38,888	\$ 53,453
Add (deduct) non-cash items:		
Depreciation and amortization	110,205	107,851
Future income taxes	(28,115)	(19,000)
Other non-cash items	9,807	2,811
Share in earnings of equity accounted investments	2,224	386
Non-controlling interest	4,744	5,680
	137,753	151,181
Change in non-cash working capital balances related to operations	95,454	3,545
	233,207	154,726
Cash and cash equivalents from (used in) financing		
Repurchase of accounts receivable	—	(10,000)
Net repayments of notes payable and bank advances	(67,315)	(29,761)
Proceeds from long-term debt	—	100,000
Repayments of long-term debt	(16,218)	(806)
Proceeds from issue (repurchase) of common shares	(19,036)	9,335
Preferred share dividends	(2,384)	(2,384)
Common share dividends	(32,562)	(12,497)
	(137,515)	53,887
Cash and cash equivalents from (used in) investing		
Capital investments	(76,697)	(106,652)
Proceeds on sale of investments	2,107	972
Decrease (increase) in investments	168	(251)
Increase in deferred credits	4,330	10,624
	(70,092)	(95,307)
Change in cash and short-term investments	25,600	113,306
Cash and short-term investments, beginning of period	263,599	131,558
Effect of exchange rate changes on cash	(2,636)	—
Cash and short-term investments, end of period	\$ 286,563	\$ 244,864
Supplementary disclosure		
Interest paid	\$ 21,625	\$ 21,774
Income taxes paid	\$ 13,937	\$ 48,585

See accompanying notes to the consolidated financial statements

Statement notes

1 INTERIM FINANCIAL STATEMENTS

The accounting policies and methods followed for interim reporting purposes are consistent with those in effect for the most recent annual financial statements for the year ended December 31, 2002, except as explained in note 2

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidated financial statements

The consolidated financial statements include the accounts of Aliant Inc. (the “Company”) and all entities that are controlled by the Company and its proportionate share of jointly controlled entities.

At March 31, 2003, the principal subsidiaries of the Company include: Aliant Telecom Inc., Innovatia Inc., Aliant Information Technology Inc., Xwave Solutions Inc., Aliant Horizons Inc., Stratos Global Corporation, AMI Offshore Inc., Prexar LLC, and Aliant Energy Services Inc.

Use of accounting estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Regulation

Aliant Telecom Inc., the Company’s major telecommunications subsidiary, is subject to regulation by the Canadian Radio-television and Telecommunications Commission (“CRTC”). On May 30, 2002 the CRTC released its Decision 2002-34 (“price cap decision”), which includes prescribed new rules effective for a four year period to determine the rates

under accounting changes. These unaudited interim financial statements should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2002.

charged for certain telecommunications services. In 2003, the expected impact of the decision on the Company may change following further analysis and clarification from the CRTC on the deferral account mechanism as discussed in note 15.

Cash and short-term investments

Cash and short-term investments consist of cash on hand and balances with banks, and investments in money market instruments with original maturity of less than 90 days that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in fair value.

Transfer of receivables

The Company entered into a Purchase and Sale Agreement under which it sells its interest in a pool of present and future eligible accounts receivable to a securitization trust that issues securities to investors. These transactions are accounted for as sales when the Company is considered to have surrendered control over the transferred accounts receivable and receives proceeds from the trust, other than a beneficial interest in the assets sold. Losses or gains on these transactions are recognized as other expenses or income and are dependent in part on the previous carrying amount of the accounts receivable transferred, which is allocated between the accounts receivable sold and the retained interest, based on their relative value at the date of the transfer. The Company determines fair value based on the present value of future expected cash flows using

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

management's best estimates of key assumptions such as discount rates, weighted average life of accounts receivable and credit loss ratios.

Inventory

Inventory is valued at the lower of cost and net realizable value.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method future income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future tax assets or liabilities are expected to be realized or settled. The effect of a change in substantively enacted income tax rates on future income tax assets and liabilities is included in income in the period that the change occurs.

Capital investments

Capital investments are recorded at cost. Depreciation is computed on a straight-line basis (outlined in the table below) over the useful lives of the assets.

<i>Asset</i>	<i>Method</i>	<i>Rate</i>
Buildings and towers	Straight line	10 – 40 years
Telecommunications facilities and equipment	Straight line	4 – 40 years
Application software and other equipment	Straight line	3 – 15 years

Depreciation is not recorded on capital under construction that is not yet operational.

Gains and losses on the disposal of identifiable capital investments are included in income in the period they occur.

Long-term investments

The Company accounts for its investments in affiliated companies over which it has significant influence using the equity method of accounting, whereby the investments are initially recorded at cost, and subsequently adjusted to recognize the Company's share of earnings or losses of the investee companies and reduced by dividends received.

Portfolio investments are accounted for at cost. Declines in market value below cost are recognized when such declines are considered to be other than temporary.

Deferred charges

Deferred charges include debt issue costs, which are amortized on a straight-line basis over the term of the related debt, cellular dealer commissions and hardware subsidies, which are amortized over the length of customer contracts, as well as Internet commissions, which are amortized over a defined customer relationship period. Also included in deferred charges is the Company's retained interest in accounts receivable transferred to a securitization trust.

Goodwill

Goodwill represents the excess, at the dates of acquisition, of the costs over the fair values of the net amounts assigned to identifiable assets acquired and liabilities assumed. The Company annually reviews goodwill of all its reporting units to ensure that its fair value remains greater than, or equal to, carrying value. Any impairment in the value of goodwill is charged to income in the period such impairment is determined.

Derivative financial instruments

Derivative financial instruments are used by the Company in the management of its foreign currency and interest rate exposures. The Company's policy is not to utilize derivative financial instruments for trading or speculative purposes.

The Company's policy is to formally designate each derivative financial instrument as a hedge of specific assets and liabilities on the balance sheet or to specific firm commitments. The Company believes the derivative financial instruments are effective as hedges, both at inception and over the term of the instrument, as the term to maturity and the (notional) principal amount match the terms of the instrument or transaction being hedged.

Foreign exchange forward contracts may be used periodically by the Company to manage its exposure to fluctuations in currency exchange rates. Foreign exchange forward contracts are accounted for as hedges to the extent that they are designated as, and are effective as, hedges of firm foreign currency commitments. Gains and losses on foreign exchange forward contracts are recognized in income in the same period as gains and losses on the underlying hedged transactions are recognized.

The Company has entered into interest rate swap and swaption agreements in order to manage the interest rate exposure associated with certain long-term debt obligations. Amounts payable or receivable under interest rate swap agreements are recognized as adjustments to interest

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

expense. In addition, premiums received or paid, if any, under interest rate swaption agreements are amortized as an adjustment to interest expense over the period from receipt, or payment, of the premium income to maturity of the underlying debt obligation.

Realized and unrealized gains or losses associated with derivative instruments, which have been terminated or cease to be effective prior to maturity, are deferred under other current, or non-current, assets or liabilities on the balance sheet and recognized in income in the period in which the underlying hedged transaction is recognized. In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative instrument, any realized or unrealized gain or loss on such derivative instrument is recognized in income.

Post employment benefits

The Company and its subsidiaries provide certain pension plans and other non-pension post employment benefits to qualified employees. These include contributory defined contribution pension plans, non-contributory defined benefit final average pension plans and other retirement benefits such as life insurance and health care plans.

The Company accrues its obligations under employee benefit plans and the related costs, net of plan assets. The Company has adopted the following policies for its defined benefit pension plans and other post employment benefits:

- (a) The cost of pensions and other post employment benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs.
- (b) For the purpose of calculating the expected return on plan assets, those assets are valued at market-related value.
- (c) Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.
- (d) The excess of the net actuarial gain (loss) over 10 per cent of the greater of the benefit obligation and the market-related value of plan assets is amortized over the average remaining service period of active employees being 16 years at March 31, 2003 (December 31, 2002 – 16 years).
- (e) When the restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement.
- (f) A valuation is performed at least every three years to

determine the actuarial present value of the accrued pension and other non-pension post employment benefits.

Defined contribution plan costs are recognized as employees render services during the year.

Earnings per common share

Earnings per common share is based on the weighted average number of common shares outstanding for the period. Diluted earnings per share is computed in accordance with the treasury stock method and based on the weighted average number of common shares and dilutive common share equivalents.

Stock-based compensation plan

The Company has a stock-based compensation plan for executives and certain senior managers, which is described in note 14. For stock-based awards granted after January 1, 2003, compensation expense is recognized when stock options are issued. Compensation expense is also recognized for the Company's contributions to the employees' stock savings plan.

A subsidiary of the Company has a stock-based compensation plan specific to its own shares. A participant in this plan may elect to cash settle the options in lieu of exercising them. The company records a liability and compensation expense in connection with these awards based on their intrinsic value at the date of grant. Subsequent changes in the amount of the liability due to stock price changes are recorded as compensation expense.

Foreign currency translation

Effective July 1, 2002, the economic facts and circumstances surrounding the Company's foreign operations changed such that operations that were previously classified as integrated are now reported as self-sustaining. This change is the result of a significant reduction in the Company's financial guarantee provided to the foreign operation's lender along with strong evidence in the first two quarters of 2002 of the foreign operations ability to meet its debt servicing obligation with the lender thus limiting the Company's exposure related to the remaining guarantee. As a result, the translation method used has changed from the temporal to the current rate method.

Assets and liabilities of the Company's self-sustaining foreign operations are translated using the current rate method at exchange rates prevailing at the balance sheet date, which was US\$1.00 = Canadian\$1.47 at March 31, 2003

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(US\$1.00 = Canadian\$1.58 at December 31, 2002). Resulting unrealized gains or losses are deferred and included in shareholders' equity as a cumulative translation adjustment. The change in the cumulative translation adjustment account reflects changes due to fluctuations in exchange rates during the period. Revenues and expenses are translated at the average exchange rate prevailing during the period.

Accounting changes

As permitted under the new CICA accounting standard for Stock-Based Compensation and Other Stock-Based Payments, the Company does not record compensation expense upon issuance of stock options to employees under its own stock option plan for awards granted prior to January 1, 2003.

However, as required by the new standard, the Company is disclosing the pro-forma net income and pro-forma earnings per share using the fair market value method of accounting for stock-based compensation awards. The pro-forma information is presented in note 13. In addition, a subsidiary of the Company follows this method of accounting.

For stock-based compensation awards granted by the Company after January 1, 2003, the Company has changed its accounting policy to record compensation expense upon issuance of stock options to employees calculated using the fair market value method.

3 TRANSFER OF RECEIVABLES

Under an agreement dated December 13, 2001, the Company sells certain accounts receivable to a securitization trust. The excess of amounts transferred over the cash proceeds represents the Company's retained interest and the amount of overcollateralization in the receivables transferred and is included in deferred charges. The Company remains exposed to certain risks of default on the amount of receivables under securitization. It has provided various credit enhancements in the form of overcollateralization and subordination of its retained interests. The purchaser and its investors have no recourse to the Company's other assets for failure of the obligator to pay the amounts when due.

Under the agreement receivables are sold on a fully serviced basis, so that the Company continues to administer the

collection of such receivables. The Purchaser will re-invest the funds from collections in the purchase of additional interests in the Company's accounts receivable until the expiration of the agreement on December 13, 2006.

As at March 31, 2003, the Company had sold \$135.0 million (December 31, 2002 – \$135.0 million) of accounts receivable and transferred \$164.9 million (December 31, 2002 – \$164.9 million) of receivables to the trust. Included in deferred charges is the Company's retained interest of \$29.9 million (December 31, 2002 – \$29.9 million).

During the three months ended March 31, 2003, the Company recognized a pre-tax loss of approximately \$1.1 million (2002 – \$3.7 million) on the transfer of receivables.

4 CAPITAL INVESTMENTS

(thousands of dollars)

	March 31, 2003		
	Cost	Accumulated depreciation	Net book value
Land	\$ 15,604	\$ —	\$ 15,604
Buildings and towers	337,952	164,410	173,542
Telecommunications facilities and other equipment	4,544,592	2,753,380	1,791,212
Application software and other equipment	667,214	414,308	252,906
Capital under construction	34,526	—	34,526
Materials and supplies	9,318	—	9,318
	\$ 5,609,206	\$ 3,332,098	\$ 2,277,108

4 CAPITAL INVESTMENTS continued

(thousands of dollars)

	December 31, 2002		
	Cost	Accumulated depreciation	Net book value
Land	\$ 15,926	\$ —	\$ 15,926
Buildings and towers	336,703	162,445	174,258
Telecommunications facilities and other equipment	4,538,086	2,701,950	1,836,136
Application software and other equipment	664,709	393,614	271,095
Capital under construction	22,690	—	22,690
Materials and supplies	9,254	—	9,254
	\$ 5,587,368	\$ 3,258,009	\$ 2,329,359

5 LONG-TERM INVESTMENTS

(thousands of dollars)

	March 31, 2003	December 31, 2002
Investments subject to significant influence	\$ 571	\$ 7,084
Portfolio investments	39,707	37,640
	\$ 40,278	\$ 44,724

6 GOODWILL

(thousands of dollars)

	March 31, 2003	December 31, 2002
Goodwill, at cost	\$ 443,954	\$ 468,004
Impairment provision	(58,622)	(58,622)
Accumulated amortization	(41,860)	(43,572)
	\$ 343,472	\$ 365,810

Changes in the cost of goodwill and accumulated amortization are a result of foreign exchange fluctuations.

7 NOTES PAYABLE AND BANK ADVANCES

At March 31, 2003 the Company has \$nil (December 31, 2002 – \$nil million) outstanding under its commercial paper program. The Company has lines of credit available of \$485.0 million (December 31, 2002 – \$535.0 million). These lines consist of \$300.0 million (December 31, 2002 – \$300.0 million) in committed lines supporting the Company's commercial paper program, \$75.0 million

(December 31, 2002 – \$125.0 million) in committed lines supporting a Stratos loan guarantee and \$110.0 million (December 31, 2002 – \$110.0 million) in uncommitted operating lines. Certain of the Company's subsidiaries also have lines of credit available totalling \$107.5 million (December 31, 2002 – \$ 130.5 million) for operating and acquisition purposes.

8 RESTRUCTURING CHARGE

During 2001, the Company commenced a significant organizational restructuring which resulted in a charge of \$111.2 million against earnings. The action taken in 2001 to effect the restructuring was an acceleration of long term plans for continued efforts to realize cost savings and efficiencies resulting from the consolidation and integration of its operations.

Costs associated with workforce reduction and operational integration continue to be charged against the restructuring

provision recorded at December 31, 2001. These costs include severance, pension costs and benefits as well as costs to consolidate systems and services, downsize business units, terminate contracts and streamline management and administration functions.

As at March 31, 2003, the balance of this restructuring provision included in payables and accruals totaled \$4.1 million (December 31, 2002 – \$10.0 million). The remaining provision will be drawn down during 2003.

9 LONG-TERM DEBT

<i>(thousands of dollars)</i>	Interest rate	Maturity	March 31, 2003	December 31, 2002
Telecommunications				
Notes	5.35%–6.80%	2004–2011	\$ 600,000	\$ 600,000
Bonds	8.76%–11.45%	2008–2019	192,500	192,500
Debentures	6.40%–11.13%	2003–2025	265,000	265,000
Other			2,000	2,000
			1,059,500	1,059,500
Present value of obligations under capital leases			2,361	3,526
Total – Telecommunications			1,061,861	1,063,026
Information technology				
Mortgages	Prime plus 1%–1.5%	2012	893	917
Present value of obligations under capital leases			486	429
Total – Information technology			1,379	1,346
Remote communications				
Term debt	LIBOR + 2.00%	2005	264,205	291,856
Acquisition facility	LIBOR + 2.00%	2004	33,759	44,173
Other	7.59%	Various	2,191	2,368
Total – Remote communications			300,155	338,397
Other				
Mortgages	6.89%	2004	1,410	1,430
Bank loans	7.02%–Prime plus 5.00%	2002–2004	2,869	3,119
Other	0%–Prime plus 4.00%	2004–2007	785	887
Present value of obligations under capital leases			369	395
Total – Other			5,433	5,831
Total long-term debt			1,368,828	1,408,600
Less: Portion due within one year			135,438	143,064
			\$ 1,233,390	\$ 1,265,536

10 NON-CONTROLLING INTEREST

The non-controlling interest consists of common equity of subsidiary companies held by third parties.

(thousands of dollars)

	March 31, 2003	December 31, 2002
Stratos Global Corporation	\$ 155,427	\$ 161,612
TechKnowledge Inc.	719	839
Atlantic Mobility Products Ltd.	2,641	2,435
Sablecom	2,042	1,997
AMI Offshore Inc.	3,750	3,973
	\$ 164,579	\$ 170,856

11 CAPITAL STOCK

Authorized

Unlimited number of preference shares, cumulative redeemable at the price of \$25.00 per share and with a fixed annual dividend rate of \$1.3625 per share. These shares are non-voting, except under certain conditions, and are redeemable at the Company's option on June 30, 2006 or on June 30 each fifth year thereafter. Preference

shareholders (Series 2) may convert Series 2 preference shares to Series 3 shares on June 30, 2006 or on June 30 each fifth year thereafter, provided that the Company has not delivered a notice of redemption.

Unlimited number of common shares, without par value.

Issued

(thousands of dollars)

	March 31, 2003		December 31, 2002	
	Number of shares	Value	Number of shares	Value
Preference shares, series 2	7,000,000	\$ 172,264	7,000,000	\$ 172,264
Common shares	138,927,943	1,048,537	139,513,639	1,065,386
		\$ 1,220,801		\$ 1,237,650

The following table summarizes the changes in issued common shares of the Company:

(thousands of dollars)

	March 31, 2003		December 31, 2002	
	Number of shares	Value	Number of shares	Value
Stock option plan (note 14)	113,989	\$ 2,130	437,018	\$ 7,369
Common shareholder dividend reinvestment and stock purchase plan	52,115	1,444	1,373,235	38,335
Employees' stock savings plan (note 14)	—	—	441,539	12,452
Shares purchased for cancellation	(751,800)	(20,423)	(264,300)	(7,186)
	(585,696)	\$ (16,849)	1,987,492	\$ 50,970

11 CAPITAL STOCK continued

Under the provisions of the Company's common shareholder dividend reinvestment and stock purchase plan and employees' stock savings plan, shareholders purchase additional common shares in lieu of receiving corporate dividends in the form of cash.

During the period, the Company issued shares in relation to the common shareholder dividend reinvestment and stock purchase plan as well as the employees' stock savings plan in lieu of paying cash dividends in the amount of \$2.2 million (December 31, 2002 – \$41.5 million).

On July 18, 2002, Aliant Inc. announced acceptance by the Toronto Stock Exchange of Notice of intention to purchase from time to time up to 1,600,000 of its outstanding common shares on the Toronto Stock Exchange, representing

approximately 1.1 per cent of the issued and outstanding common shares of Aliant Inc. as of that date, being 139,567,382 common shares. Under the bid, the Company would acquire, from time to time, its common shares at the market price from cash through the facilities of the Toronto Stock Exchange. Purchases of common shares may be made during the 12-month period commencing July 22, 2002 and ending on July 21, 2003. All common shares purchased will be cancelled by Aliant Inc.

For the three months ended, March 31, 2003, the Company purchased and cancelled 751,800 shares (December 31, 2002 – 264,300) for an aggregate price of \$20.4 million (December 31, 2002 – \$7.2 million), all of which was charged to share capital.

12 SEGMENTED INFORMATION

The Company operates through three reportable segments:

Telecommunications – provides a full range of telecommunications services in New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador. Included in this line of business are Aliant Telecom Inc. and Innovatia Inc.

Information technology – provides systems integration, application development, local area network installation, wide area network management, data center operations, VAR and information technology planning services. Included in this line of business is Xwave Solutions Inc.

Remote communications – provides a full range of satellite communications services to clients in the international marketplace. Included in this line of business are Stratos Global Corporation and its subsidiaries.

Effective January 1, 2003, Innovatia Inc. was transferred to the telecommunications segment with the remaining businesses previously reported under the emerging business segment included with all others.

These reportable segments are managed as separate business units as they operate in different industries and require different market strategies and technologies.

The accounting policies of the segments are the same as those described in note 2. The Company evaluates performance based on a number of financial and non-financial indicators including net income, return on equity, and revenue growth.

The Company accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current market prices.

12 SEGMENTED INFORMATION continued

For the three month period ended March 31 (thousands of dollars)

2003

	Telecommunications	Information technology	Remote communications	All others	Eliminations	Consolidated
Revenue from external customers	\$ 425,147	\$ 73,832	\$ 144,056	\$ 12,398	\$ —	\$ 655,433
Intersegment revenue	4,714	34,227	—	1,215	(40,156)	—
Operating revenue	429,861	108,059	144,056	13,613	(40,156)	655,433
Operating expenses	242,140	109,594	111,175	19,727	(39,565)	443,071
Depreciation and amortization	96,173	2,784	11,002	1,135	(889)	110,205
Loss on foreign exchange	—	—	—	—	—	—
Other expenses (income)	446	93	—	(485)	2,453	2,507
Interest charges	20,812	633	6,525	1,837	(2,453)	27,354
Income taxes (recovery)	27,629	(1,713)	4,596	(1,605)	(243)	28,664
Non-controlling interest	—	(63)	5,030	(223)	—	4,744
Net income (loss)	\$ 42,661	\$ (3,269)	\$ 5,728	\$ (6,773)	\$ 541	\$ 38,888
Total assets	\$ 2,738,984	\$ 204,973	\$ 763,003	\$ 2,001,762	\$ (2,109,795)	\$ 3,598,927
Capital investments	\$ 69,791	\$ 507	\$ 6,018	\$ 381	\$ —	\$ 76,697

For the three month period ended March 31 (thousands of dollars)

2002

	Telecommunications	Information technology	Remote communications	All others	Eliminations	Consolidated
Revenue from external customers	\$ 415,028	\$ 83,502	\$ 126,540	\$ 20,577	\$ —	\$ 645,647
Intersegment revenue	4,379	38,024	—	676	(43,079)	—
Operating revenue	419,407	121,526	126,540	21,253	(43,079)	645,647
Operating expenses	224,247	112,946	95,127	26,680	(41,229)	417,771
Depreciation and amortization	93,466	2,855	9,757	1,773	—	107,851
Loss on foreign exchange	—	—	458	—	—	458
Other expenses (income)	834	(29)	193	(2,151)	2,628	1,475
Interest charges	21,783	373	12,439	1,778	(2,628)	33,745
Income taxes (recovery)	30,003	2,484	(4,479)	(1,959)	(835)	25,214
Non-controlling interest	194	(33)	5,073	446	—	5,680
Net income (loss)	\$ 48,880	\$ 2,930	\$ 7,972	\$ (5,314)	\$ (1,015)	\$ 53,453
Total assets	\$ 2,788,297	\$ 275,514	\$ 802,331	\$ 2,023,459	\$ (2,060,692)	\$ 3,828,909
Capital investments	\$ 90,523	\$ 946	\$ 14,193	\$ 990	\$ —	\$ 106,652

12 SEGMENTED INFORMATION continued

Revenue from external customers by product and service

For the three months ended March 31 (thousands of dollars)

	2003	2002
Telecommunications		
Local	\$ 188,023	\$ 189,959
Long distance	96,090	97,166
Wireless	73,161	61,224
Other telecommunications	67,873	66,679
	425,147	415,028
Information technology		
Fulfillment	47,568	54,904
Services	26,264	28,598
	73,832	83,502
Remote communications		
Mobile satellite services	107,727	90,606
Broadband services	36,329	35,934
	144,056	126,540
Other	12,398	20,577
	\$ 655,433	\$ 645,647

13 EARNINGS PER COMMON SHARE

For the three months ended March 31 (thousands of dollars except per share amounts)

	2003	2002
Net income applicable to common shares:		
Net income	\$ 38,888	\$ 53,453
Preferred share dividends	(2,384)	(2,384)
Net income applicable to common shares	\$ 36,504	\$ 51,069
Basic:		
Average number of common shares outstanding	139,256	137,885
Basic earnings per share	\$ 0.26	\$ 0.37
Diluted:		
Average number of common shares outstanding	139,256	137,885
Impact of outstanding stock options	—	145
	139,256	138,030
Diluted earnings per share	\$ 0.26	\$ 0.37

Common shares issuable under the terms of the Company's stock option plans have not been included in the calculation of diluted earnings per share as their effect is anti-dilutive for 2003.

13 EARNINGS PER COMMON SHARE continued

The table below presents pro-forma net income, earnings per share and diluted earnings per share using the fair market value method of accounting for stock-based compensation. The pro-forma adjustments presented

below pertain to new awards granted since adoption of the new stock-based compensation standards on January 1, 2002, excluding those granted in 2003 for which compensation was recorded, as described in note 2.

<i>For the three months ended March 31 (thousands of dollars except per share amounts)</i>	2003	2002
Pro-forma net income applicable to common shares:		
Net income	\$ 38,888	\$ 53,453
Preferred share dividends	(2,384)	(2,384)
Pro-forma adjustments	(456)	(298)
Pro-forma net income applicable to common shares	\$ 36,048	\$ 50,771
Basic:		
Average number of common shares outstanding	139,256	137,885
Pro-forma earnings per share	\$ 0.26	\$ 0.37
Diluted:		
Average number of common shares outstanding	139,256	137,885
Impact of outstanding stock options	—	145
	139,256	138,030
Pro-forma earnings per share	\$ 0.26	\$ 0.37

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for options granted during the period ended March 31, 2003:

Dividend yield	3.41%
Expected volatility	25.30%
Risk-free interest rate	4.33%
Expected life	6.1 years

14 STOCK-BASED COMPENSATION PLANS

At March 31, 2003 the Company has the following stock-based compensation plans.

Stock option plan

Under the stock option plan, the Company may grant options to plan members for up to 7,361,746 shares of common stock, of which 2,826,638 options for the same

number of common shares were outstanding as at March 31, 2003 (December 31, 2002 – 2,680,450). The exercise price of each option equals the market price of the Company's stock on the date of grant and an option's maximum term is ten years. Options vest evenly over three years from the date they are granted under the plan.

14 STOCK-BASED COMPENSATION PLANS continued

A summary of the status of the Company's stock option plan as of March 31, 2003 and December 31, 2002, and

changes during the periods ended on those dates is presented below:

	March 31, 2003		December 31, 2002	
	Number of shares	Weighted-average exercise price	Number of shares	Weighted-average exercise price
Options outstanding at beginning of period	2,680,450	\$ 28.94	2,558,275	\$ 26.67
Granted	285,470	26.79	633,049	29.05
Forfeited	(25,293)	31.32	(73,856)	25.48
Exercised	(113,989)	18.69	(437,018)	16.86
Options outstanding at end of period	2,826,638	\$ 29.12	2,680,450	\$ 28.94
Options exercisable at end of period	1,971,762	\$ 28.93	1,668,501	\$ 27.61

The following table summarizes information about stock options outstanding at March 31, 2003:

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding	Weighted-average remaining contractual life in years	Weighted-average exercise price	Number exercisable	Weighted-average exercise price
\$10.63 to \$15.72	166,282	3.5	\$13.96	166,282	\$13.96
\$17.56 to \$20.08	170,351	4.8	\$19.86	170,351	\$19.86
\$21.77 to \$25.55	304,635	5.8	\$22.87	304,635	\$22.87
\$26.79 to \$34.90	1,698,587	8.2	\$30.84	965,506	\$32.57
\$35.25 to \$38.10	486,783	7.8	\$35.42	364,988	\$35.42
	2,826,638		\$29.12	1,971,762	\$28.93

The Company expects that approximately 95 per cent of the non-vested awards at March 31, 2003 will eventually vest.

Employees' stock savings plan

Under the employees' stock savings plan, the Company is authorized to issue up to 3,500,000 shares of common stock to its full-time employees, nearly all of who are eligible to participate.

Under the terms of the plan, employees can choose each year to have a portion of their annual base earnings withheld to purchase the Company's common stock. The Company contributes to the plan on behalf of eligible participants based upon a prescribed formula. The purchase price of the stock is the arithmetic average of the closing price of the shares traded on The Toronto Stock Exchange on the last five days up to, and including, the dividend payment date. Over 80 per cent of eligible employees are participating in the plan.

Employee stock option plan of a subsidiary company

A subsidiary of the Company has a stock option plan specific to its own shares. Under this stock option plan, the subsidiary may grant options to plan members at the discretion of the Board of Directors. The exercise price of each option equals the fair market value price of the company's stock on the date of grant and an option's maximum term is ten years. Options become fully vested at the date they are granted under the plan. A participant in this plan may elect to cash settle the options in lieu of exercising them.

As at March 31, 2003, there were 565,414 (December 31, 2002 – 565,414) options outstanding and exercisable. The weighted average remaining contractual life of the options is 7.0 years (December 31, 2002 – 8.0 years) and the weighted average exercise price is \$9.55 (December 31, 2002 – \$8.00).

15 CONTINGENCIES

(a) An action has been commenced against the Company by 132 former employees who took early retirement under the 1998 early retirement incentive program. The former employees seek damages which could, in the aggregate, exceed \$9 million, the difference between what they received upon retirement in 1998, and what they would have received had they retired under the 1999 early retirement incentive program. The outcome of this matter is not determinable at this time.

(b) On May 30, 2002 the CRTC released its 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 next four years effective June 1, 2002. The price cap decision, requires the use of a new mechanism, the deferral account, to mitigate the potential adverse effects on competition in the local market, as a result of mandated rate reductions. Certain mandated revenue 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 control of the ILECs;
- Rate increases less than the amount by which inflation exceeds productivity;
- Subscriber rebates; and
- Funding of initiatives that would benefit residential customers in other ways.

The Company has calculated its deferral account balance to be \$9.6 million as of March 31, 2003 (\$9.6 million – December 31, 2002). The Company has not recognized the deferral account as a liability in its financial statements because it has made a proposal to the CRTC to approve reductions to the deferral account by means other than rebates or rate reductions. If the CRTC rejects this proposal and requires the Company to reduce rates or issue rebates the amount in the deferral account would be charged to income and recorded as a liability.

16 COMPARATIVE FIGURES

The comparative financial information has been restated to conform to the presentation adopted for 2003.

Owning AIT

We're here to help

To learn more about Aliant, please visit our Web site at www.aliant.ca. Contact Aliant investor relations for additional financial and statistical information, and industry developments.

Phone: 1.877.248.3113 (toll free in Canada and U.S.)

Fax: 1.877.498.2464 (toll free in Canada and U.S.)

Email: investor.relations@aliant.ca

Mailing address: Aliant Investor Relations
PO Box 1113, Station Central RPO
Halifax, NS B3J 2X1

Contact our transfer agent, CIBC Mellon Trust Company, for information about the dividend reinvestment and stock purchase plan (DRP) and for answers to shareholder inquiries.

Phone: 1.800.387.0825 (toll free in Canada and U.S.)

Email: inquiries@cibcmellon.com

Web site: www.cibcmellon.com

Mailing address: CIBC Mellon Trust Company

Investor Correspondence
PO Box 7010, Adelaide Street Postal Station
Toronto, ON M5C 2W9

Where we're listed

Our shares are listed on The Toronto Stock Exchange. Aliant's ticker symbol is AIT.

Direct deposit of dividends

Registered common shareholders may have dividends deposited electronically into their bank account (in Canada only). Contact CIBC Mellon Trust Company.

Common share dividend dates for 2003*

Record dates	Payment dates
March 15	March 30
June 15	June 30
September 15	September 30
December 15	December 30

* Subject to approval by the Board of Directors

Performance numbers

(as of March 31)

	2003	2002	% change
Network access services — landline	1,516,580	1,525,247	(0.6)
Network access services — cellular	558,393	486,393	14.8
Internet subscribers — high speed	102,219	79,812	28.1
Internet subscribers — dial-up	192,097	197,437	(2.7)
Long distance conversation minutes	965,925,000	901,773,000	7.1

Dividend reinvestment plan

Registered common shareholders of Aliant may reinvest their dividends, automatically and without fees, in additional shares of the Company. Also, up to \$10,000 in Company shares may be purchased each quarter with optional cash payments. All administration costs are paid by the Company. A brochure containing information on the dividend reinvestment and stock purchase plan may be obtained by calling CIBC Mellon Trust Company.

Electronic distribution of materials

Registered shareholders can obtain investor information and reports from Aliant electronically rather than through the mail. To access our online enrollment form, go to www.cibcmellon.com/electronicdelivery located on our transfer agent's Web site and follow the simple instructions.

Stock registrar and transfer agent

CIBC Mellon Trust Company

Bond trustee, registrar and transfer agent

Computershare Investor Services, and CIBC Mellon Trust Company

Annual information form

The annual information form as filed with the Canadian securities commissions is available upon request. For further information about the Company, institutional investors, brokers and security analysts should contact Aliant investor relations.

Common share price range*

	January	February	March
High	\$27.78	\$27.95	\$28.65
Low	\$25.27	\$26.50	\$26.80
Close	\$27.24	\$27.95	\$28.00

* Toronto Stock Exchange

About the cover

Powerful. Dynamic. Enduring. Atlantic Canadians share a common bond: The ocean. It has shaped our history and defined our people. At Aliant, we bring together Atlantic Canadians too – with technology – to help them share the present and build the future.

Photograph taken at Peggy's Cove, Nova Scotia

Our vision

*To be the company with the strongest
connection to the hearts and minds
of Atlantic Canadians.*

Aliant Inc.
1.877.248.3113
investor.relations@aliant.ca
www.aliant.ca



here. for you.