

ALIAN T INC.

(Incorporated under the laws of Canada)

**CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

March 31, 2004



ALIAN T INC.
Consolidated balance sheets
(unaudited)

<i>(thousands of dollars)</i>	Notes	As at March 31, 2004	As at December 31, 2003
Assets			
Current assets			
Cash and cash equivalents		\$ 323,626	\$ 365,330
Accounts receivable	2, 19	273,335	315,903
Inventory		21,897	21,177
Prepayments		29,793	25,871
Income tax receivable	3	34,254	23,423
Future income tax asset	3	2,434	-
		685,339	751,704
Capital investments	4	1,997,074	2,013,522
Other assets			
Deferred charges		97,459	92,932
Future income tax asset	3	5,993	12,891
Accrued benefit asset	5	166,531	163,440
Goodwill	6	31,804	31,804
		301,787	301,067
Total assets		\$ 2,984,200	\$ 3,066,293
Liabilities and shareholders' equity			
Current liabilities			
Notes payable and bank advances	7	\$ 9,078	\$ 17,827
Payables and accruals	8, 19	197,658	238,332
Income tax payable	3	189	18,806
Future income tax liability	3	-	3,797
Long-term debt due within one year	9	101,510	101,535
		308,435	380,297
Long-term debt	9	888,275	888,524
Accrued benefit liability	5	162,143	159,156
Deferred credits		13,150	10,337
		1,372,003	1,438,314
Non-controlling interest	10	4,048	4,051
Shareholders' equity			
Capital stock	11	1,205,529	1,208,062
Retained earnings		402,620	415,866
		1,608,149	1,623,928
Total liabilities and shareholders' equity		\$ 2,984,200	\$ 3,066,293

See accompanying notes to the consolidated financial statements

Signed on behalf of the board of directors

Chairman:

Director:

ALIAN T INC.
Consolidated statements of income
For the three months ended March 31
(unaudited)

<i>(thousands of dollars except per share amounts)</i>	Notes	2004	2003
Operating revenues	12	\$ 504,442	\$ 500,889
Expenses			
Cost of operating revenues		74,495	83,436
Operating expenses		244,008	235,991
Depreciation and amortization		100,959	98,190
Restructuring charge	8	3,083	-
		422,545	417,617
Operating income		81,897	83,272
Other income (expenses)	13	3,010	(264)
Interest charges			
Interest on long-term debt		18,855	20,651
Other interest expense		367	292
		19,222	20,943
Income before underlisted items		65,685	62,065
Income taxes	3	24,539	24,672
Income before non-controlling interest		41,146	37,393
Non-controlling interest		466	(107)
Net income from continuing operations		\$ 40,680	\$ 37,500
Net income from discontinued operations	14	\$ -	\$ 1,388
Net income		\$ 40,680	\$ 38,888
Earnings per common share	15		
Basic from continuing operations		\$ 0.29	\$ 0.25
Basic from discontinued operations		-	0.01
Basic		\$ 0.29	\$ 0.26
Diluted from continuing operations		\$ 0.29	\$ 0.25
Diluted from discontinued operations		-	0.01
Diluted		\$ 0.29	\$ 0.26

See accompanying notes to the consolidated financial statements

ALIAN T INC.
Consolidated statements of retained earnings
For the three months ended March 31
(unaudited)

<i>(thousands of dollars)</i>	Note	2004	2003
Retained earnings, beginning of period		\$ 415,866	\$ 354,080
Net income		40,680	38,888
Preferred share dividends		(2,384)	(2,384)
Common share dividends		(36,679)	(34,749)
Excess of repurchase of common shares over stated value	11	(14,863)	-
Retained earnings, end of period		\$ 402,620	\$ 355,835

See accompanying notes to the consolidated financial statements

ALiant INC.
Consolidated statements of cash flows
For the three months ended March 31
(unaudited)

<i>(thousands of dollars)</i>	Notes	2004	2003
Cash and cash equivalents from (used in) operations			
Net income from continuing operations		\$ 40,680	\$ 37,500
Add (deduct) non-cash items:			
Depreciation and amortization		100,959	98,190
Future income taxes		(1,400)	(23,324)
Deferred post employment benefits costs		16,735	11,660
Non-controlling interest		466	(107)
Other non-cash items		(81)	(21)
		157,359	123,898
Change in non-cash working capital balances related to operations		(10,585)	98,400
		146,774	222,298
Cash and cash equivalents from (used in) financing			
Repurchase of accounts receivable	2	(5,000)	-
Repayments of notes payable and bank advances		(8,750)	(41,658)
Repayments of long-term debt		(193)	(1,131)
Decrease in non-controlling interest		(469)	-
Repurchase of common shares		(18,723)	(19,035)
Preferred share dividends		(2,384)	(2,384)
Common share dividends		(35,290)	(32,562)
		(70,809)	(96,770)
Cash and cash equivalents from (used in) investing			
Capital investments		(84,796)	(70,636)
Proceeds on sale of investments		-	2,107
Decrease (increase) in deferred charges and credits		(32,873)	3,273
		(117,669)	(65,256)
Cash and cash equivalents from (used in) continuing operations		(41,704)	60,272
Cash and cash equivalents from (used in) discontinued operations	14	-	(111)
Cash and cash equivalents, beginning of period		365,330	178,212
Cash and cash equivalents, end of period		\$ 323,626	\$ 238,373
Supplementary disclosure			
Interest paid		\$ 13,389	\$ 14,427
Income taxes paid		\$ 34,666	\$ 13,254

See accompanying notes to the consolidated financial statements