Bell Aliant
Regional Communications Holdings, Limited Partnership

Management's Discussion and Analysis

Fourth Quarter 2007

February 5, 2008

CONTENTS

This document provides management's discussion and analysis (MD&A) of our financial condition as at, and results of operations for the three and twelve month periods ended December 31, 2007, compared to 2006. This MD&A should be read in conjunction with our unaudited interim consolidated financial statements and accompanying notes issued during 2007, and our December 31, 2006, audited consolidated financial statements and accompanying notes, and related MD&A. The consolidated financial statements, and financial information contained herein, have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP).

All amounts in this document are in millions of Canadian dollars, except where otherwise noted. All financial information contained within this document is unaudited as of February 5, 2008.

Throughout this document, unless otherwise specified or the context otherwise indicates, "we", "us", "our" and "Bell Aliant Holdings LP" refer to Bell Aliant Regional Communications Holdings, Limited Partnership and its subsidiaries. The term "Aliant" refers to our predecessor Aliant Inc. and its subsidiaries.

Previously filed quarterly reports, annual reports and supplementary financial information, as well as annual information forms and information circulars, can be found under "financial reports" on the Bell Aliant Regional Communications Income Fund (Bell Aliant Income Fund or the Fund) website at www.bell.aliant.ca. These and other continuous disclosure documents are also available at www.sedar.com.

Forward-looking information

This MD&A is dated February 5, 2008, and is current to that date unless otherwise stated. It contains forward-looking information related to our future financial condition and results of operations. The purpose of forward-looking information is to provide the reader with information about management's expectations and plans for fiscal 2008. Readers are cautioned that such information may not be appropriate for other purposes. These statements are based on current expectations and estimates about the markets in which we operate and management's beliefs and assumptions regarding these markets. Unless otherwise indicated, forward-looking information in this MD&A describes our expectations at February 5, 2008. In some cases, forward-looking information may be identified by words such as "anticipate", "believe", "could", "expect", "plan", "seek", "may", "intend", "will" 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: our ability to achieve strategies and plans; general economic conditions; the changing competitive environment; changing regulatory conditions or requirements; changing conditions in public capital markets; reliance on IT systems; changing technology; our relationship with BCE Inc. (BCE) and Bell Canada; the lack of assurance that our credit ratings will not be lowered in the future; and the federal government's administration of its recently enacted tax rules for publicly listed income trusts. Some of these factors are largely beyond our control. In addition, a number of assumptions were made by us in providing forward-looking information in this MD&A, such as certain Canadian economic assumptions, market assumptions, operational and financial assumptions, and assumptions about transactions. Refer to the "Assumptions made in the preparation of forward-looking information" and "Risk management" sections of this MD&A for further discussion of these risk factors. Should any factor affect us in an unexpected manner, or should assumptions underlying the forward-looking information prove incorrect, the actual results or events may differ materially from the results or events predicted. Unless otherwise indicated, forward-looking information does not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made may have on our business. All of the forward-looking information reflected in this document and the documents referred to within are qualified by these cautionary statements. There can be no assurance that the results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences for us. Except as may be required by Canadian securities laws, we disclaim any intention and assume no obligation to update or revise any forward-looking information, even if new information becomes available, as a result of future events or for any other reason. Readers should not place undue reliance on any forward-looking information. See also our Notice Concerning Forward-Looking Information dated February 5, 2008, which is available at www.bellaliant.ca, as well as at www.sedar.com.

Our Business

We are a regionally focused telecommunications service provider with operations primarily in Atlantic Canada, Quebec and Ontario. We have been serving customers for over a century. We provide a wide range of innovative and traditional voice and data communications services and an array of information technology (IT) consulting, infrastructure management, product fulfillment and advanced technology solutions.

Bell Aliant Holdings LP began operations on July 7, 2006, pursuant to the Plan of Arrangement (the Arrangement) that created the Fund. Details of the Arrangement can be found in Aliant's management information circular dated April 14, 2006. Our principal operations are carried on by Bell Aliant Regional Communications, Limited Partnership (Bell Aliant LP), Télébec, Limited Partnership (Télébec) and NorthernTel, Limited Partnership (NorthernTel). We consolidate these and other subsidiary partnerships and corporations in our financial statements.

Our results are accounted for on a continuity of interest basis, therefore our comparative information for any period prior to July 7, 2006, is for Aliant. To allow for more meaningful period-over-period comparison and analysis, we have also presented certain of our results prior to July 7, 2006, on a pro forma basis, assuming Bell Aliant Holdings LP was operational throughout all of 2006.

Our Business Environment

Competitive landscape

We face a number of different competitors across the regions we serve, with increasing competition from cable companies continuing to be one of the largest risks we face in our business. Many of our strategic initiatives are designed to mitigate this risk. During the fourth quarter of 2007, cable competitors continued to expand their local service areas and launched aggressive promotional campaigns across our regions. Cable companies are following a similar strategy to us by putting a strong emphasis in the marketplace on bundling their services in an attempt to secure the 'whole home'. Households in our territory with a cable telephony offering reached 48 per cent at the end of 2007, up from 33 per cent last year. We expect continued growth in the competitive footprint and as competition increases, we remain focused on the successful execution of our strategic priorities. As a result of this competition, our local residential customers have declined as discussed further in the "Results of Operations" section. Competition in the Canadian wireless market is quite robust and it could be further intensified following Industry Canada's decision to license additional wireless spectrum through a competitive auction process scheduled to take place in May 2008, where portions of this new spectrum will be set aside for new entrants. In order to combat these competitive pressures, we continue to enhance our products and services, promote our bundled service packages and innovate with customers to provide complete solutions, and we continue to invest in our communities and support activities that are important to our customers and employees. Refer to our achievements as discussed in the "Strategy – Achievements in 2007 and Focus for 2008" section for further detail.

In keeping with our strategy to advance our network to ensure our products and services remain competitive in this environment, in 2007 we accelerated our investment in fibre-to-the-node (FTTN) network, investing an incremental $40 million in some of our most competitive centres. This has facilitated the delivery of higher bandwidth Internet Protocol (IP) services, including capability for our IPTV service, reaching approximately 188,000 homes in Atlantic Canada by the end of 2007.

Telecommunications regulatory developments

Our business is affected by decisions made by the Canadian Radio-television and Telecommunications Commission (CRTC) and the federal government. At the end of 2006, the federal government issued the first ever Policy Direction to the CRTC, calling on the regulator to rely on market forces to the maximum extent feasible and to use regulation that interferes with market forces to the minimum extent necessary. These actions paved the way for a series of rulings by the CRTC throughout 2007 that resulted in major reforms of the regulatory framework.

Forbearance, when granted, eliminates most regulation, including the need to file and receive CRTC approval for new service features, terms and price changes. In response to the federal government modifying the CRTC's 2006 forbearance decision in April 2007, and after years of effort, we successfully became the first incumbent local exchange carrier (ILEC) in Canada to be granted forbearance for local telephone service. By December 31, 2007, the CRTC granted forbearance of local telephone service in numerous communities throughout all six provinces where we operate, including 119 exchanges for residential service (three of which are subject to delayed implementation) and 37 exchanges for business service (three of which were also subject to delayed implementation).

In conjunction with the forbearance announcement, the federal government asked telecommunications service providers to work together to create an independent, industry-funded agency to handle complaints from consumers and small businesses and on July 23, 2007, the Commissioner for Complaints for Telecommunications Services (CCTS) was launched. On the same date, Bell Aliant, Bell Canada and other telecommunications service providers filed with the CRTC a joint proposal for the structure and mandate of the CCTS. The CCTS does not replace telecommunications service providers' normal complaint resolution processes, but is intended to assist where those processes do not resolve concerns. A public consultation was held in November 2007 which resulted in the CRTC issuing a decision which included amendments to the proposed mandate and structure of the CCTS, such as an increase to the remedial ceiling to $5 thousand per complaint, not requiring the CCTS to be bound by contractual limitations of liability, and mandatory CCTS membership for all providers with annual telecommunications service revenues exceeding $10 million.

The regulatory reforms achieved in 2007 related to the rules for non-forborne services are also significant. For example, the federal government's modifications to the forbearance decision also eliminated the restrictions on incumbents' contact with customers who moved to a competitor (the 'winback' restriction), removed restrictions on promotions, and permitted the waiver of service charges for residential customers returning from a competitor. Specific developments occurring in the fourth quarter of 2007 in relation to issues previously considered by the CRTC include:

- *Rates* – On April 30, 2007, the CRTC established the new pricing framework in Telecom Decision 2007-27 to govern the rates charged by ILECs for regulated telecommunications services, including the ability to raise prices for local calls from payphones from 25 to 50 cents for cash calls and from 50 cents to a dollar for non-cash calls. Under the previous pricing framework as outlined in the Price Caps Decision issued May 30, 2002, the CRTC noted that mandated price reductions to residential local services might have an adverse effect on competition in the local market and therefore established the deferral account. Instead of mandating reductions to rates for residential local services in non-high cost serving areas, the CRTC implemented a deferral account mechanism where an amount equal to the revenue reduction would be assigned to, and retained in, the deferral account. The new framework established in 2007 eliminates the deferral account and permits rate de-averaging of residential rates. Rate de-averaging provides significant pricing flexibility in our regulated service offerings. On November 9, 2007, the CRTC also removed the prohibition on rate de-averaging for pay telephone and business services.

  On July 30, 2007, a petition to Cabinet was filed by certain parties asking that Telecom Decision 2007-27 be referred back to the CRTC for reconsideration of the implementation of payphone rate increases. On June 22, 2007, a separate petition to Cabinet was filed by certain parties requesting Telecom Decision 2007-27 be rescinded as it established different pricing rules for basic residential local service in high cost serving areas (HCSAs), relative to non-high cost serving areas (non-HCSAs). The petitioner specifically objected to the CRTC's determination that incumbent telephone companies are permitted to increase basic local residential service rates in HCSAs by the rate of inflation each year, but they are not permitted to increase such rates in non-HCSAs. On October 1, 2007, Bell Canada and Bell Aliant filed their response to both petitions, arguing that the determinations made by the CRTC in Telecom Decision 2007-27 were correct, in accordance with due process and are in fact consistent with the guidance provided by the government in its Policy Direction of December 14, 2006, wherein it instructs the CRTC to rely on market forces to the maximum extent possible.

- *Review of regulatory measures* – On July 11, 2007, the CRTC announced its action plan for the review of existing regulatory measures in light of the federal government's Policy Direction. Pursuant to that action plan, the CRTC initiated a proceeding to review the general tariff bundling rules and the rules for market trials. Effective November 23, 2007, the CRTC eliminated restrictions on bundling rules, allowing for regulated and non-regulated services to be bundled without any filing requirements so long as the price of the bundle at least equals the sum of the rates of all regulated services in the bundle. The CRTC also removed the requirement for regulatory approval of market trials of regulated services.

- *Review of regulatory measures for NorthernTel* – Further to the price regulation regime established for the small incumbent local exchange carriers (SILECs), on November 21, 2007, the CRTC determined that the local winback restrictions, which prohibits incumbents from contacting lost customers for a period of time, and the competitive safeguards for promotions will not apply to SILECs. In addition, the same VoIP regulatory framework that applies to ILECs will apply to SILECs, but the CRTC's quality of service rate rebate plan will not apply to the SILECs. Instead, the CRTC directed the SILECs to continue to use a complaint-based system.

- *Wholesale services review* – The proceeding initiated by the CRTC in 2006 to review the regulatory framework applicable to wholesale services provided by ILECs, competitive local exchange carriers, and cable companies to each other, closed on December 7, 2007, with a decision expected in the first quarter of

2008. The outcome of this review will determine the extent to which we will continue to be mandated to provide to our competitors, at cost-based regulated prices, various components of our network and whether, and over what period of time, some of these obligations may be phased out.

- *Phase II costing review* – The CRTC-initiated proceedings to review certain costing issues with respect to major incumbents and cable companies closed on November 2, 2007. The outcome of this proceeding could eventually affect our prices and revenues. A decision is expected in the first quarter of 2008.
- *Deferral accounts* – Bell Aliant's deferral account has been cleared and closed. However, subject to the outcome of CRTC and court proceedings, we will be affected by further proposals of Bell Canada to expand broadband services to communities within our operating territory in Ontario and Quebec in satisfaction of Bell Canada's deferral account as we have agreed to contribute to the economic spending portion of the project. In January 2008, the CRTC approved the use of Bell Canada's deferral account for a portion of the program proposed by them as well as for improvements for services for persons with disabilities. The CRTC also ordered that the balance of the deferral account remaining after those initiatives be rebated to customers. In 2006, certain Consumer Groups filed an appeal in the Federal Court of Appeal (the Court) challenging the legality of the deferral accounts and the use of deferral account funds for broadband and accessibility initiatives. They argued that the funds should instead be rebated to residential customers. Bell Canada filed an appeal as well, claiming that the CRTC does not have the jurisdiction to order rebates in connection with prices they had approved on a final basis. Both appeals were heard by the Court in late January 2008, however it could be some time before a decision is rendered.

Privatization of BCE

Our significant stakeholder, BCE, has announced that it has entered into a definitive agreement to be acquired by an investment group led by Teachers Private Capital, the private investment arm of the Ontario Teachers Pension Plan, Providence Equity Partners Inc., Madison Dearborn Partners, LLC, and Merrill Lynch Global Private Equity. On September 21, 2007, the transaction received BCE shareholder approval. We are not a party to the transaction and cannot predict the impact that a change of ownership of BCE may have on our organization.

Quarter in Review

Summary of as reported and pro forma results

For the period ended December 31	As reported						Pro forma		
	Three months			Twelve months			Twelve months		
	2007	2006	% change	2007	2006	% change	2007	2006	% change
Operating revenues	**$858.7**	$837.3	2.6	**$3,373.4**	$2,684.3	25.7	**$3,373.4**	$3,299.2	2.2
EBITDA [(1)]	**$370.2**	$363.9	1.7	**$1,450.2**	$1,147.5	26.4	**$1,450.2**	$1,446.7	0.2
Operating income [(1)]	**$145.7**	$185.9	(21.6)	**$515.4**	$550.8	(6.4)	**$515.4**	$732.5	(29.6)
Net Earnings (loss)	**$117.4**	($127.0)	n.m.	**$584.3**	$2,902.0	(79.9)			

(1) EBITDA and operating income are non-GAAP financial measures. Refer to the "Non-GAAP financial measures" section for more details.

Operating revenues increased 2.6 per cent and EBITDA increased 1.7 per cent in the fourth quarter of 2007 compared to the same period in 2006.

Since our reorganization into an income trust structure in July 2006, the fourth quarter of 2007 represents the first quarter we are able to directly compare information from the same quarter in the previous year without factoring in pro forma adjustments. However, for the twelve months ended December 31, 2007, the comparative twelve month period for 2006 is still subject to pro forma adjustments.

Operating revenues increased 2.6 per cent for the fourth quarter of 2007 compared to the same period in 2006, as growth in Internet, data, wireless and IT revenues more than offset declines in local access and long distance revenues. Earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 1.7 per cent in the fourth quarter of 2007, as the operating revenue increases were accompanied by increases in cost of sales and labour. These were partially offset by a reduction in selling, general and administrative expenses achieved mainly through our productivity initiatives, and a $6.9 million reduction in capital tax.

Operating income for the fourth quarter of 2007 declined by 21.6 per cent over the same period in 2006, as a $6.3 million increase in EBITDA was offset by a $19.6 million increase in depreciation and amortization, a $21.9 million increase in net benefit plans costs and a $5.0 million increase in restructuring and other charges. The increase in depreciation and amortization was driven mainly by the higher amortization of finite-life intangibles accounted for on the completion of the purchase price allocation of the Arrangement in the second quarter of 2007, and also by a decrease in the estimated useful life of certain telecommunications equipment. Net benefit plans costs increased due to a pension valuation allowance of $21.4 million recorded against an accounting surplus in one of our defined benefit (DB) pension plans. The non-cash valuation allowance requirement under Canadian GAAP can lead to significant volatility in annual pension expense depending on the year-end discount rate assumptions and the funded status of the DB plans. Also, during the fourth quarter of 2007, we recorded a $5.2 million restructuring charge related to costs to advance the organization’s productivity initiatives leading into 2008, bringing the total restructuring and other charges recorded in 2007 to $27.4 million.

Operating results as reported for the twelve months ended December 31, 2007, compared to the same period in 2006, reflect the increased scale of operations since July 7, 2006, resulting in higher operating revenues and expenses. However, operating income for 2007 reflects negative growth of 6.4 per cent over 2006 mainly as a result of a $62.0 million adjustment to depreciation and amortization for the period from July 7, 2006, up to December 31, 2006, related to the finalization of the purchase price allocation for our Ontario and Quebec operations, and a $14.2 million increase in restructuring and other charges.

Distributable cash

Since the operations of Bell Aliant Holdings LP ultimately support distributions to unitholders of the Fund, distributable cash combines the cash performance of Bell Aliant Holdings LP with that of the Fund.

For the period ended December 31	Three months			Twelve months		
	2007	**2006**	**% change**	**2007**	**2006 (1)**	**% change**
Distributable cash (2)	**$169.5**	$186.8	(9.3)	**$701.4**	$722.9	(3.0)
Cash distributions declared	**$160.1**	$153.8	4.1	**$651.1**	$602.4	8.1

(1) The period ended December 31, 2006, includes pro forma results.

(2) Distributable cash is a non-GAAP financial measure. Refer to the "Non-GAAP financial measures" section for more details.

Distributable cash declined by 9.3 per cent for the fourth quarter of 2007 compared the fourth quarter of 2006. For the year, distributable cash declined by 3.0 per cent compared to the pro forma amount in 2006.

The decline in distributable cash for the fourth quarter of 2007 compared to the fourth quarter of 2006 is primarily due to the disposal by Aliant Directory Services (ADS) of its assets and operations in April 2007, as well as the acceleration of our capital investment in FTTN. These declines were partially offset by incremental distributable cash from the Fund’s acquisition of the minority interests in Télébec and NorthernTel when Bell Nordiq Income Fund was privatized in January 2007. The disposal by ADS of its assets contributed $9.7 million to the decline in distributable cash in the fourth quarter of 2007 and $21.6 million for the year. Our pro-rata share of the proceeds from the sale of assets by ADS have been used by the Fund to repurchase units under its normal course issuer bid (NCIB), thereby mitigating the decline in distributable cash on a per unit basis. The accelerated FTTN investment accounts for higher capital spending for the fourth quarter of 2007 and for the year with an incremental $40 million invested in 2007. The incremental distributable cash attributable to the acquisition of the minority interests in Télébec and NorthernTel, net of incremental interest expense attributable to the acquisition, is estimated to be $8.9 million in the fourth quarter of 2007 and $33.9 million for the year.

Apart from the variances noted above, distributable cash is experiencing some negative pressure from higher current service pension contributions and higher expenses of the Fund. These were mostly offset by growth in EBITDA and lower normalized cash capital taxes. Current service pension contributions were higher due to growth in pensionable earnings as well as a lower long-term discount rate used in recent funding valuations. Higher Fund expenses reflect higher costs for unitholder administration as a result of the much higher number of unitholders of the Fund compared to former shareholders of Aliant. Finally, starting in the third quarter of 2007, we stopped deducting normalized capital taxes from distributable cash as the governments of all Canadian provinces where we operate have announced intentions to phase-out corporate capital taxes by 2012.

The following table provides a summary reconciliation of cash from operating activities to distributable cash for the three and twelve month periods ended December 31, 2007, and the comparative three month period ended in 2006. The table provides additional information on the relationship between cash from operating activities, net earnings and cash distributions declared for the periods. In addition, we present standardized distributable cash, a measure recently introduced by the Canadian Institute of Chartered Accountants (CICA) in an effort to improve comparability and transparency in the reporting of financial performance of income trusts. Standardized distributable cash is defined in the "Non-GAAP financial measures" section.

For the period ended December 31		Three months			Twelve months [1]
		2007	**2006**	**% change**	**2007**
Cash from operating activities		**$319.0**	$271.6	17.5	**$1,207.8**
Add (deduct):	Cash from operating activities of the Fund and discontinued operations	**(0.6)**	9.7	n.m.	**9.6**
	Capital expenditures	**(144.1)**	(131.1)	9.9	**(543.0)**
	Standardized distributable cash attributable to minority interests in subsidiaries	**-**	(11.4)	n.m.	**-**
Standardized distributable cash [2]		**$174.3**	$138.8	25.6	**$674.4**
Add (deduct):	Operating items funded through cash reserves or borrowing	**(10.5)**	49.8	n.m.	**26.8**
	Other adjustments	**5.7**	(1.8)	n.m.	**0.2**
Distributable cash [2]		**$169.5**	$186.8	(9.3)	**$701.4**
Net earnings (loss)		**$117.4**	($127.0)	n.m.	**$584.3**
Cash distributions declared		**$160.1**	$153.8	4.1	**$651.1**
Excess of cash from operating activities[3] over cash distributions declared		**$158.3**	$127.5	24.2	**$566.3**
Shortfall of net earnings (loss) over cash distributions declared		**($42.7)**	($280.8)	(84.8)	**($66.8)**

n.m. - not meaningful

[1] Comparative information for the twelve months ended December 31, 2006, is not available.

[2] Refer to the "Non-GAAP financial measures" section for a definition and complete reconciliation of cash from operating activities to standardized distributable cash and distributable cash.

[3] Cash from operating activities includes that generated by the Fund and discontinued operations.

Standardized distributable cash for the fourth quarter of 2007 increased by 25.6 per cent over the same period in 2006. The increase is mainly due to the change in operating assets and liabilities, or working capital. Our working capital requirements fluctuate throughout the year, and changes can be quite large from one quarter to the next. This variability is partially due to the large monthly cash settlements of transactions with Bell Canada and the seasonality that can be displayed in both our accounts receivable, and payables and accruals.

Since working capital requirements fluctuate during the year but should reflect our normal growth over a full year, we do not include these cash flows in distributable cash calculations. Instead, these amounts are financed throughout the year with cash reserves or short-term borrowing. However, these fluctuations are included in the CICA's standardized distributable cash definition.

Both standardized distributable cash and our calculation of distributable cash reflect higher capital spending for the fourth quarter and for the year 2007. Capital expenditures were 16.8 per cent of operating revenues in the fourth quarter of 2007 and 16.1 per cent for the year, reflecting the accelerated investment in FTTN, and are in line with our target for the year. We are committed to maintaining and enhancing our network assets in order to support growing demand for high bandwidth IP services. Our legacy telephony and related business continues to be our foundation, and notwithstanding recent technological advances and improvements in the lives and productive capacity of our telecommunication assets, our maintenance capital expenditures have remained relatively stable over time. Approximately 25 to 30 per cent of our capital expenditures are related to maintenance of base infrastructure, routine replacements and commitments driven by governments or the CRTC. The balance of our capital investments allow us to evolve, at a measured pace, to the next generation of IP network capabilities to accommodate delivery of new services necessary to support sustainability and modest growth in our revenues.

It is our expectation that our ongoing operations, net of normal capital expenditures, will generate distributable cash sufficient to maintain and modestly grow our cash distributions to the Fund and its unitholders until the year 2011, at which time we anticipate being subject to corporate income taxes on our earnings. Since it is our intention to indirectly distribute to Fund unitholders approximately 90 per cent of distributable cash, there will be approximately 10 per cent of distributable cash that will be available for other cash requirements, such as funding working capital, paying restructuring and other charges, funding pension deficits, repaying long-term debt, and making small acquisitions. In any single period, actual cash flow may differ from what we have determined to be distributable cash. These fluctuations in cash flow may also be funded through this 10 per cent cash reserve or through temporary borrowing. It is not our intention to borrow to fund regular distributions.

Our distribution payout ratio as a percentage of distributable cash for the fourth quarter of 2007 was 94.5 per cent, and for the year was 92.8 per cent. This exceeds our intended target of 90 per cent payout due to the funding of the accelerated FTTN capital plan for the year. At December 31, 2006, we had $139.4 million of cash and cash equivalents on hand, including notes receivable from a related party, and intended to fund the additional FTTN capital investment of $40 million out of this balance. However, for ongoing reporting purposes these capital expenditures are deducted from 2007 distributable cash, resulting in the reported payout ratio exceeding our 90 per cent target for 2007.

Our distribution strategy and our financing plans are consistent with our objective of maintaining our debt levels in the range of two times EBITDA. We believe this is appropriate given our anticipated distributable cash stability and our desire to maintain investment grade credit ratings. Our use of a portion of our cash reserves and, if necessary, borrowing to fund working capital fluctuations, pension deficits and cash taxes in excess of normalized levels is consistent with our overall targets.

Strategy – Achievements in 2007 and Focus for 2008

Key strategic priorities

We operate in an increasingly competitive marketplace, with competition emerging from VoIP providers, cable TV operators, system integrators and wireless operators. We have identified two key strategic priorities to address the growing competition: 1) to provide a superior customer experience and 2) to drive operational efficiency. We believe a superior customer experience is created by providing exceptional customer service, providing value through leading products and services, and having strong community involvement. The goals of superior customer experience include improving customer retention, increasing revenue per customer, and increasing share of new customers, which also generally improves operational efficiency. The support of our workforce will enable us to deliver on our strategic priorities. Highlights of our strategic initiatives achieved during the fourth quarter of 2007, and our focus for 2008 are summarized as follows:

- *Customer service* – In the fourth quarter of 2007, we were ranked as the best communication company in a CBC News Survey evaluating the level of customer service provided by 40 of Canada's top companies. Also during this quarter, we were recognized by a national awards program for our redesigned online and paper bills for residential customers in Atlantic Canada. We are continuing to improve on our self install option for customers introduced earlier in the year. This enables customers who choose high speed Internet without telephone service to receive an earlier activation date, eliminates their need to stay home and wait for services to be installed, and provides mobility of services within the home. Looking forward to 2008, we will continue to focus on the way we serve our customers to make it easier for them to do business with us. We will concentrate on achieving key customer interactions and related processes, such as reducing service intervals and increasing commitments met in provisioning and service assurance, increasing connectivity between business systems and network elements to increase automation for high speed Internet and TV services, and making enhancements to repair processes, including making improvements to outside plant reliability.

- *Providing value through leading products and services* – We successfully completed our accelerated FTTN program for the year and as of February 5, 2008, have nearly quadrupled our footprint in this area. In 2008, we will continue to develop and introduce innovative products and services that offer convenience and ease of use for consumers and a competitive advantage for businesses. In combination with our IT division, xwave, we will continue to provide a full suite of information and communications technology (ICT) services for our large private and public sector customers, and offer industry-specific solutions for health care, justice and public safety, defence and aerospace, and governments.

- *Community involvement* – We have a long-standing commitment to the communities we serve and a history of providing support to help them thrive socially, culturally and economically. Our 10,000 employees live in the hundreds of communities we serve. Their engagement in our business and direct involvement in their communities is a big part of what makes our brands strong. We believe addressing the unique needs of local communities provides us with a competitive advantage. One of our major fundraising campaigns across our territory is the Bell Aliant United Way campaign and in the fourth quarter of 2007, along with our employees and retirees, we contributed over $445,000 to the United Way.

- *Operational efficiency* – We achieved approximately $26 million in additional productivity savings during the fourth quarter of 2007 for a total of approximately $87 million for the full year, up significantly from last year's total of approximately $65 million. For 2008, we will continue to aggressively manage our cost structure to grow distributable cash and deliver value to Fund unitholders. Our 2008 productivity program will seek operating cost savings through process, system and technology enhancements, infrastructure replacement, and synergies and consolidation of operations. We also intend to leverage our scale and relationship with Bell Canada to pursue supply chain efficiencies.

- *Acquisitions* - On January 3, 2008, we announced our intention to acquire the assets and operations of Kenora Municipal Telephone System (KMTS) and concluded this deal on February 1, 2008. We plan to bring the KMTS assets and operations under our structure and to realize operating synergies by leveraging adjacent networks and technologies, and leveraging our scale for purchasing and product development. We believe the size of our operating revenue and capital asset base, in addition to our proven ability to operate successfully in regional markets, provides us with a strong platform for future acquisitions of other regional and rural operations.

Results of Operations

For the period ended December 31	As reported						Pro forma		
	Three months			Twelve months			Twelve months		
	2007	2006	% change	2007	2006	% change	2007	2006	% change
Local and access	**$354.3**	$362.6	(2.3)	**$1,430.9**	$1,008.1	41.9	**$1,430.9**	$1,455.4	(1.7)
Long distance	**116.4**	118.4	(1.7)	**474.8**	350.8	35.3	**474.8**	490.3	(3.2)
Data	**184.3**	178.8	3.1	**722.5**	515.3	40.2	**722.5**	673.8	7.2
IT services and fulfillment	**77.7**	72.6	7.0	**319.7**	278.6	14.8	**319.7**	279.0	14.6
Wireless	**17.0**	14.4	18.1	**64.4**	269.3	(76.1)	**64.4**	55.9	15.2
Other revenues	**109.0**	90.5	20.4	**361.1**	262.2	37.7	**361.1**	344.8	4.7
Operating revenues	**$858.7**	$837.3	2.6	**$3,373.4**	$2,684.3	25.7	**$3,373.4**	$3,299.2	2.2
Operating expenses	**488.5**	473.4	3.2	**1,923.2**	1,536.8	25.1	**1,923.2**	1,852.5	3.8
EBITDA (1)	**$370.2**	$363.9	1.7	**$1,450.2**	$1,147.5	26.4	**$1,450.2**	$1,446.7	0.2
Net benefit plans cost	**47.8**	25.9	84.6	**131.6**	99.7	32.0	**131.6**	110.7	18.9
Depreciation & amortization	**171.5**	151.9	12.9	**775.8**	483.8	60.4	**775.8**	590.3	31.4
Restructuring and other charges	**5.2**	0.2	n.m.	**27.4**	13.2	107.6	**27.4**	13.2	107.6
Operating income (1)	**$145.7**	$185.9	(21.6)	**$515.4**	$550.8	(6.4)	**$515.4**	$732.5	(29.6)
Other expenses (income)	**1.9**	(1.9)	n.m.	**0.2**	(2,768.5)	n.m.			
Interest charges	**38.9**	37.1	4.9	**158.5**	108.0	46.8			
Income tax expense (recovery)	**(60.7)**	234.2	n.m.	**(120.9)**	236.7	n.m.			
Non-controlling interest	**47.5**	49.1	(3.3)	**158.9**	93.9	69.2			
Net earnings (loss) from continuing operations	**$118.1**	($132.6)	n.m.	**$318.7**	$2,880.7	(88.9)			
Net earnings (loss) from discontinued operations	**(0.7)**	5.6	n.m.	**265.6**	21.3	n.m.			
Net earnings (loss)	**$117.4**	($127.0)	n.m.	**$584.3**	$2,902.0	(79.9)			

n.m. - not meaningful

(1) EBITDA and operating income are non-GAAP financial measures. Refer to the "Non-GAAP financial measures" section for more details.

At December 31, 2006, our results of operations were in three reportable segments; Bell Aliant, Bell Nordiq Group and Other Subsidiaries. With the privatization of Bell Nordiq Income Fund in January 2007 and the sale of the net assets and operations of ADS in April 2007, we have been managing our business and classifying our operations for planning and performance measurement purposes as one segment in 2007. In addition to distributable cash, our financial performance is measured by growth in operating revenues, EBITDA and operating income.

Operating revenues and operating expenses, as reported in our financial statements, increased significantly in the twelve months ended December 31, 2007, compared to the same period in 2006, reflecting the much larger geographic area and customer base since July 7, 2006. Partially offsetting this is a decline in wireless revenue as Aliant's wireless operation was transferred to Bell Canada pursuant to the Arrangement. For the three months ended December 31, 2007, our results are directly comparable to the three months ended December 31, 2006.

Operating revenues

Local and access

Our local and access revenue is earned primarily through the provision of network access services (NAS), along with enhanced service features, contribution payments and competitor network access payments. Despite a 3.2 per cent drop in NAS customers, rate increases in certain markets and increased features penetration have contained the local and access revenue decline for the year to 1.7 per cent for 2007 compared to the pro-forma revenue for 2006. The 2.3 per cent revenue decline in the fourth quarter of 2007 compared to the fourth quarter of 2006 was partially the result of a one time retroactive adjustment to contribution subsidy revenue.

At December 31, 2007, the number of residential NAS customers was 4.1 per cent lower than at year-end 2006, reflecting competitive losses, a reduction in second lines and the adoption of wireless and VoIP services. The number of business NAS customers at December 31, 2007, was 1.6 per cent lower than at December 31, 2006, reflecting competitive losses and the adoption of substituted services.

Long distance

Long distance revenue, earned through toll and long distance terminating services, declined by 3.2 per cent in 2007 compared to pro forma revenue for 2006, and declined 1.7 per cent in the fourth quarter of 2007 compared to the fourth quarter of 2006. Long distance minutes were 6.1 per cent lower in 2007 compared to 2006 due to competitive losses, substitution by cellular calling and IP-based services. Selected price increases and changes to plans offered to customers, particularly inside a bundled package, helped to contain some of the revenue decline during the year. Customers have been shifting away from rate-per-minute plans in favour of unlimited or large usage packages for a set monthly price.

Data

Data revenue is earned through data access revenue, data circuit revenue, high-speed and dial-up Internet service, and enhanced services and applications, such as security services, music download service and dial-up accelerator. Revenue from these services increased 3.1 per cent for the fourth quarter of 2007 and 7.2 per cent for the full year 2007 compared to the same periods in 2006. At December 31, 2007, our net high-speed Internet customers were 17.1 per cent higher than the prior year, with growth primarily in the residential market. Promotional pricing resulted in a decline in residential high-speed Internet average revenue per customer (ARPC) of 2.1 per cent in 2007, to $34.95 at December 31, 2007, from $35.71 at December 31, 2006, but reflects an improvement in ARPC over the preceding quarter in 2007. As the promotion periods expire and we market higher value high-speed services to customers, we expect ARPC to increase.

IT services and fulfillment revenue

IT services and fulfillment revenue is earned primarily by our xwave division through systems integration, software engineering, business consulting and infrastructure services such as data centre, help desk, security and technical support services. IT services and fulfillment revenue grew 7.0 per cent in the fourth quarter of 2007 compared to the same period in 2006. IT services revenue growth for the fourth quarter and the full year 2007 were comparable at 9.0 per cent and 9.3 per cent, respectively, with the increases largely attributed to higher managed services revenue and IT project activity within the healthcare, defence and aerospace industry verticals. Growth in IT fulfillment revenue is subject to seasonal variations, compared to our other revenue sources. We experienced growth of 5.1 per cent in the fourth quarter of 2007 compared to the same period in 2006, whereas for the full year 2007, IT fulfillment growth was 19.1 per cent over the same period in 2006. Fourth quarter 2006 revenue was affected by exceptionally strong IT fulfillment revenue recorded during the period.

Wireless

Wireless revenue is earned through the provision of cellular, paging and mobile radio services over the analog and digital wireless networks of Télébec and NorthernTel. Revenue increased by 18.1 per cent for the fourth quarter of 2007 compared to the fourth quarter of 2006, and 15.2 per cent for the year 2007 compared to the pro forma wireless revenue for 2006. This was mainly driven by an 8.2 per cent increase in cellular customers; however, customer growth for the year was negatively impacted by two specific events in 2007. A customer adjustment following a system reconciliation along with the discontinuance of analog prepaid service resulted in a total decline in our customer base of approximately 6,800. Excluding these events, customer growth would have increased approximately 15.9 per cent, comparable to revenue growth for the year.

Other revenues

Other revenues consist of Atlantic Mobility Products (AMP) revenues, Innovatia revenues, terminal rentals and sales, PC sales, TV revenue, professional services, building rental revenue, and revenue generated by our outsourcing arrangement with Bell Mobility. Other revenues increased by 4.7 per cent in 2007 compared to pro forma other revenues for 2006, and increased 20.4 per cent in the fourth quarter of 2007 compared to fourth quarter of 2006, mainly due to an increase in AMP's revenue. Growth was also experienced in business terminal sales through strong sales to contact centres.

Operating expenses

For the period ended December 31	As reported						Pro forma		
	Three months			Twelve months			Twelve months		
	2007	**2006**	**% change**	**2007**	**2006**	**% change**	**2007**	**2006**	**% change**
Cost of sales	**$176.3**	$152.4	15.7	**$655.8**	$514.1	27.6	**$655.8**	$592.9	10.6
Salaries, benefits, contract labour and consulting	**173.2**	156.4	10.7	**678.2**	569.3	19.1	**678.2**	634.6	6.9
Selling, general and administrative	**140.7**	159.4	(11.7)	**579.9**	442.9	30.9	**579.9**	614.5	(5.8)
Capital taxes	**(1.7)**	5.2	n.m.	**9.3**	10.5	(11.4)	**9.3**	10.5	(11.4)
Operating expenses	**$488.5**	$473.4	3.2	**$1,923.2**	$1,536.8	25.1	**$1,923.2**	$1,852.5	3.8

n.m. - not meaningful

Operating expenses increased by 3.2 per cent in the fourth quarter of 2007 and 3.8 per cent for the year compared to the same periods in the prior year, mainly due to higher cost of sales and higher labour costs. Cost of sales is highly influenced by the level of IT fulfillment revenues, AMP revenue and other product sales from which the related growth in revenue drives higher costs of goods sold. Increased salaries, benefits, contract labour and consulting mainly represent annual wage increases, an increase in IT services contract labour costs, and an increase in outsourcing activity.

Partially offsetting these increases were declines in selling, general and administrative costs and capital taxes. Selling, general and administrative costs decreased mainly due to cost containment achieved through our productivity initiatives that have continued throughout the year. The reduction in capital taxes is a result of a reduction in capital tax rates and a reallocation of the capital tax base to lower capital tax rate provinces upon the wind-up of one of our subsidiaries.

Other expenses included in operating income

Explanations for our increased net benefit plans cost, depreciation and amortization and restructuring and other charges are discussed in the "Quarter in Review" section.

Other expenses below operating income

The following other expenses are analyzed on an as reported basis as they were not subject to pro forma adjustments, except for the purposes of calculating distributable cash as discussed in the "Quarter in Review" section.

Other expenses (income)

The results for the twelve months ended December 31, 2006, reflect items that were recorded specific to our creation in early July 2006, in particular a $1.95 billion gain on disposal of Aliant's wireless operation and shares of DownEast Ltd., a $1.0 billion dilution gain, and a $147.8 million charge related to debt prepayment premiums.

Interest charges

The increase in interest charges of 46.8 per cent for the year ended December 31, 2007, over the year ended December 31, 2006, reflects the significant increase in long-term debt incurred to complete the Arrangement. This was partially offset by lower overall rates of interest compared to those related to Aliant's long-term debt, which was almost all repaid and refinanced as part of the Arrangement. The 4.9 per cent increase in the fourth quarter of 2007 compared to the same period in 2006 predominantly reflects the additional debt incurred to finance the acquisition of the minority interests in Télébec and NorthernTel in January 2007.

Income tax expense (recovery)

A portion of our income is earned through partnerships. Therefore, that portion of our income is not subject to tax at the partnership level, as the taxable income is allocated directly to our partners. The tax provision reported relates to our corporate subsidiaries that are subject to tax on their taxable income. Our effective tax recovery rate for the twelve months ended December 31, 2007, was 33.9 per cent of our pre-tax earnings, a significant reduction from the effective tax expense rate of 7.4 per cent for the same period in 2006. This significant reduction in our effective tax rate is a result of several factors including the following:

- Future tax expense of $225.1 million related to the gain on sale of our wireless business was booked in 2006, whereas no such activity was recorded in 2007;
- A 37.3 percentage point reduction related to intercompany interest income earned in non-taxable entities as compared to a 1.4 percentage point reduction in 2006;
- A 15.9 percentage point reduction related to taxable income allocated to non-controlling interest for which we do not recognize a tax provision as compared to a 4.1 percentage point reduction in 2006; and
- A 26.6 percentage point reduction mainly due to the revaluation of net future tax assets and liabilities as a result of tax rate changes.

The income tax recovery of $60.7 million for the fourth quarter of 2007 is a significant reduction from the income tax expense of $234.2 million for the same period in 2006. This significant reduction is largely due to a $225.1 million future tax expense in 2006 related to the gain on the sale of Aliant's wireless business pursuant to the Arrangement and a $59.7 million future tax recovery in 2007 related to revaluing of net future tax assets and liabilities as a result of the enactment of general corporate income tax rate reductions as announced in the October 30, 2007, Canadian federal government's annual Economic Statement.

Non-controlling interest

Non-controlling interest represents Bell Canada's 35.9 per cent interest in Bell Aliant LP and the Fund's 36.7 per cent indirect interest in Télébec and NorthernTel through Bell Nordiq Trust. The distributions attributable and paid to Bell Canada are equal, to the greatest extent practicable, to per-unit distributions paid by the Fund to holders of Fund units. The non-controlling interest related to Bell Canada's interest in Bell Aliant LP is based on Bell Canada's pro-rata share of cash distributions from Bell Aliant LP. During the three months ended December 31, 2007, we recorded non-controlling interest in our earnings of $47.5 million. Distributions declared by our subsidiaries to the non-controlling interest in the same period were $63.1 million, of which $50.9 million was from Bell Aliant LP to Bell Canada and $12.2 million was from Télébec and NorthernTel indirectly to the Fund. On January 1, 2008, the Fund's 36.7 per cent indirect interest in Télébec and NorthernTel was transferred to us, and therefore this non-controlling interest will be eliminated.

Net earnings (loss) from discontinued operations

Our 2007 net earnings from discontinued operations reflect our proportionate share of the after-tax gain on disposal by ADS of its assets and operations in April 2007 of $258.2 million. The sale of our 87.14 per cent interest in the net assets and operations of ADS contributed to the net loss from discontinued operations for the fourth quarter of 2007 compared to the same period in 2006.

Financial and Capital Management

Summary of cash flows

For the period ended December 31	Three months			Twelve months		
	2007	**2006**	**% change**	**2007**	**2006**	**% change**
Cash from (used in):						
Operating activities	**$319.0**	$271.6	17.5	**$1,207.8**	$592.1	104.0
Financing activities	**(134.8)**	(308.1)	(56.2)	**(1,087.8)**	1,040.8	n.m.
Investing activities	**(143.6)**	(129.5)	10.9	**(541.3)**	(1,711.6)	(68.4)
Net increase (decrease) in cash from continuing operations	**$40.6**	($166.0)	n.m.	**($421.3)**	($78.7)	n.m.
Net increase (decrease) in cash from discontinued operations	**(0.6)**	5.6	n.m.	**330.0**	22.3	n.m.
Net increase (decrease) in cash for the period	**$40.0**	($160.4)	n.m.	**($91.3)**	($56.4)	61.9

n.m. - not meaningful

We generated net cash of $40.0 million during the fourth quarter of 2007 compared to using net cash of $160.4 million in the fourth quarter of 2006. Cash generated from operating activities in the fourth quarter of 2007 was up due to higher cash flow from working capital and lower pension funding requirements. Cash used in financing activities for the fourth quarter of 2007 declined compared to the fourth quarter of 2006, as in 2006 we repaid $142.9 million of interim financing used as part of the Arrangement. Also, distributions we paid to the Fund decreased by $10.0 million in the fourth quarter of 2007 compared to the fourth quarter of 2006. Cash used in investing activities increased by $14.1 million in the fourth quarter of 2007 over the same period in the prior year due primarily to increased capital investments in our accelerated FTTN program in 2007.

Other key components of our net change in cash in the fourth quarter and year ended December 31, 2007, were:

DB pension and other post-employment benefit (OPEB) plans

Total funding of our DB pension plans for the fourth quarter of 2007 was $23.9 million, compared to $28.4 million for the same period in the prior year. For the year 2007, total funding was $90.2 million, compared to $104.6 million for 2006. Included in the total funding for 2007 is $53.5 million for current service cost funding and $36.7 million for funding special deficit-reducing payments, compared to $45.9 million and $58.7 million respectively in 2006. Actuarial valuations of our pension plans were performed as of December 31, 2006, and filed in June and July 2007. All plans reflected funding deficits as measured on a going-concern basis, yet all but one plan reflected a funding surplus as measured on a solvency basis. We are still required to fund special deficit-reducing payments over the next 5 to 15 years and we estimate the present value of these special payments to be approximately $325 million. We estimate total special deficit-reducing payments required for 2008 to be between $50 and $60 million. Our 2007 special deficit-reducing payments were net of approximately $21 million of prior years' voluntary contributions, whereas our estimates for 2008 are net of approximately $8 million.

OPEB funding for the fourth quarter of 2007 was $1.9 million, compared to $1.7 million for the same period in the prior year. For the year 2007, total funding was $7.2 million, a 12.5 per cent increase over 2006. Approximately half of the increase is a result of additional beneficiaries included since the Arrangement, with the remainder a result of continuing employee retirements and increasing costs of benefits provided under legacy plans.

Change in operating assets and liabilities

The positive contribution to cash flows from the change in working capital during the fourth quarter of 2007 of $23.5 million and for the year of $40.8 million reflects the results of an increased focus on improving cash flow timing. After experiencing growing cash flow requirements to fund working capital, partly due to the increased size of our operations and a modest extension of the age of accounts receivable, we increased our collection efforts in 2007. We have also reduced inventory balances, particularly in AMP, our wholesale wireless hand-set distributor, and our prepaid expenses returned to lower levels after being seasonally higher during the second quarter of 2007. Taxes receivable increased as a result of normal capital tax instalment payment activity during the fourth quarter of 2007 as compared to an increase in taxes payable during the same period in 2006 as a result of higher refunds received during that period. In the fourth quarter of 2006, a growth in accounts receivable balances, higher tax payments, resulting from an acceleration of payments of cash taxes due to various tax years triggered as a result of the Arrangement, and payment of other costs of the Arrangement contributed to the use of cash during the period. Higher cash flows from working capital for 2007 are also the result of changing the pattern of interest coupon payments on long-term debt refinanced during the year and the $22.8 million accrued but unpaid balance for restructuring costs at the end of 2007.

Changes in long-term debt and other financing

During the fourth quarter of 2007, we received $20.0 million in cash from the sale of accounts receivable to our securitization program for a total increase of $100.0 million for the year. At December 31, 2007, we had $220.0 million in securitization trust, the maximum amount permitted under our program. Also, in the fourth quarter of 2007 we repaid a net $8.6 million to the Fund as it completed its NCIB and we drew a net $14.4 million on our short-term credit facilities, primarily to meet these repayments to the Fund. Net proceeds received on issuance of short-term debt for the year was $208.2 million. In the fourth quarter of 2006, we repaid $142.9 million of interim financing used as part of the Arrangement.

Financing activities for the 2007 year also reflect $994.5 million in net proceeds from the issuance of medium-term notes in February 2007, the repayment of $1,134.7 million of term bank loans, the repayment of $100.0 million of Aliant medium-term notes, and the repayment of $11.3 million of capital leases and other long-term debt. During 2006, in connection with the Arrangement, we refinanced virtually all of Aliant's long-term debt, put in place new credit facilities and issued new long-term debt under those credit facilities. This generated $4,306.1 million in proceeds and $2,630.2 million in repayments of long-term debt.

Notes receivable from the Fund, notes payable to the Fund, and repayment of partners' capital

In the first quarter of 2007, we loaned $131.0 million to Bell Nordiq Income Fund to finance a special distribution to its unitholders as part of its privatization. This loan was subsequently assumed by the Fund. In addition, during the first quarter we advanced the Fund $69.9 million, primarily for the purchase of units under its NCIB. Both of these advances were repaid by the Fund during the second quarter as the Fund received $460.9 million from us as a return of capital. During the second quarter, the Fund loaned a portion of its excess cash to us, amounting to $127.0 million, to allow us to temporarily reduce external short-term debt. We repaid $116.5 million of this amount in the third quarter, and an additional $8.6 million in the fourth quarter with the remaining $1.9 million to be repaid in 2008. We generally consolidate any excess cash we or the Fund may have on hand and invest it together in marketable, short-term money market instruments. Therefore, the balance receivable from or payable to the Fund will fluctuate over time depending on these cash balances.

Interest rate derivatives

We use interest rate swaps to hedge our exposure to interest rate fluctuations on refinancing long-term debt and to manage our fixed and floating interest rate exposures.

In February 2007, with the issuance of medium-term notes to refinance debt incurred to complete the Arrangement, we settled interest rate swaps with notional principal amounts totalling $1.0 billion. On February 26, 2007, we paid cash of $30.5 million to the counterparties on the settlement of the contracts since interest rates had generally declined since the swaps were initiated**.**

In August 2007, we determined that a remaining $250.0 million in outstanding swaps were no longer going to be effective hedges of anticipated long-term debt issuances. Due to the disruption experienced in public credit markets, we determined that market conditions were not conducive to a term debt issuance at that time. As a result, we received $6.4 million from our counterparty on the settlement of these swaps.

Under a different hedging strategy, we have hedged the floating rate interest exposure on some of our debt to maintain an approximate ratio of 90 per cent fixed interest rate exposure and 10 per cent floating rate exposure. Therefore, also in August 2007, we entered into fixed-floating interest rate swaps with notional amounts totalling $200.0 million to hedge the variability in cash flows related to this portion of our floating rate debt. These swaps are being accounted for as cash flow hedges. At December 31, 2007, the fair values of these swaps total $3.7 million in favour of the counterparty and are recorded as derivative liabilities.

During 2006, we had interest rate swaps with notional amounts totaling $2.355 billion. With the refinancing of Aliant's long-term debt, we settled $1.105 billion of these interest rate swaps and paid $58.1 million to the counterparties.

Distributions and dividends

Distributions paid during the fourth quarter of 2007 totaled $156.7 million, compared to $166.2 million for the fourth quarter of 2006. Total distributions paid for the years ended December 31, 2007, and 2006 were $657.3 million and $266.2 million, respectively. While the Fund's distributions to unitholders increased due to an increase in the rate of distributions paid per Fund unit beginning in February 2007 and a higher number of Fund units outstanding during the fourth quarter, the Fund required less cash from us as it received a portion of its cash requirements through its minority holdings in Télébec and NorthernTel in 2007. The year-over-year increase reflects the fact that the distributions were only effective as of July 7, 2006, upon completion of the Arrangement. Prior to July 7, 2006, Aliant had paid $117.6 million in dividends on its common and preferred shares.

Capital investments

Capital investments in the fourth quarter of 2007 totalled $144.1 million, a 9.9 per cent increase over the fourth quarter of 2006. On an annual basis, capital investments were $543.0 million in 2007 compared to $445.0 million in 2006. We continue to invest in our traditional wireline infrastructure to sustain our existing business and the reliability of our network, and we have invested in expanding and augmenting our high speed Internet footprint, increasing our investment in FTTN, including our accelerated deployment plan, and updating our network to support next-generation IP applications.

Liquidity

Sources of liquidity

We derive most of our liquidity from the strength of our recurring cash from operating activities, as well as bank credit facilities, a medium-term note shelf prospectus, a commercial paper program, and our accounts receivable securitization program. We anticipate generating enough cash from our operating activities to pay for capital investments, distributions, required pension funding and other commitments. We continue to have access to bank financing and our receivables securitization program despite the disruption in the commercial paper and public term debt markets since the third quarter 2007. Among other measures, we mitigate this risk by diversifying funding sources, maintaining sufficient capacity on our back-up bank lines of credit and diversifying our pension plan investments. With the exception of a slight increase in our overall borrowing costs, we have not experienced any adverse consequences from recent events in the credit markets.

Debt

Under our $3.0 billion medium-term note shelf prospectus that expires in October 2008, we have issued $2.25 billion in medium-term notes of which $1.0 billion was issued in 2007. Under our $1.25 billion non-revolving term bank facility which expires in July 2009, we had drawn $100.0 million at December 31, 2007. We also have $731.0 million in various short-term operating and letter of credit facilities of which $210.0 million was drawn on our revolving bank credit facility, $6.7 million was drawn on other lines of credit and $139.4 million was issued in letters of credit and guarantees as at December 31, 2007.

We maintain a $400.0 million commercial paper program. As at December 31, 2007, we did not have any commercial papers outstanding, however, we ensure at all times that sufficient undrawn capacity exists on our revolving operating facilities to support any issuances of commercial paper. Although recent market conditions have resulted in a slightly increased cost of short-term borrowing as we have moved out of the commercial paper market and into our bank facilities, the increase has not had a material negative effect on our results due to the relatively small amount of short-term debt in our capital structure.

We also have a $450.0 million non-revolving pension reserve facility that may be used to finance pension deficit funding. At December 31, 2007, there were no amounts drawn on this facility, but we have reduced its capacity by $30.7 million with the issuance of letters of credit to support our application of the 10-year solvency funding relief regulations.

As market conditions permit, we still anticipate being able to refinance the majority of these short-term borrowings and a $50.0 million maturing Télébec debenture with further fixed-rate capital market issuances within the next year.

Capital Structure

For information regarding our capital structure, refer to page 33 in the “Supplementary Information” section. Our units are not publicly traded, and there has been no change in ownership since December 31, 2007.

Cash requirements

We require a significant amount of cash to execute our business strategy. Our cash requirements for 2008 consist of distributions to unitholders, investments in capital, pension plan contributions, repayment of short and long-term debt, and payments of other commitments. In particular, it is anticipated that these requirements will result in the use of cash as follows:

- The annual rate of distributions to holders of Fund units as at December 31, 2007, was $2.82 per unit. The Fund is entirely dependent upon distributions from us to make its distributions. The annual cash requirement to make distributions to Fund unitholders and distributions to BCE and Bell Canada is estimated to be in the range of $655 to $660 million for 2008. On February 5, 2008, the Fund announced an increase in the annual rate of distributions to holders of Fund units to $2.90 per unit. Distributions are approved monthly at the discretion of the Trustees and the annual increase will commence with the February 2008 distributions.
- Capital expenditures in the range of 14.5 to 15.5 per cent of operating revenues will be made as required to support our existing infrastructure and to advance our initiatives.
- Funding of our DB pension plans’ deficits in 2008 is estimated to be in the range of $50 to $60 million, net of application of prior years’ voluntary contributions, and after application of 10-year solvency funding schedules for eligible plans.

- On January 3, 2008, we announced an agreement in principle to purchase the assets and business of Kenora Municipal Telephone System (KMTS). The agreement achieved unanimous approval from the City of Kenora on January 15, 2008, and the deal closed on February 1, 2008. The acquisition price will be approximately $27 million.
- We are required to repay short and long-term debt according to its terms. We intend to refinance much of this debt as it comes due, as discussed under the "Sources of liquidity" section.
- Other commitments, such as operating leases and purchase commitments for equipment and other network infrastructure, and contingencies are disclosed in notes 20 and 23 to our consolidated financial statements for the year ended December 31, 2006, and the notes to our quarterly unaudited interim consolidated financial statements issued during 2007.

Other financial arrangements

Contractual obligations

We have various operating leases for equipment and other network infrastructure, and purchase commitments under various service and commercial agreements, including our commercial agreements with Bell Canada. The amounts of estimated future payments under such arrangements are detailed in note 20 to our consolidated financial statements for the year ended December 31, 2006, and in the notes to our quarterly unaudited interim consolidated financial statements issued during 2007. Details of our long-term debt can be found in note 12 to our consolidated financial statements for the year ended December 31, 2006, and in the notes to our quarterly unaudited interim consolidated financial statements issued during 2007.

Accounts receivable securitization

Under a revolving purchase and sale agreement, we sell certain accounts receivable to a securitization trust. During the year we amended the agreement, resulting in an increase in the maximum amount of trade accounts receivable we can sell to the trust from $125.0 million to $220.0 million. With this increase, we were able to sell additional accounts receivable and received net cash proceeds of $100.0 million during the year ended December 31, 2007. Further details of this arrangement are described in note 3 to our consolidated financial statements for the year ended December 31, 2006, and in the notes to our quarterly unaudited interim consolidated financial statements issued during 2007.

Use of derivative financial instruments

We use derivative financial instruments periodically in the management of interest rate and foreign currency exposures associated with our long–term debt or specific firm commitments. Details of our use of derivative financial instruments and the accounting policies we follow are provided in notes 1 and 18 to our consolidated financial statements for the year ended December 31, 2006, and in the notes to our quarterly unaudited interim consolidated financial statements issued during 2007. At December 31, 2007, we had outstanding fixed-floating interest rate swap contracts with notional values totalling $200.0 million. These swap contracts are being accounted for as hedges of a portion of our floating-rate debt. Refer to "Interest rate derivatives" section for further discussion.

Related Party Transactions

Our significant related parties continue to be BCE, Bell Canada and the Fund. For greater detail on our related party transactions and our relationship with BCE and Bell Canada, refer to note 21 of our consolidated financial statements for the year ended December 31, 2006, and in the notes to our quarterly unaudited interim consolidated financial statements issued during 2007.

Significant Accounting Policies

Our accounting policies and methods and critical accounting estimates and assumptions are consistent with those as described in note 1 to our consolidated financial statements for the year ended December 31, 2006, except for the adoption on January 1, 2007, of sections 1530, 3251, 3855, 3862, 3863, and 3865 of the CICA handbook relating to comprehensive income, financial instruments and hedges. Refer to the "Financial instruments" section in note 1 to our quarterly unaudited interim consolidated financial statements issued during 2007 for a discussion of the changes resulting from the implementation of the sections.

The Accounting Standards Board of the CICA continually amends and improves certain standards or guidelines contained in the CICA Handbook. We monitor these changes as they are proposed and will make changes to our accounting policies and disclosures as necessary.

The CICA issued Section 3031, Inventories, to replace Section 3030 of the same name, which establishes new standards for the measurement, recognition and disclosure of inventories. Section 3031 is fully converged with International Financial Reporting Standards. Some of the most significant differences are the elimination of the last in first out basis of cost determination, the types of costs that must be included as part of the costs of inventory and the ability to reverse previous write-downs. The standards come into effect for fiscal years beginning on or after January 1, 2008. We do not anticipate any material effects as a result of this change.

The CICA issued section 1535, Capital Disclosures, which established standards for disclosing information about an entity's capital as well as how the entity manages it. These standards come into effect for fiscal years beginning on or after October 1, 2007, and as they only relate to disclosure requirements, this section will not have any effect on our financial results.

There have not been any changes in accounting standards or guidelines which have resulted in changes to our accounting in the fourth quarter of 2007 as compared to previous 2007 reporting periods.

Assumptions Made in the Preparation of Forward-Looking Information and Risks That Could Affect Our Business and Results

Assumptions made in the preparation of forward-looking information

Forward-looking information provided in this MD&A is based on a number of assumptions that we believed were reasonable on February 5, 2008. In our MD&A for the year ended December 31, 2006, we outlined the principal assumptions that we made in the preparation of our forward-looking information relating to our expected financial and operational performance in 2007. These assumptions include economic, market, financial and operational assumptions, as they apply to the fiscal year 2007, which did not change significantly during the year and up to February 5, 2008, except for:

- We anticipated issuing up to $300 million in medium-term notes during the third quarter of 2007; however, we determined that market conditions were not conducive to an issuance. Therefore, this portion of our financing remains in floating rate debt, with the bankers' acceptance rate hedged via fixed-floating swaps for notional principal amounts totalling $200 million. The incremental cost of the short-term financing that is being experienced due to increased credit spreads in the market was not material to the guidance we issued in February 2007.
- A normalized level of cash capital taxes is now assumed to be zero starting in the third quarter of 2007, reflecting the future anticipated enactment of all previously announced provincial capital tax eliminations in the provinces where we do business. This change added approximately $3.5 million to our distributable cash reported in 2007.

Readers are referred to our Notice Concerning Forward-Looking Information dated February 5, 2008, which is available at www.bell.aliant.ca as well as on www.sedar.com, and is incorporated by reference into this MD&A, for a discussion of the principal assumptions that we have made in the preparation of our guidance for 2008, as well as the risks that could affect our business and results.

Risk management

Risk management is fundamental to the long-term success of any organization. For us, risk is defined as the level of exposure to uncertainties that we must seek to understand and effectively manage as we execute our strategies to achieve our business objectives and create value for Fund unitholders. We employ an integrated, enterprise-wide framework to identify, assess and manage the risks across the organization.

We recognize that we are exposed to a number of risks in the normal course of business that could have a negative effect on our financial condition or results of operations. Refer to our MD&A for the year ended December 31, 2006, and our Notice Concerning Forward-Looking Information dated February 5, 2008, for a list of significant risks to which we believe we are exposed. The risks noted may not be exhaustive as there may be other risks that we are currently unaware of or that we presently consider insignificant to our consolidated operations.

With the exception of the legal contingencies described in the following section, we have not identified significant changes to the nature of the risks that we are exposed to in our current business, as described in our MD&A for the year ended December 31, 2006. Due to the dramatic change in conditions in the public capital markets in recent months we have provided an update to our analysis of liquidity and market risk that we face, as noted in the interim MD&As issued during 2007. Finally, we have provided updates to our regulatory and competitive environments in the “Our Business Environment” section.

Conditions in public capital markets

Since the third quarter of 2007, the commercial paper (CP) market and the public term debt market in Canada have been experiencing some disruption to normal market operations and a dramatic widening of the interest rate spreads charged for corporate credits. A so-called “liquidity crunch” occurred when many CP issuers could not reissue new CP on maturity of existing outstanding debt or to finance their growth. Many issuers were forced to use back-up bank lines in place of CP, while others may not have had secure back-up credit sources.

While we could not have foreseen the specific events that precipitated this situation, our risk management policies do contemplate the potential for disruptions in capital markets and periods of reduced availability of credit. We are dependent on the capital markets and the commercial loan market to finance our operations. As such, our risk management efforts include diversifying funding sources, utilizing Canadian chartered banks as counterparties and liquidity providers in our hedging and securitization programs, maintaining sufficient capacity on our back-up bank lines of credit to support our CP program, specifying issuer and rating limits and counterparty restrictions on our money market investments and properly diversifying our pension plan investments. These measures have helped to avoid any material negative impacts from the recent situation.

However, if these conditions persist for a long period or broaden in their scope, or if there are other shocks to financial markets, we may incur increased costs or an inability to raise financing when needed for repayments of maturing debt or for growth. If we cannot raise the capital we need, we may have to limit our ongoing capital expenditures, limit our investment in new businesses, or sell or otherwise dispose of assets. Any of these possibilities could have a material and negative effect on our cash flow from operations and growth prospects.

Contingencies

Developments concerning litigation matters during the fourth quarter ended December 31, 2007, include the following:

On August 9, 2004, a lawsuit was filed in Saskatchewan against several Canadian wireless and cellular service providers, including one of our predecessor companies, Aliant Telecom Inc., by several alleged customers or former customers of the defendants. In the claim, the plaintiffs alleged, among other things, breach of contract, misrepresentation, negligence, collusion and breach of statutory obligations under the Competition Act (Canada) in relation to the system access fees that the defendants charge to their customers, and sought unspecified damages. On September 17, 2007, the court granted class action certification to the plaintiffs. On December 19, 2007, a court hearing was held to receive submissions from the parties as to the proper form of the Certification Order. The parties await the court’s ruling on the form of the Order, but once settled we intend to seek leave to appeal the decision granting certification.

On December 18, 2007, our dispute with Emera Incorporated (formerly Nova Scotia Power Holdings Inc.) relating to a services contract that we had terminated early was settled. This settlement restores a sound contractual relationship with this major customer.

Non-GAAP Financial Measures

Where indicated throughout this MD&A, operating revenues, operating income and EBITDA have been restated to include pro forma historical results as though Bell Aliant Holdings LP had been in existence for the entire year in 2006. We believe that presenting these non-GAAP measures will allow for more meaningful year over year comparisons and analysis.

The terms pro forma operating revenues, operating income, pro forma operating income, EBITDA, pro forma EBITDA, standardized distributable cash and distributable cash do not have any standardized meanings prescribed by Canadian GAAP. They are therefore unlikely to be comparable to similar measures presented by other reporting issuers. Pro forma operating revenues, operating income, pro forma operating income, EBITDA, pro forma EBITDA, standardized distributable cash and distributable cash are presented on a consistent basis from period to period.

Pro forma operating revenues, operating income and pro forma operating income

Operating income represents operating revenues less expenses. We use operating income, among other measures, to assess the operating performance of our ongoing business. Pro forma operating revenues and pro forma operating income represent operating revenues and operating income adjusted to reflect the pro forma historical results of the operations related to the net assets bought and sold under the Arrangement had it occurred on January 1, 2005 and operated as such for the entire year in 2006. Therefore, pro forma operating revenues and pro forma operating income represent operating revenues or operating income of our predecessor company, Aliant, excluding operating revenues or operating income related to Aliant's wireless operation and DownEast Ltd. and including operating revenues or operating income related to Bell Canada's regional wireline operation, Télébec and NorthernTel.

The following tables reconcile operating revenues to pro forma operating revenues, operating revenues and expenses to operating income and operating income to pro forma operating income on a consolidated basis.

	2006 Total	2006 Q4	2006 Q3	2006 Q2	2006 Q1
Operating revenues, as reported	$2,684.3	$837.3	$802.8	$516.5	$527.7
Aliant Wireless Operations and DownEast Ltd.	(194.3)	-	(7.4)	(95.9)	(91.0)
Bell Canada Regional Wireline Operation	623.4	-	22.8	304.1	296.5
Bell Nordiq Group Inc.	189.3	-	7.0	92.0	90.3
Intercompany eliminations	(3.5)	-	(0.1)	(1.8)	(1.6)
Pro forma operating revenues	**$3,299.2**	**$837.3**	**$825.1**	**$814.9**	**$821.9**

	2007 Total	2007 Q4	2007 Q3	2007 Q2	2007 Q1	2006 Total	2006 Q4	2006 Q3	2006 Q2	2006 Q1
Operating revenues	$3,373.4	$858.7	$837.9	$825.4	$851.4	$2,684.3	$837.3	$802.8	$516.5	$527.7
Expenses	2,858.0	713.0	695.6	769.6	679.8	2,133.5	651.4	618.4	424.8	438.9
Operating income, as reported	$515.4	$145.7	$142.3	$55.8	$171.6	$550.8	$185.9	$184.4	$91.7	$88.8
Aliant Wireless Operations and DownEast Ltd.	-	-	-	-	-	(94.7)	-	(4.7)	(45.1)	(44.9)
Bell Canada Regional Wireline Operation	-	-	-	-	-	215.2	-	12.3	104.4	98.5
Bell Nordiq Group Inc.	-	-	-	-	-	61.2	-	2.2	29.8	29.2
Pro forma operating income	**$515.4**	**$145.7**	**$142.3**	**$55.8**	**$171.6**	**$732.5**	**$185.9**	**$194.2**	**$180.8**	**$171.6**

We use pro forma operating revenues and pro forma operating income, among other measures, to assess our operating performance had we been in existence for the entire year in 2006, which allows us to compare our operating performance on a consistent basis. We believe that certain investors and analysts use pro forma operating revenues, operating income and pro forma operating income to measure our ability to grow, or as a common valuation measurement in the telecommunications industry.

Pro forma operating revenues, operating income and pro forma operating income should not be confused with operating revenues or expenses, which are the most comparable Canadian GAAP financial measures.

EBITDA and pro forma EBITDA

We define EBITDA as operating revenues less operating expenses, which means it represents operating income before depreciation and amortization expense, net benefit plans cost, and restructuring and other charges. Operating income is calculated before interest and income taxes are deducted. Pro forma EBITDA represents EBITDA adjusted to reflect the pro forma historical results of the operations related to the net assets bought and sold under the Arrangement had it occurred on January 1, 2005 and operated as such for the entire year in 2006. Therefore, pro forma EBITDA represents EBITDA of the predecessor company, Aliant, excluding EBITDA related to Aliant's wireless operation and DownEast Ltd. and including EBITDA related to Bell Canada's regional wireline operation, as well as Télébec and NorthernTel.

The following table is a reconciliation of operating income to EBITDA and EBITDA to pro forma EBITDA on a consolidated basis.

	2007					2006				
	Total	**Q4**	**Q3**	**Q2**	**Q1**	**Total**	**Q4**	**Q3**	**Q2**	**Q1**
Operating income	$515.4	$145.7	$142.3	$55.8	$171.6	$550.8	$185.9	$184.4	$91.7	$88.8
Add:										
Net benefit plans cost	131.6	47.8	26.0	28.3	29.5	99.7	25.9	26.0	23.6	24.2
Depreciation and amortization	775.8	171.5	183.3	273.1	147.9	483.8	151.9	141.4	91.8	98.7
Restructuring and other charges	27.4	5.2	20.8	0.9	0.5	13.2	0.2	3.8	8.9	0.3
EBITDA, as reported	$1,450.2	$370.2	$372.4	$358.1	$349.5	$1,147.5	$363.9	$355.6	$216.0	$212.0
Aliant Wireless Operations and DownEast Ltd.	-	-	-	-	-	(120.5)	-	(4.7)	(58.0)	(57.8)
Bell Canada Regional Wireline Operation	-	-	-	-	-	327.1	-	12.4	160.3	154.4
Bell Nordiq Group Inc.	-	-	-	-	-	92.6	-	3.4	44.9	44.3
Pro forma EBITDA	**$1,450.2**	**$370.2**	**$372.4**	**$358.1**	**$349.5**	**$1,446.7**	**$363.9**	**$366.7**	**$363.2**	**$352.9**

We use EBITDA, among other measures, to assess the operating performance of our ongoing business without the effects of interest, income taxes, depreciation and amortization expense, net benefit plans cost, and restructuring and other charges. We exclude depreciation and amortization expense and net benefit plans cost because they largely depend on the accounting methods and assumptions a company uses, as well as non-operating factors, such as the historical cost of capital investments and the performance of a company's pension plans. We exclude these items because they affect the comparability of our financial results and could potentially distort the analysis of trends in business performance.

We use pro forma EBITDA, among other measures, to assess the operating performance of Bell Aliant Holdings LP had it been in existence for the entire year in 2006. EBITDA and pro forma EBITDA allow us to compare our operating performance on a consistent basis. We believe that certain investors and analysts use these measures to assess our ability to service debt, make distributions to unitholders and to meet other payment obligations, or as a common valuation measurement in the telecommunications industry.

EBITDA and pro forma EBITDA should not be confused with operating revenues or expenses, which are the most comparable Canadian GAAP measures.

Standardized distributable cash and distributable cash

Standardized distributable cash and distributable cash are both measures of cash generated from operating activities that may be available for distribution. We calculate standardized distributable cash from a cash flow perspective following CICA guidance which uses cash from operating activities and adds or deducts the following items that affect cash flow:

(i) Cash from operating activities of discontinued operations and the Fund, as this represents operating cash from activities other than the continuing operations of Bell Aliant Holdings LP which is available for distribution;

(ii) The amount of standardized distributable cash that would be attributable to the minority interest in controlled subsidiaries (i.e., Télébec and NorthernTel prior to January 2007, and AMP prior to September 2006) as this represents cash which is not available for distribution;

(iii) Capital expenditures; and

(iv) Cash flow and capital expenditure adjustments related to the period prior to July 7, 2006, as this period related to the operations of Aliant.

CICA guidance on the calculation of this standardized distributable cash measure would also include deductions related to any restrictions imposed on the amount of cash distributions as a result of compliance with financial covenants restrictive at the date of calculation. Our credit agreements only impose a restriction that distributions cannot exceed distributable cash over the last year if our credit ratings fall below investment grade. Since our ratings are within the investment grade categories, we are under no such restrictions.

We further adjust standardized distributable cash by the following items to determine our distributable cash:

(i) Operating items funded through cash reserves or borrowings, such as changes in operating assets and liabilities (working capital), debt prepayment premiums, pension deficit funding, restructuring and other charges, and cash capital taxes in excess of normalized levels;

(ii) Current income tax provisions (recoveries) are added back (deducted) as we have tax strategies in place to ensure that they are not payable (receivable) in cash; and

(iii) Other elements of working capital changes that should not result in actual current or future cash flows.

In the third quarter of 2007, we determined that costs accrued for our executive deferred unit plan should not be deducted from distributable cash as they will eventually be settled by the Fund through the issuance of units, rather than with a cash payment. This resulted in a restatement of distributable cash starting in the fourth quarter of 2006. All of these adjustments to determine standardized distributable cash and distributable cash can be found in our consolidated financial statements or records or the Fund's consolidated statements or records, with the exception of the normalization of cash capital taxes. This adjustment is a calculation where some management judgement is exercised in estimating the level of capital taxes that we will pay when future tax rate changes come into effect. We have assumed a stable capital base and the future enactment of all previously announced provincial capital tax rate reductions or eliminations by the provinces of Ontario, Quebec, New Brunswick and Nova Scotia. At this point, all of these provinces have announced phased elimination of capital taxes in their most recent budgets; therefore starting in the third quarter of 2007 we are not providing for any deduction for normalized cash capital taxes. The actual tax rates may differ materially as they are subject to future enacted tax laws.

We are unable to calculate standardized distributable cash and distributable cash from a cash flow perspective prior to July 7, 2006, as cash from operating activities was not restated on a pro forma basis.

The following table provides a reconciliation of cash from operating activities to standardized distributable cash and distributable cash.

	2007					2006				
	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Cash from (used in) operating activities	$1,207.8	$319.0	$304.3	$332.8	$251.7	$383.0	$271.6	$111.4		
Add (deduct):										
Cash from operating activities of discontinued operations	12.3	(0.1)	0.2	3.3	8.9	18.0	9.6	8.4		
Cash from operating activities of the Fund	(2.7)	(0.5)	0.7	(2.4)	(0.5)	0.1	0.1	-		
Cash from operating activities adjustment for July 1 to 7	-	-	-	-	-	11.1	-	11.1		
Capital expenditures	(543.0)	(144.1)	(140.2)	(143.4)	(115.3)	(259.6)	(131.1)	(128.5)		
Capital expenditure adjustment for July 1 to 7	-	-	-	-	-	(1.9)	-	(1.9)		
Non-controlling interest in standardized distributable cash	-	-	-	-	-	(21.0)	(11.4)	(9.6)		
Standardized distributable cash	674.4	174.3	165.0	190.3	144.8	129.7	138.8	(9.1)		
Add (deduct):										
Operating items funded through cash reserves or borrowing:										
Debt prepayment premiums	-	-	-	-	-	147.8	-	147.8		
Change in operating assets and liabilties (working capital)	(40.8)	(23.5)	(2.7)	(41.3)	26.7	61.1	31.9	29.2		
Change in operating assets and liabilties (working capital) of the Fund	(2.2)	(0.6)	(1.2)	1.1	(1.5)	(1.1)	(1.1)	-		
Pension deficit funding	36.6	10.1	9.8	8.2	8.5	29.3	15.3	14.0		
Restructuring and other charges	27.4	5.2	20.8	0.9	0.5	4.0	0.2	3.8		
Capital taxes in excess of normalized levels	5.8	(1.7)	1.7	2.4	3.4	6.5	3.5	3.0		
Other adjustments:										
Current income tax expense (recovery)	(9.9)	-	(12.3)	(3.2)	5.6	(5.4)	(2.8)	(2.6)		
Other non-cash items provided for in working capital changes	10.1	5.7	(3.5)	3.8	4.1	0.8	1.0	(0.2)		
Distributable cash	**$701.4**	**$169.5**	**$177.6**	**$162.2**	**$192.1**	**$372.7**	**$186.8**	**$185.9**		

As pro forma information for EBITDA is available for periods prior to July 7, 2006, for comparative purposes, we also calculate distributable cash using EBITDA or pro forma EBITDA and add or deduct any cash items not included in EBITDA or pro forma EBITDA but that are required for operating purposes in the current period, including the following items:

- (i) Cash funding requirement for current service pension costs for defined benefit pension plans and other employee benefit plans to the extent not already deducted in determining EBITDA or pro forma EBITDA;
- (ii) An adjustment to cash capital taxes to reflect a normalized level that will be achieved once announced provincial tax rate reductions come into effect in future years;
- (iii) Cash expenses incurred by the Fund as these are not included in the EBITDA or pro forma EBITDA of Bell Aliant Holdings LP;
- (iv) Cash interest expense;
- (v) Other cash income or expenses that may be incurred to the extent not included in EBITDA or pro forma EBITDA;
- (vi) Adjustments for certain one-time or other normalizing expense items;
- (vii) The portion of our consolidated distributable cash that is generated for the benefit of the non-controlling interest in our controlled subsidiaries;
- (viii) Capital expenditures; and
- (ix) The portion of distributable cash generated by discontinued operations.

Prior to July 7, 2006, the majority of the adjustments represent pro forma results. Subsequent to July 7, 2006, all of the adjustments to determine distributable cash can be found in our consolidated financial statements or records with the exception of the normalization for cash capital taxes as discussed above.

In order to discuss and analyze distributable cash in reference to prior periods, we have produced the following table which provides a reconciliation of EBITDA or pro forma EBITDA to distributable cash.

	2007					2006 [10]				
	Total	**Q4**	**Q3**	**Q2**	**Q1**	**Total**	**Q4**	**Q3**	**Q2**	**Q1**
EBITDA / Pro forma EBITDA	$1,450.2	$370.2	$372.4	$358.1	$349.5	$1,446.7	$363.9	$366.7	$363.2	$352.9
Cash funding of current service cost for net benefit plans [1]	(68.1)	(17.6)	(17.2)	(16.9)	(16.4)	(63.4)	(16.5)	(16.3)	(14.7)	(15.9)
Pro forma adjustments not reflected in EBITDA prior to Q3 2006 [2]	-	-	-	-	-	2.8	-	-	1.4	1.4
Cash capital taxes included in EBITDA[3]	9.3	(1.7)	1.7	4.2	5.1	10.5	5.2	4.7	0.3	0.3
One-time items [20]	-			-	-	-	-	-	-	-
Fund expenses [4]	(5.5)	(1.2)	(1.1)	(2.3)	(0.9)	(1.0)	(1.0)	-	-	-
Non-controlling interest [5]	-	-	-	-	-	(65.3)	(16.8)	(14.5)	(17.4)	(16.6)
	1,385.9	349.7	355.8	343.1	337.3	1,330.3	334.8	340.6	332.8	322.1
Other income (expenditures) [6]	0.3	1.9	(1.5)	(0.7)	0.6	1.0	2.9	(0.4)	(0.8)	(0.7)
Interest expense [7]	(150.6)	(37.9)	(36.7)	(38.3)	(37.7)	(138.5)	(32.3)	(34.6)	(35.0)	(36.6)
Normalized capital taxes [3]	(3.5)	-	-	(1.8)	(1.7)	(6.8)	(1.7)	(1.7)	(1.7)	(1.7)
Capital expenditures [8]	(543.0)	(144.1)	(140.2)	(143.4)	(115.3)	(496.9)	(126.5)	(126.4)	(136.0)	(108.0)
Distributable cash of discontinued operations [9]	12.3	(0.1)	0.2	3.3	8.9	33.8	9.6	8.4	8.2	7.6
Distributable cash	**$701.4**	**$169.5**	**$177.6**	**$162.2**	**$192.1**	**$722.9**	**$186.8**	**$185.9**	**$167.5**	**$182.7**

(1) The portion of cash funding required for net benefit plans cost that exceeds current service cost will be funded through cash reserves or borrowing.

(2) Pro forma adjustments relate to the future mode of operations of Bell Aliant Holdings LP, namely the wireless outsourcing agreement with Bell Canada and the elimination of certain public company costs of Bell Nordiq Income Fund. After July 7, 2006, the adjustments are not required as these items are reflected in actual results.

(3) EBITDA and Pro forma EBITDA are net of expenses for certain capital taxes. These are added back in the Distributable cash reconciliation because only a normalized level of these cash taxes (to reflect future announced rate reductions) is deducted in determining our Distributable cash. The remainder of these taxes actually paid will be funded through cash reserves or borrowing. Commencing in Q3 2007, we do not deduct an amount for normalized cash capital taxes as the provinces in which we operate have announced the planned elimination of capital taxes.

(4) Represents cash expenses of Bell Aliant Income Fund other than interest expense. See note 7 below.

(5) Prior to Q1 2007, the proportionate share of the EBITDA of Télébec and NorthernTel and, prior to Q3 2006, the proportionate share of the EBITDA of AMP, that was attributable to the non-controlling interest in these businesses was not available to the Fund in order to determine Distributable cash and therefore was deducted.

(6) Represents the cash portion of other income (expenditures). Losses and fees associated with our accounts receivable securitization program are included as other expenditures. Also, to the extent that other elements of net earnings include non-cash amounts (such as amortization charges, or deferred unit plan costs) they are excluded from Distributable cash in the period.

(7) For periods after Q2 2006, represents the actual cash interest expense incurred, net of that portion attributable to the minority holders of Télébec and NorthernTel (before Q1 2007) and AMP (before Q3 2006) and includes interest expense of the Fund. For periods prior to Q3 2006, represents management's estimate of interest expense, assuming total drawn debt of $2.6 billion for Bell Aliant LP at an estimated interest rate of 5.5 per cent. Interest expense also includes Bell Aliant Holdings LP's proportionate share of interest expense for Télébec and NorthernTel and AMP.

(8) For periods after Q2 2006, represents capital expenditures excluding that portion attributable to the minority holders of Télébec and NorthernTel (before Q1 2007) and AMP (before Q3 2006). For periods prior to Q3 2006, represents management's estimate of Pro forma capital expenditures for Bell Aliant Holdings LP, had it been in operation since January 1, 2005.

(9) Represents the contribution to Standardized distributable cash / Distributable cash of the discontinued operations of SalesBridge Canada Inc. and Aliant Directory Services.

(10) Q1, Q2 and Q3 2006 include pro forma adjustments.

The calculation of standardized distributable cash and distributable cash has been prepared using reasonable and supportable assumptions, all of which reflect our planned courses of action given management's judgement about the most probable set of economic conditions. Actual results may vary, perhaps materially, from the forward-looking assumptions used.

One of the primary metrics of our financial performance is distributable cash generated in a period. We use distributable cash, among other measures, to assess the financial performance of our ongoing business. We report standardized distributable cash to meet compliance with the new CICA guidance for income trusts and other flow-through entities. These measures should not be seen as measures of liquidity or as substitutes for comparable metrics prepared in accordance with Canadian GAAP. We believe that certain investors and analysts use distributable cash to measure our, as well as other open-ended trusts', ability to generate a sustainable return for unitholders. Standardized distributable cash and distributable cash should not be confused with cash from operating activities, which is the most comparable Canadian GAAP financial measure.

Supplementary Information (unaudited)

Basis of preparation

The Supplementary Information contained herein represents the operating activities of both Bell Aliant Holdings LP and Bell Aliant Income Fund. Where applicable, and where indicated, the prior year's financial measures related to Operating revenues, Operating income, and EBITDA, as well as certain statistical information have been restated, and are labeled pro forma, to provide comparative information assuming Bell Aliant Holdings LP had been in operation in all of 2006. In presenting pro forma results, management has made certain estimates and assumptions. Readers are cautioned that the Supplementary Information is unaudited and some of the measures shown are not measures with standardized meanings presented under Canadian GAAP. See "Non-GAAP Financial Measures" section.

Certain amounts presented in this Supplementary Information are rounded. Accordingly, the columns and rows may not add to the totals presented.

BELL ALIANT INCOME FUND	2007					2006 [1]				
Highlights	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Distributions										
Distributions declared	$368.9	$89.5	$90.5	$92.9	$96.0	$163.0	$85.1	$77.9		
Distributions declared per Fund unit	$2.813	$0.705	$0.705	$0.705	$0.698	$1.313	$0.685	$0.628		
Unitholders' capital (000's)										
Fund units publicly held, beginning of period	124,116	127,095	130,801	135,196	124,116	124,121	124,119	124,121		
Issued (redeemed)	13,464	(1)	4	(3)	13,464	(5)	(3)	(2)		
Repurchased under an NCIB [2]	(10,630)	(144)	(3,710)	(4,392)	(2,384)	-	-	-		
Fund units publicly held, end of period	126,950	126,950	127,095	130,801	135,196	124,116	124,116	124,119		
Exchangeable units held by BCE Inc. / Bell Canada	100,374	100,374	100,374	100,374	100,374	100,374	100,374	100,374		
Deferred units (dilutive)	325	325	318	323	315	-	-	-		
Fully diluted Fund units, end of period	227,649	227,649	227,787	231,498	235,885	224,490	224,490	224,493		
Average units outstanding - basic	130,431	126,952	128,960	133,200	132,723	124,119	124,118	124,121		
Average units outstanding - fully diluted	231,130	227,651	229,652	233,896	233,412	224,493	224,492	224,495		
Market data										
Market capitalization [3]		$6,699.7	$7,298.3	$7,257.5	$6,965.7		$6,052.2	$7,846.1		
Market price										
High		$32.14	$32.42	$32.76	$30.06		$35.09	$35.95		
Low		$28.21	$29.26	$29.53	$26.84		$26.41	$33.01		
Close		$29.43	$32.04	$31.35	$29.53		$26.96	$34.95		
Distribution yield [4]		9.6%	8.8%	9.0%	9.5%		10.2%	7.2%		

(1) The Fund was established on March 31, 2006, but did not commence active operations until July 7, 2006.

(2) On February 28, 2007, the Fund commenced a normal course issuer bid (NCIB) program, which allows it to acquire, from time to time, up to 13,738,000 Fund units at market prices for cancellation. The NCIB expires on February 27, 2008.

(3) Market capitalization - fully diluted Fund units, end of period multiplied by market close price.

(4) Distribution yield - distributions declared per Fund unit divided by market close price. This calculation is annualized.

BELL ALIANT INCOME FUND
Summary of quarterly financial results, as reported

	2007					2006 [1]				
	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Net earnings										
Equity income from investments	$297.6	$106.7	$69.3	$46.8	$74.8	$120.5	$75.4	$45.1		
Other revenues	2.6	0.1	0.6	1.9	-	-	-	-		
Total revenues	300.2	106.8	69.9	48.7	74.8	120.5	75.4	45.1		
Expenses	7.5	1.2	1.1	3.2	2.0	1.0	1.0	-		
Net earnings from continuing operations	$292.7	$105.6	$68.8	$45.5	$72.8	$119.5	$74.4	$45.1		
Net earnings from discontinued operations	216.5	(0.5)	0.4	212.2	4.4	8.7	4.6	4.1		
Net earnings	$509.2	$105.1	$69.2	$257.7	$77.2	$128.2	$79.0	$49.2		
Balance Sheet										
Cash and cash equivalents		$2.1	$10.9	$127.9	$0.2		$0.7	$0.5		
Distributions receivable		28.5	27.9	33.3	34.5		28.5	28.5		
Due from related parties		3.0	1.5	0.5	4.5		-	-		
Total current assets		**33.6**	**40.3**	**161.7**	**39.2**		**29.2**	**29.0**		
Investments		4,290.5	4,271.0	4,291.4	4,587.1		4,106.1	4,111.6		
Total assets		**$4,324.1**	**$4,311.3**	**$4,453.1**	**$4,626.3**		**$4,135.3**	**$4,140.6**		
Payables and accruals		$0.4	$0.7	$0.1	$0.1		$0.2	-		
Distributions payable		29.8	29.9	30.7	32.3		28.3	28.3		
Due to related parties		-	-	0.6	208.0		0.9	-		
Total current liabilities		**30.2**	**30.6**	**31.4**	**240.4**		**29.4**	**28.3**		
Unitholders' equity		4,293.9	4,280.7	4,421.7	4,385.9		4,105.9	4,112.3		
Total liabilities and unitholders' equity		**$4,324.1**	**$4,311.3**	**$4,453.1**	**$4,626.3**		**$4,135.3**	**$4,140.6**		
Cash flow										
Net earnings from continuing operations	$292.7	$105.6	$68.8	$45.5	$72.8	$119.5	$74.4	$45.1		
Income from equity investments	(297.6)	(106.7)	(69.3)	(46.8)	(74.8)	(120.5)	(75.4)	(45.1)		
Change in operating assets and liabilities	2.2	0.6	1.2	(1.1)	1.5	1.1	1.1	-		
Cash from (used in) operating activities	**(2.7)**	**(0.5)**	**0.7**	**(2.4)**	**(0.5)**	**0.1**	**0.1**	**-**		
Repayment of loan to related party	(200.9)	-	-	(200.9)	-	-	-	-		
Proceeds of loan from related party	69.9	-	-	-	69.9	-	-	-		
Issuance of units	-	-	-	-	-	4,141.0	-	4,141.0		
Repurchase of units	(330.2)	(4.6)	(117.1)	(137.6)	(70.9)	-	-	-		
Redemption of units	(0.3)	(0.1)	-	(0.1)	(0.1)	(0.3)	(0.3)	-		
Purchase of units for distribution reinvestment plan	(13.0)	(3.3)	(3.2)	(3.3)	(3.2)	(5.9)	(3.6)	(2.3)		
Cash distributions paid to unitholders	(354.4)	(86.3)	(88.1)	(91.2)	(88.8)	(128.8)	(81.5)	(47.3)		
Cash from (used in) financing activities	**(828.9)**	**(94.3)**	**(208.4)**	**(433.1)**	**(93.1)**	**4,006.0**	**(85.4)**	**4,091.4**		
Cash distributions received from equity investments	372.1	86.0	90.7	102.3	93.1	135.6	85.5	50.1		
Return of capital	460.9	-	-	460.9	-	-	-	-		
Increase in investments	-	-	-	-	-	(4,141.0)	-	(4,141.0)		
Cash from (used in) financing activities	**833.0**	**86.0**	**90.7**	**563.2**	**93.1**	**(4,005.4)**	**85.5**	**(4,090.9)**		
Net increase (decrease) in cash from continuing operations	1.4	(8.8)	(117.0)	127.7	(0.5)	0.7	0.2	0.5		
Cash and cash equivalents, beginning of period	0.7	10.9	127.9	0.2	0.7	-	0.5	-		
Cash and cash equivalents, end of period	**$2.1**	**$2.1**	**$10.9**	**$127.9**	**$0.2**	**$0.7**	**$0.7**	**$0.5**		

BELL ALIANT HOLDINGS LP
Highlights

	2007					2006 [5], [6]				
	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Financial measures [5]										
Operating revenues [7]	**$3,373.4**	**$858.7**	**$837.9**	**$825.4**	**$851.4**	**$3,299.2**	**$837.3**	**$825.1**	**$814.9**	**$821.9**
EBITDA [7]	**$1,450.2**	**$370.2**	**$372.4**	**$358.1**	**$349.5**	**$1,446.7**	**$363.9**	**$366.7**	**$363.2**	**$352.9**
EBITDA [7] margin	**43.0%**	**43.1%**	**44.4%**	**43.4%**	**41.1%**	**43.9%**	**43.5%**	**44.4%**	**44.6%**	**42.9%**
Operating income [7]	**$515.4**	**$145.7**	**$142.3**	**$55.8**	**$171.6**	**$732.5**	**$185.9**	**$194.2**	**$180.8**	**$171.6**
Current year Q over same Q last year growth										
Operating revenues [7]	$74.2	$21.4	$12.8	$10.5	$29.5	$45.2	$15.2	$13.7	$9.4	$6.9
	2.2%	2.6%	1.6%	1.3%	3.6%	1.4%	1.8%	1.7%	1.2%	0.8%
EBITDA [7]	$3.5	$6.3	$5.7	($5.1)	($3.4)	$2.9	($3.7)	$3.8	$2.8	$0.0
	0.2%	1.7%	1.6%	(1.4%)	(1.0%)	0.2%	(1.0%)	1.0%	0.8%	0.0%
EBITDA [7] margin	(0.9%)	(0.4%)	0.0%	(1.2%)	(1.8%)	(0.6%)	(1.2%)	(0.3%)	(0.1%)	(0.4%)
	(2.0%)	(0.9%)	0.0%	(2.7%)	(4.2%)	(1.4%)	(2.7%)	(0.7%)	(0.2%)	(0.9%)
Operating income [7]	($217.1)	($40.2)	($51.9)	($125.0)	$0.0	$2.8	($2.1)	$10.2	($0.5)	($4.8)
	(29.6%)	(21.6%)	(26.7%)	(69.1%)	0.0%	0.4%	(1.1%)	5.5%	(0.3%)	(2.7%)
Operating statistics [5]										
Network Access Services (NAS)		3,201,805	3,244,087	3,264,763	3,286,945		3,309,244	3,346,724	3,359,106	3,364,493
NAS net declines, in the period	(107,439)	(42,282)	(20,676)	(22,182)	(22,299)	(66,414)	(37,480)	(12,382)	(5,387)	(11,165)
As a percentage, in the period	(3.2%)	(1.3%)	(0.6%)	(0.7%)	(0.7%)	(2.0%)	(1.1%)	(0.4%)	(0.2%)	(0.3%)
High speed Internet (HSI) customers		688,713	665,409	642,434	620,517		588,238	559,170	530,528	509,940
HSI customers net additions, in the period	100,475	23,304	22,975	21,917	32,279	113,641	29,068	28,642	20,588	35,343
As a percentage, in the period	17.1%	3.5%	3.6%	3.5%	5.5%	23.9%	5.2%	5.4%	4.0%	7.4%
Cash flow measures [5]										
Capital expenditures	$543.0	$144.1	$140.2	$143.4	$115.3	$517.5	$131.1	$132.2	$142.1	$112.1
Capital intensity [8]	16.1%	16.8%	16.7%	17.4%	13.5%	15.7%	15.7%	16.0%	17.4%	13.6%
Distributable cash [7]	$701.4	$169.5	$177.6	$162.2	$192.1	$722.9	$186.8	$185.9	$167.5	$182.7
Distributable cash per Fund unit [9]	$3.035	$0.745	$0.773	$0.694	$0.823	$3.220	$0.832	$0.828	$0.746	$0.814
Distributions declared [10]	$651.1	$160.1	$161.3	$163.5	$166.2	$602.4	$153.8	$141.0	$153.8	$153.8
Payout ratio [11]	92.8%	94.5%	90.8%	100.8%	86.5%	83.3%	82.3%	75.8%	91.8%	84.2%
Current year Q over same Q last year growth										
Distributable cash [7]	($21.5)	($17.3)	($8.3)	($5.3)	$9.4	$12.2	($2.2)	$14.8	($0.8)	$0.4
	(3.0%)	(9.3%)	(4.5%)	(3.2%)	5.1%	1.7%	(1.2%)	8.6%	(0.5%)	0.2%

(5) The 2006 financial measures, operating statistics and cashflow measures for Q1, Q2 and Q3 are pro forma results as they contain pro forma adjustments. Refer to the "Non-GAAP Financial Measures" section for a reconciliation of as reported results to pro forma results for operating revenues, EBITDA and operating income.

(6) In 2007, we adopted discontinued operations presentation for Aliant Directory Services, in accordance with Canadian GAAP. As a result, the financial information for 2006 has been restated.

(7) The terms Pro forma operating revenues, EBITDA, Pro forma EBITDA, operating income, Pro forma operating income and distributable cash do not have any standardized meaning prescribed by Canadian GAAP. Refer to the "Non-GAAP" Financial Measures" section for definitions and reconciliations to the most comparable GAAP financial measure.

(8) Capital intensity - capital expenditures divided by operating revenue.

(9) Distributable cash per Fund unit - distributable cash divided by average fully diluted Fund units outstanding. The per unit numbers for periods prior to Q3 2006 are based on an estimate of 224,495,000 fully diluted Fund units.

(10) For periods prior to Q3 2006, distributions declared are based on management's estimates of what would have been paid had the Fund been in existence since January 1, 2005, and carried out the current payout policy. Distributions declared per this schedule exclude $1.8 million in dividends paid to minority shareholders of Atlantic Mobility Products (AMP) prior to Q3 2006, but includes distributions to Bell Canada and BCE on units that are exchangeable into Fund units.

(11) Payout ratio - distributions declared divided by distributable cash.

BELL ALIANT HOLDINGS LP
Summary of quarterly financial results, as reported

	2007 Total	2007 Q4	2007 Q3	2007 Q2	2007 Q1	2006 (6) Total	2006 (6) Q4	2006 (6) Q3	2006 (6) Q2	2006 (6) Q1
Net earnings										
Operating revenues	**$3,373.4**	**$858.7**	**$837.9**	**$825.4**	**$851.4**	**$2,684.3**	**$837.3**	**$802.8**	**$516.5**	**$527.7**
Expenses	1,923.2	488.5	465.5	467.3	501.9	1,536.8	473.4	447.2	300.5	315.7
EBITDA (7)	**1,450.2**	**370.2**	**372.4**	**358.1**	**349.5**	**1,147.5**	**363.9**	**355.6**	**216.0**	**212.0**
Depreciation and amortization	775.8	171.5	183.3	273.1	147.9	483.8	151.9	141.4	91.8	98.7
Net benefit plans cost	131.6	47.8	26.0	28.3	29.5	99.7	25.9	26.0	23.6	24.2
Restructuring and other charges	27.4	5.2	20.8	0.9	0.5	13.2	0.2	3.8	8.9	0.3
Operating income (7)	**515.4**	**145.7**	**142.3**	**55.8**	**171.6**	**550.8**	**185.9**	**184.4**	**91.7**	**88.8**
Other expenses (income)	0.2	1.9	(4.3)	0.4	2.2	(2,768.5)	(1.9)	(2,780.3)	1.3	12.4
Interest charges	158.5	38.9	38.5	41.7	39.4	108.0	37.1	37.1	16.0	17.8
Income tax expense (recovery)	(120.9)	(60.7)	(8.8)	(46.8)	(4.6)	236.7	234.2	(46.2)	25.9	22.8
Non-controlling interest	158.9	47.5	44.2	15.6	51.6	93.9	49.1	43.7	0.6	0.5
Net earnings (loss) from continuing operations	318.7	118.1	72.7	44.9	83.0	2,880.7	(132.6)	2,930.1	47.9	35.3
Net earnings (loss) from discontinued operations (12)	265.6	(0.7)	0.5	260.3	5.5	21.3	5.6	5.5	5.3	4.9
Net earnings (loss)	**$584.3**	**$117.4**	**$73.2**	**$305.2**	**$88.5**	**$2,902.0**	**($127.0)**	**$2,935.6**	**$53.2**	**$40.2**
Balance sheet										
Cash and cash equivalents		$48.1	$8.1	$30.3	$47.1		$100.5	$262.3	$71.9	$81.6
Note receivable from related party		-	-	-	200.9		38.9	37.5	-	-
Accounts receivable		377.8	416.4	392.0	498.1		522.9	440.6	278.7	297.9
Other current assets (13)		84.1	86.3	93.1	180.6		151.7	102.1	84.0	58.7
Current assets		**510.0**	**510.8**	**515.4**	**926.7**		**814.0**	**842.5**	**434.6**	**438.2**
Property, plant and equipment		3,730.1	3,714.9	3,713.2	3,706.4		3,744.8	3,710.2	1,772.8	1,763.0
Finite-life intangibles		3,154.5	3,179.0	3,217.7	179.4		174.5	158.1	134.9	132.4
Capital investments		**6,884.6**	**6,893.9**	**6,930.9**	**3,885.8**		**3,919.3**	**3,868.3**	**1,907.7**	**1,895.4**
Other long-term assets (13)		83.4	81.1	102.2	87.3		117.0	172.0	112.3	70.1
Accrued benefit asset		363.9	382.5	381.6	380.6		379.3	236.3	275.7	268.0
Indefinite-life intangibles		82.8	82.8	82.8	15.7		16.7	16.7	3.7	3.7
Goodwill		2,554.5	2,554.5	2,554.5	5,434.9		5,446.2	5,491.4	61.8	61.4
Other assets		**3,084.6**	**3,100.9**	**3,121.1**	**5,918.5**		**5,959.2**	**5,916.4**	**453.5**	**403.2**
Total assets		**$10,479.2**	**$10,505.6**	**$10,567.4**	**$10,731.0**		**$10,692.5**	**$10,627.2**	**$2,795.8**	**$2,736.8**
Notes payable to related party		$1.9	$10.5	$127.0	-		-	-	-	-
Payables and accruals		400.8	394.5	361.5	329.4		359.9	356.7	227.1	201.4
Distributions payable		52.0	51.5	56.9	58.1		55.0	54.8	-	-
Other current liabilities (13)		0.3	2.4	18.6	25.4		26.7	12.4	30.2	22.8
Short-term debt		216.7	202.3	103.7	5.6		8.5	151.0	-	2.7
Long-term debt due within one year		59.8	57.9	59.3	9.2		109.2	10.6	7.5	108.4
Current liabilities		**731.5**	**719.1**	**727.0**	**427.7**		**559.3**	**585.5**	**264.8**	**335.3**
Long term debt		2,513.8	2,503.6	2,505.3	2,962.7		2,702.0	2,799.2	1,055.0	750.3
Accrued benefit liability		410.5	409.1	409.1	405.0		399.1	212.8	183.6	182.8
Other liabilities (13)		477.4	534.7	541.8	248.4		276.4	31.8	39.6	44.8
Non-controlling interest (14)		1,829.6	1,845.7	1,862.1	1,907.1		1,919.1	1,929.5	6.7	6.1
Other liabilities		**5,231.3**	**5,293.1**	**5,318.3**	**5,523.2**		**5,296.6**	**4,973.3**	**1,284.9**	**984.0**
Partners' / Shareholders' equity		**4,516.4**	**4,493.4**	**4,522.1**	**4,780.1**		**4,836.6**	**5,068.4**	**1,246.1**	**1,417.5**
Total liabilities and partners' / shareholders' equity		**$10,479.2**	**$10,505.6**	**$10,567.4**	**$10,731.0**		**$10,692.5**	**$10,627.2**	**$2,795.8**	**$2,736.8**

(12) Net earnings (loss) from discontinued operations - mainly consists of Aliant Directory Services, an after tax gain on disposal of $258.2M was recorded during 2007.

(13) Prior quarters future tax balances have been reclassified as a result of the deferral of 2006 partnership income for tax purposes.

(14) Non-controlling interest - mainly includes the 35.9 per cent interest in Bell Aliant LP benefically owned by BCE and Bell Canada and the 36.7 per cent interest in Télébec and NorthernTel that is indirectly held by the Fund effective Q1 2007.

BELL ALIANT HOLDINGS LP
Summary of quarterly financial results, as reported

Cash flow	2007 Total	2007 Q4	2007 Q3	2007 Q2	2007 Q1	2006 [6] Total	2006 [6] Q4	2006 [6] Q3	2006 [6] Q2	2006 [6] Q1
Net earnings from continuing operations	$318.7	$118.1	$72.7	$44.9	$83.0	$2,880.7	($132.6)	$2,930.1	$47.9	$35.3
Depreciation and amortization	775.8	171.5	183.3	273.1	147.9	483.8	151.9	141.4	91.8	98.7
Future income tax expense (recovery)	(111.0)	(60.7)	3.5	(43.6)	(10.2)	186.7	237.0	(43.6)	(4.9)	(1.8)
Net benefit plans cost	124.3	45.8	24.4	26.4	27.7	93.4	24.3	24.4	22.1	22.6
Funding of defined benefit and other post-employment benefit plans	(97.4)	(25.8)	(25.3)	(23.2)	(23.1)	(111.0)	(30.1)	(28.8)	(29.0)	(23.1)
Non-controlling interest	158.9	47.5	44.2	15.6	51.6	93.9	49.1	43.7	0.6	0.5
Non-cash financial derivative loss	-	-	-	-	-	28.5	0.6	16.0	(1.2)	13.1
Gain on disposal of business units and dilution gain	-	-	-	-	-	(2,950.6)	-	(2,950.6)	-	-
Other	(2.3)	(0.9)	(1.2)	(1.7)	1.5	14.0	3.3	8.0	2.4	0.3
Change in operating assets and liabilities	40.8	23.5	2.7	41.3	(26.7)	(127.3)	(31.9)	(29.2)	(12.6)	(53.6)
Cash from (used in) operating activities	**1,207.8**	**319.0**	**304.3**	**332.8**	**251.7**	**592.1**	**271.6**	**111.4**	**117.1**	**92.0**
Net proceeds on sale of accounts receivable	100.0	20.0	(10.0)	90.0	-	-	-	-	-	-
Net proceeds on issuance of short-term debt	208.2	14.4	98.6	98.1	(2.9)	(3.1)	(142.9)	151.0	(2.6)	(8.6)
Proceeds (repayment) of notes payable to related party	1.9	(8.6)	(116.5)	127.0	-	-	-	-	-	-
Proceeds of long-term debt	994.5	-	-	-	994.5	4,306.1	(1.6)	4,028.1	279.6	-
Repayment of long-term debt	(1,238.5)	(1.6)	(1.1)	(412.7)	(823.1)	(2,630.2)	(3.6)	(2,501.6)	(75.0)	(50.0)
Repayment of capital lease obligations	(7.5)	(1.8)	(2.7)	(1.0)	(2.0)	0.4	4.1	(1.4)	(1.2)	(1.1)
Repayment of partners' capital	(460.9)	-	-	(460.9)	-	-	-	-	-	
Distributions paid by subsidiaries to non-controlling interest	(242.7)	(61.9)	(60.5)	(60.5)	(59.8)	(100.0)	(61.4)	(38.6)	-	-
Distributions paid	(414.6)	(94.8)	(101.0)	(112.5)	(106.3)	(166.2)	(104.8)	(61.4)	-	-
Issuance (repurchase) of common shares	-	-	-	-	-	(7.4)	(1.2)	(0.6)	(9.8)	4.2
Redemption of preferred shares	-	-	-	-	-	(175.0)	-	-	(175.0)	-
Dividends paid on common and preferred shares	-	-	-	-	-	(117.6)	-	-	(40.7)	(76.9)
Net settlement of financial derivatives	(24.1)	-	6.4	-	(30.5)	(58.1)	-	(58.1)	-	-
Other financing activities	(4.1)	(0.5)	-	-	(3.6)	(8.1)	3.3	(10.2)	(1.2)	-
Cash from (used in) financing activities	**(1,087.8)**	**(134.8)**	**(186.8)**	**(732.5)**	**(33.7)**	**1,040.8**	**(308.1)**	**1,507.2**	**(25.9)**	**(132.4)**
Purchase of capital investments	(543.0)	(144.1)	(140.2)	(143.4)	(115.3)	(445.0)	(131.1)	(128.6)	(104.4)	(80.9)
Collection (issuance) of notes receivable from related party	-	-	-	200.9	(200.9)	-	-	-	-	-
Proceeds on sale of capital investments	1.7	0.5	0.1	-	1.1	1.1	0.5	0.2	0.4	-
Business combinations, net of cash	-	-	-	-	-	(17.5)	-	(17.5)	-	-
Business acquisitions, net of cash	-	-	-	-	-	(1,250.2)	1.1	(1,251.3)	-	-
Cash from (used in) financing activities	**(541.3)**	**(143.6)**	**(140.1)**	**57.5**	**(315.1)**	**(1,711.6)**	**(129.5)**	**(1,397.2)**	**(104.0)**	**(80.9)**
Net increase (decrease) in cash from continuing operations	(421.3)	40.6	(22.6)	(342.2)	(97.1)	(78.7)	(166.0)	221.4	(12.8)	(121.3)
Net increase (decrease) in cash from discontinued operations	330.0	(0.6)	0.4	325.4	4.8	22.3	5.6	6.5	3.1	7.1
Cash and cash equivalents, beginning of period	139.4	8.1	30.3	47.1	139.4	195.8	299.8	71.9	81.6	195.8
Cash and cash equivalents, end of period	**$48.1**	**$48.1**	**$8.1**	**$30.3**	**$47.1**	**$139.4**	**$139.4**	**$299.8**	**$71.9**	**$81.6**

BELL ALIANT HOLDINGS LP
Operating revenues [5] and growth

		2007 [15]					2006 [5], [6], [15]				
		Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Local and access		$1,430.9	$354.3	$361.4	$360.3	$354.9	$1,455.4	$362.6	$367.3	$364.1	$361.4
Long distance		474.8	116.4	124.7	118.5	115.2	490.3	118.4	129.2	123.3	119.4
Data:	**Internet**	344.9	89.1	85.5	86.2	84.1	312.8	82.7	79.5	77.1	73.5
	Other	377.6	95.2	98.7	89.3	94.4	361.0	96.1	89.5	90.2	85.2
	Total data	722.5	184.3	184.2	175.5	178.5	673.8	178.8	169.0	167.3	158.7
Information technology:	**IT services**	140.1	38.9	30.9	35.6	34.7	128.2	35.7	31.4	30.2	30.9
	Fulfillment	179.6	38.8	33.5	36.4	70.9	150.8	36.9	29.3	28.9	55.7
	Total IT	319.7	77.7	64.4	72.0	105.6	279.0	72.6	60.7	59.1	86.6
Wireless		64.4	17.0	17.3	15.5	14.6	55.9	14.4	15.7	13.0	12.8
Other revenues:	**Atlantic Mobility Products**	100.7	33.8	24.8	23.4	18.7	89.7	23.7	22.7	24.5	18.8
	Innovatia	25.8	6.4	6.3	6.5	6.6	27.9	6.7	7.1	6.9	7.2
	Product sales	65.2	17.2	16.5	15.7	15.8	63.2	20.5	12.4	15.3	15.0
	Rentals	46.2	13.0	13.2	10.2	9.8	46.3	10.5	11.5	12.1	12.2
	Other	123.2	38.6	25.1	27.8	31.7	117.7	29.1	29.5	29.3	29.8
	Total other revenues	361.1	109.0	85.9	83.6	82.6	344.8	90.5	83.2	88.1	83.0
		$3,373.4	**$858.7**	**$837.9**	**$825.4**	**$851.4**	**$3,299.2**	**$837.3**	**$825.1**	**$814.9**	**$821.9**
Current year Q over same Q last year growth											
Local and access		($24.5)	($8.3)	($5.9)	($3.8)	($6.5)	($13.3)	($5.6)	($3.5)	($4.4)	$0.2
		(1.7%)	(2.3%)	(1.6%)	(1.0%)	(1.8%)	(0.9%)	(1.5%)	(0.9%)	(1.2%)	0.1%
Long distance		($15.5)	($2.0)	($4.5)	($4.8)	($4.2)	($38.6)	($9.3)	($6.4)	($10.5)	($12.4)
		(3.2%)	(1.7%)	(3.5%)	(3.9%)	(3.5%)	(7.3%)	(7.3%)	(4.7%)	(7.8%)	(9.4%)
Data:	**Internet**	$32.1	$6.4	$6.0	$9.1	$10.6	$51.5	$12.4	$12.6	$13.8	$12.7
		10.3%	7.7%	7.5%	11.8%	14.4%	19.7%	17.6%	18.8%	21.8%	20.9%
	Other	$16.6	($0.9)	$9.2	($0.9)	$9.2	$1.9	$4.0	$2.2	($0.5)	($3.8)
		4.6%	(0.9%)	10.3%	(1.0%)	10.8%	0.5%	4.3%	2.5%	(0.6%)	(4.3%)
	Total data	$48.7	$5.5	$15.2	$8.2	$19.8	$53.4	$16.4	$14.8	$13.3	$8.9
		7.2%	3.1%	9.0%	4.9%	12.5%	8.6%	10.1%	9.6%	8.6%	5.9%
Information technology:	**IT services**	$11.9	$3.2	($0.5)	$5.4	$3.8	$12.1	$6.7	$6.0	($0.6)	$0.0
		9.3%	9.0%	(1.6%)	17.9%	12.3%	10.4%	23.1%	23.6%	(1.9%)	-
	Fulfillment	$28.8	$1.9	$4.2	$7.5	$15.2	$13.9	$8.8	$0.7	($1.5)	$5.9
		19.1%	5.1%	14.3%	26.0%	27.3%	10.2%	31.3%	2.4%	(4.9%)	11.8%
	Total IT	$40.7	$5.1	$3.7	$12.9	$19.0	$26.0	$15.5	$6.7	($2.1)	$5.9
		14.6%	7.0%	6.1%	21.8%	21.9%	10.3%	27.1%	12.4%	(3.4%)	7.3%
Wireless		$8.5	$2.6	$1.6	$2.5	$1.8	$4.5	$1.1	$0.2	$0.9	$2.3
		15.2%	18.1%	10.2%	19.2%	14.1%	8.8%	8.3%	1.3%	7.4%	21.9%
Other revenues:	**Atlantic Mobility Products**	$11.0	$10.1	$2.1	($1.1)	($0.1)	$6.2	$0.2	$1.2	$4.2	$0.6
		12.3%	42.6%	9.3%	(4.5%)	(0.5%)	7.4%	0.9%	5.6%	20.7%	3.3%
	Innovatia	($2.1)	($0.3)	($0.8)	($0.4)	($0.6)	$1.6	$0.5	$1.0	$1.6	($1.5)
		(7.5%)	(4.5%)	(11.3%)	(5.8%)	(8.3%)	6.1%	8.1%	16.4%	30.2%	(17.2%)
	Product sales	$2.0	($3.3)	$4.1	$0.4	$0.8	$1.5	($1.1)	($1.5)	$2.4	$1.7
		3.2%	(16.1%)	33.1%	2.6%	5.3%	2.4%	(5.1%)	(10.8%)	18.6%	12.8%
	Rentals	($0.1)	$2.5	$1.7	($1.9)	($2.4)	($8.7)	($2.7)	($2.2)	($1.5)	($2.3)
		(0.2%)	23.8%	14.8%	(15.7%)	(19.7%)	(15.8%)	(20.5%)	(16.1%)	(11.0%)	(15.9%)
	Other	$5.5	$9.5	($4.4)	($1.5)	$1.9	$12.6	$0.2	$3.4	$5.5	$3.5
		4.7%	32.6%	(14.9%)	(5.1%)	6.4%	12.0%	0.7%	13.0%	23.1%	13.3%
	Total other revenues	$16.3	$18.5	$2.7	($4.5)	($0.4)	$13.2	($2.9)	$1.9	$12.2	$2.0
		4.7%	20.4%	3.2%	(5.1%)	(0.5%)	4.0%	(3.1%)	2.3%	16.1%	2.5%

[15] We have reclassified Local and access, Other data, Internet and Other operating revenues in all previously reported quarters to more accurately reflect their nature.

BELL ALIANT HOLDINGS LP
Operating revenues statistics

	2007 Total	2007 Q4	2007 Q3	2007 Q2	2007 Q1	2006 [(5)] Total	2006 Q4	2006 Q3	2006 Q2	2006 Q1
Network access service (NAS)										
Residential		2,134,440	2,169,183	2,189,000	2,204,973		2,224,544	2,259,174	2,272,454	2,280,225
Business		1,067,365	1,074,904	1,075,763	1,081,972		1,084,700	1,087,550	1,086,652	1,084,268
Total		**3,201,805**	**3,244,087**	**3,264,763**	**3,286,945**		**3,309,244**	**3,346,724**	**3,359,106**	**3,364,493**
NAS net declines	**(107,439)**	**(42,282)**	**(20,676)**	**(22,182)**	**(22,299)**	**(66,414)**	**(37,480)**	**(12,382)**	**(5,387)**	**(11,165)**
Long distance minutes *(thousands)*	**4,724,210**	**1,165,804**	**1,158,081**	**1,186,595**	**1,213,729**	**5,029,226**	**1,235,365**	**1,240,843**	**1,238,703**	**1,314,315**
Revenue per long distance minute	$0.096	$0.095	$0.103	$0.095	$0.089	$0.092	$0.090	$0.099	$0.094	$0.086
Wireless customers										
Prepaid		14,705	14,055	12,811	11,840		14,412	10,918	8,244	6,721
Postpaid		80,220	77,901	75,404	74,307		73,341	71,544	68,683	63,059
Total		**94,925**	**91,956**	**88,215**	**86,147**		**87,753**	**82,462**	**76,927**	**69,780**
Wireless net additions (declines)	**7,172**	**2,969**	**3,741**	**2,068**	**(1,606)**	**19,305**	**5,291**	**5,535**	**7,147**	**1,332**
Churn - postpaid wireless	**1.7%**	**1.4%**	**1.5%**	**2.4%**	**1.4%**	**1.2%**	**1.3%**	**1.2%**	**1.1%**	**1.3%**
Wireless - average revenue per customer (ARPC)										
Prepaid	$20.46	$22.52	$23.36	$20.17	$15.53	$9.24	$12.60	$11.02	$8.17	$1.72
Postpaid	$63.79	$64.61	$68.01	$62.27	$60.06	$64.10	$61.23	$69.07	$62.14	$63.89
Total	$57.36	$58.17	$61.37	$56.35	$53.35	$57.78	$54.16	$62.30	$56.99	$57.94
High speed Internet (HSI) customers		**688,713**	**665,409**	**642,434**	**620,517**		**588,238**	**559,170**	**530,528**	**509,940**
HSI customer net additions	100,475	23,304	22,975	21,917	32,279	113,641	29,068	28,642	20,588	35,343
Residential HSI ARPC [(15), (16)]	**$34.95**	**$34.86**	**$33.92**	**$35.31**	**$35.80**	**$35.71**	**$36.00**	**$35.56**	**$35.66**	**$34.77**
Current year Q over same Q last year growth										
Long distance minutes	(305,016)	(69,561)	(82,762)	(52,108)	(100,586)	(109,428)	(53,078)	(31,829)	(42,037)	17,516
	(6.1%)	(5.6%)	(6.7%)	(4.2%)	(7.7%)	(2.1%)	(4.1%)	(2.5%)	(3.3%)	1.4%
Wireless ARPC - total	($0.42)	$4.01	($0.93)	($0.64)	($4.59)	($3.19)	($6.16)	($13.89)	($0.19)	$8.18
	(0.7%)	7.4%	(1.5%)	(1.1%)	(7.9%)	(5.2%)	(10.2%)	(18.2%)	(0.3%)	16.4%
Churn - postpaid wireless	0.5%	0.1%	0.3%	1.3%	0.1%	(0.3%)	(0.2%)	(0.4%)	(0.5%)	-
	41.7%	7.7%	25.0%	118.2%	7.7%	(20.0%)	(13.3%)	(25.0%)	(31.3%)	-
Residential HSI ARPC	($0.76)	($1.14)	($1.64)	($0.35)	$1.03	$1.91	$1.79	$1.28	$2.29	$1.58
	(2.1%)	(3.2%)	(4.6%)	(1.0%)	3.0%	5.7%	5.2%	3.7%	6.9%	4.8%
Current year-to-date over same year-to-date last year growth										
NAS		(107,439)	(102,637)	(94,343)	(77,548)		(66,414)	(42,296)	(26,837)	(27,363)
		(3.2%)	(3.1%)	(2.8%)	(2.3%)		(2.0%)	(1.2%)	(0.8%)	(0.8%)
Wireless customers		7,172	9,494	11,288	16,367		19,305	15,340	10,673	5,330
		8.2%	11.5%	14.7%	23.5%		28.2%	22.9%	16.1%	8.3%
HSI customers		100,475	106,239	111,906	110,577		113,641	116,885	126,271	132,797
		17.1%	19.0%	21.1%	21.7%		23.9%	26.4%	31.2%	35.2%

(16) We have restated our Residential high speed Internet ARPC for Q3 and Q4 2006 to include Value Added Services in order to align our definitions across all our regions. As well, we have restated our Residential high speed Internet ARPC as a result of the revenue reclassification. See page 31.

BELL ALIANT HOLDINGS LP
Capital structure

	2007 Total	2007 Q4	2007 Q3	2007 Q2	2007 Q1	2006 [6] Total	2006 [6] Q4	2006 [6] Q3	2006 [6] Q2	2006 [6] Q1
Unitholders' / Shareholders' equity		49.7%	49.3%	49.4%	49.7%		51.3%	52.5%	53.8%	62.0%
Non-controlling interest [14]		20.1%	20.3%	20.4%	19.8%		20.3%	20.0%	0.3%	0.3%
Net debt [17]		30.2%	30.4%	30.2%	30.5%		28.4%	27.5%	45.9%	37.7%
		100.0%	100.0%	100.0%	100.0%		100.0%	100.0%	100.0%	100.0%
Return Statistics										
Return on unitholders' / shareholders' equity [18]	12.6%	10.5%	6.5%	25.8%	7.4%	97.6%	(10.1%)	290.5%	16.3%	12.2%
Return on invested capital [19]	7.4%	6.3%	4.3%	14.2%	4.8%	52.8%	(4.3%)	150.6%	11.0%	8.8%
Net debt to EBITDA [7] [20]		1.9	1.9	1.9	2.0		1.9	1.8	1.2	0.9
Interest coverage [21]		3.3	3.6	21.7	26.3		30.7	35.5	4.9	4.7
Cash flow to interest [22]		7.4	7.5	6.5	6.6		6.7	5.9	7.5	7.3

Ratings	Standard & Poor's	DBRS
Bell Aliant LP senior unsecured debt	BBB, stable trend	BBB (high), stable trend
Bell Aliant LP commercial paper	Not rated	R-1 (low), stable trend
Télébec and NorthernTel debentures	BBB, stable trend	BBB (high), stable trend
Bell Aliant Regional Communications Income Fund units	SR-2, stable (moderate)	STA-2 (high)

During 2007, Standard & Poor's equalized the ratings of Télébec and NorthernTel's debentures with those of Bell Aliant Regional Communications, Limited Partnership at BBB.

(17) Net debt - long-term debt, long-term debt due within one year, short-term debt, and notes payable to related party, less cash and cash equivalents and notes receivable from related parties that are readily convertible to cash.

(18) Return on unitholders' / shareholders' equity - net earnings less preferred share dividends for the period, if applicable, divided by average book value of unitholders' / shareholders' common equity (shareholders' equity excluding preferred shares) for the period. This calculation is annualized.

(19) Return on invested capital - net earnings plus total interest charges, net of taxes for the period divided by average book value of total capital (unitholders' / shareholders' equity, non-controlling interest and net debt) for the period. This calculation is annualized.

(20) Net debt to EBITDA [7] - Net debt divided by EBITDA [7] (current quarter plus three (3) previous quarters). Prior to Q3 2006, we use Pro forma EBITDA [7] (current quarter plus (3) previous quarters) in this calculation.

(21) Interest coverage - Operating income [7] less expenses plus other income (expense) divided by interest charges (current quarter plus three (3) previous quarters). Operating income [7] less expenses and interest in this calculation are not on a pro forma basis.

(22) Cash flow to interest - Cash from operating activities (before change in operating assets and liabilities) divided by interest charges (current quarter plus three (3) previous quarters). Cash flow from operating activities and interest in this calculation are not on a pro forma basis.