



Telecommunications  
 Information Technology  
 Emerging Business  
 Mobile Satellite Communications

INTERIM  
 REPORT  
 TO  
 SHAREHOLDERS

## To our shareholders:

We are pleased to report to you on your company's financial results and significant events for the nine months ended September 30, 1999. In this quarter, we have continued to focus on two major objectives.

First, our concentration on Aliant's growth strategy is reflected in the strong financial performance achieved in the quarter and in our year-to-date results. We're happy to report that our financial results are consistent with management's expectations as set out in the business plans of our four core lines of business: telecommunications, information technology, mobile satellite services and emerging business.

Second, the integration of our many companies and their operations, in order to achieve our stated synergy targets, is progressing extremely well. We believe that during this timeframe we created and implemented an organizational structure, which will allow us to operate efficiently and achieve synergy objectives. Many companies initially experience adverse reactions and results following a merger. We are extremely pleased to inform you that we have not only met our financial targets post merger, but in most product categories, we increased our market share in the quarter.

There are two significant matters we would like to draw to your attention – first, a one-time restructuring charge, and second, significant savings in operating expenses. As outlined in our Financial Highlights, the company recorded a \$78 million restructuring charge (\$42.5 million after tax) in the quarter. This one-time restructuring charge represents a significant investment for our future and includes costs such as voluntary early retirement programs and business combination expenses, which are being incurred to produce savings in annual cash operating expenses of \$86 million. These savings will be measurable and demonstrable and will be realized on an annual run rate by mid-year 2001.

In addition, on October 4, 1999, Bell Canada

stated their intent to make an offer for up to 15.8 million of Aliant's outstanding common shares at a price of \$27.00 per share. A special committee of Aliant's Board of Directors is currently reviewing this offer and will report to the Board and to shareholders in accordance with applicable securities regulatory requirements. This offer is subject to customary conditions, including receipt of all required regulatory approvals, as well as Bell Canada achieving an ownership position of not less than 51 per cent of Aliant's common shares.

We are extremely pleased to inform you that your Board of Directors has declared a dividend of \$0.225 per common share payable on December 30, 1999, to shareholders of record on December 15, 1999. The declaration of this dividend is also in keeping with the objectives and benefits we outlined at the time of our merger.

In summary, our achievements this quarter provide a solid foundation upon which we can secure our future prospects.

## FINANCIAL HIGHLIGHTS

Our financial performance in the third quarter reflected continued growth in our four core lines of business.

Summary highlights:

	Third Quarter 1999	Percentage Growth Over 1998	Nine Months 1999	Percentage Growth Over 1998
Revenues(\$M)	516.3	17.6%	1,503.9	18.9%
Net Income(\$M)*	49.9	26.4%	136.7	16.5%
EPS(\$)*	0.39	25.8%	1.08	14.9%

\*Net Income and EPS are from continuing operations.

Net income from continuing operations, before the one-time restructuring charge due to the



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Aliant business combination, was \$49.9 million for the quarter, or \$0.39 per share, compared to \$39.4 million or \$0.31 per share last year, an increase of 26 per cent.

Taking into account the restructuring charge in this quarter, net income for this quarter becomes \$7.4 million, or \$0.06 per share, compared to \$39.5 million or \$0.31 per share during the same quarter in 1998.

We experienced continued growth in revenues, which totalled \$516.3 million for the quarter, an increase of 17.6 per cent, compared with \$439.2 million for the same period in 1998. We are pleased as well with our year-to-date revenues, totaling \$1.5 billion, up from \$1.27 billion in 1998, an increase of 18.9 per cent.

Operating expenses for the quarter, excluding the restructuring charge, were \$391.3 million compared with \$335.3 million for the same time last year.

For the quarter, excluding the restructuring charge, earnings before interest, taxes, depreciation and amortization (EBITDA) were \$212.6 million, an increase of 14.8 per cent over last year.

#### LINES OF BUSINESS

Aliant operates four lines of business: telecommunications, information technology, mobile satellite services, and emerging business.

#### ALIANTELECOMMUNICATIONS

Positive results in this division demonstrate the health of our telecom operations and its position as the foundation of our company.

Revenue performance across all our telecommunications businesses has been strong. Revenues for local service are up five per cent over last year from \$197 million in 1998 to \$207 million this quarter. Increased contribution revenue, an increase in Network Access Services and the growing use of data services and call management features, such as call waiting and voice messaging, were responsible for driving this growth.

Despite significant price reductions, revenues in long-distance have remained at the same level as 1998, primarily attributable to competitive campaigns aimed at giving customers greater choice, reduced pricing, innovative packaging and outstanding customer service.

Continued strong growth in the number of wireless customers, which was up 31 per cent over 1998, produced an increase in wireless revenues of 24 per cent. We launched new digital technologies during this time frame that helped

produce these gains, like InforMe™ Messaging, a service that allows users to receive e-mail and Internet messages to their digital phones and alphanumeric pagers.

We expect market demand for digital products and services to show strong growth, and to better serve our customers, we have invested a total of \$9.5 million in a new digital PCS wireless infrastructure. Through this investment we've expanded digital wireless services to the St. John's and Moncton regions, building upon the current digital network that exists in the greater Halifax and surrounding area.

Other telecommunications revenues, including multimedia, Internet, and directory continue to perform well, with revenues at \$ 40.1 million, an increase of 13 per cent from third quarter 1998. Atlantic Canadians continue to choose Aliant for their Internet services as demonstrated by the 39.3 per cent increase in dial-up and high-speed customers to approximately 155,000.

#### ALIANTELECOMMUNICATIONS

Aliant's information technology businesses, which provide a full range of IT consulting, managed network services, systems integration and IT outsourcing services are carried out through MITI Information Technology Inc. (MITI) and **xwave solutions inc.** Revenue has grown this quarter to \$58.9 million, compared to \$41.1 million, up 43 per cent from this time last year. This growth arose through the combination of acquisitions and organic growth (growth generated from existing business). Our organic growth was slower than we expected because customers continued to defer new systems development until they fully realize the impacts of the Y2K rollover.

Ongoing growth in the IT business will be achieved by concentrating our efforts in each company on their specific areas of strength and offering these services as a combined package to our customers. We will also continue to focus on expanding our national customer base.

#### ALIANTEMERGING BUSINESS

Aliant's emerging business division focuses on developing new growth opportunities for Aliant in Atlantic Canada and around the world. Within this division, AMI Offshore and NewTech Instruments focus on logistics support and service to the oil and gas industry, while companies such as ConneCTivity Contact Centre Solutions, iMagicTV and NBTel Global develop opportunities in software and electronic services integration for customers in-region and around the world.

Early in the third quarter, AMI Offshore concluded the acquisition of K&D Industries of Halifax, and recently acquired St. John's-based SEA Systems Limited and a 100 per cent interest in Tubecraft Atlantic Limited, also of St. John's. This move gives AMI Offshore a dominant position in Atlantic Canada's instrumentation and control industry. In a separate transaction, AMI Offshore assumed direct responsibility for the operation of NewTech Instruments Limited, a business within the Aliant family focussed on electronic manufacturing. These acquisitions, coupled with the capabilities of our information technology businesses, and satellite services, help round out a total logistics and support offering to the offshore oil and gas industry.

iMagicTV is one emerging business that is gaining attention on the world stage with software that allows telecommunications companies to increase revenues and reduce costs by delivering digital television services over the telco's infrastructure. NBTel will use iMagicTV's software when it launches TV services late in the fourth quarter.

As part of our US expansion strategy, we acquired AcadiaNet, an Internet Service Provider located in the Bangor area and welcomed 6000 new Internet customers to our company.

#### **ALIAN T MOBILE SATELLITE COMMUNICATIONS**

Through Aliant's 65 per cent ownership of Stratos Global Corporation (TSE:SGB), we conduct our mobile satellite communications line of business. Stratos Global is a multi-network international mobile satellite service provider offering communications solutions from a range of newly emerging and established technologies. It serves a variety of diverse markets including international business travelers; merchant, navy, cruise, and yachting vessels; general aviation; fishing, oil and gas industries; UN peacekeeping operations; journalists; fisheries enforcement; Coast Guard and emergency measures.

Stratos Global reported third quarter revenue of \$37.0 million, up from \$19.2 million for the same period last year. The Stratos Global's revenue accounts for a \$29.2 million increase in Aliant's revenue for the third quarter, as we did not begin consolidating Stratos Global until September 1, 1998.

#### **FINANCING**

During the third quarter, we completed a substantial portion of an internal organizational restructuring to align our operations into four lines of business. One organization resulting from this was Aliant Telecom Inc., a wholly

owned subsidiary of Aliant Inc. Aliant Telecom is the holding company that maintains our wireline and wireless entities. During this quarter, Aliant Telecom filed with the Canadian Securities Commissions a short form shelf prospectus to qualify the distribution in Canada of \$350 million principal amount of medium term notes on a continuous basis over the next two years. Dominion Bond Rating Service Limited, Canadian Bond Rating Service Limited and Standard and Poor's all confirmed "A" ratings for securities to be issued pursuant to the program. This represents a higher rating than the previous telecommunications companies held individually and reinforces the benefit of the Aliant business combination. An initial sale of \$200 million of the medium term notes was completed in October. The proceeds were lent to Island Telecom, MTT, NBTel and NewTel Communications to repay existing debt.

Aliant Inc. launched a commercial paper program during the third quarter enabling the company to meet its short-term borrowing requirements in the Canadian Commercial money markets on favorable terms.

#### **YEAR 2000**

The Year 2000 readiness program described in earlier reports has continued, and has now reached the stage that Year 2000 solutions are in place for all systems. The company believes that it is ready for the millennium challenge. This important corporate goal has been achieved in less time and at lower cost than originally budgeted.

The company very recently completed forward-date testing of all of its systems and found no errors. The systems ran in forward-date mode exactly as they do presently. Nevertheless, the company will continue with its programs of testing and "clean management" (to ensure that no changes are made which might adversely affect readiness) and business continuity planning to prepare for a wide range of contingencies. Aliant recognizes that continued vigilance will be necessary to protect these achievements and to ensure that the ultimate goal – a seamless millennium transition – is achieved.

I thank you for your continued support.



**Stephen Wetmore**  
*President and CEO*  
November 5, 1999

**CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)**

PERIOD ENDED SEPTEMBER 30, 1999	THREE MONTHS		YEAR TO DATE	
<i>(thousands of dollars, except per share amounts)</i>	1999	1998	1999	1998
<b>Operating Revenues:</b>				
Telecommunications:				
Local	\$ 207,568	\$ 196,955	\$ 619,096	\$ 579,556
Long-Distance	118,384	118,806	341,424	369,116
Wireless	51,286	41,365	131,361	111,620
Information Technology	42,038	33,263	140,507	72,012
Emerging Business	18,221	4,468	39,149	11,610
Mobile Satellite	37,048	7,835	106,674	7,835
Other	41,776	36,516	125,684	113,497
	<u>516,321</u>	<u>439,208</u>	<u>1,503,895</u>	<u>1,265,246</u>
<b>Operating Expenses:</b>				
Operating expenses	304,183	253,902	901,885	714,102
Depreciation and amortization	87,096	81,358	253,242	239,761
Restructuring costs (Note 4)	78,000	-	78,000	-
	<u>469,279</u>	<u>335,260</u>	<u>1,233,127</u>	<u>953,863</u>
Income before underlisted	47,042	103,948	270,768	311,383
Other income	490	(90)	9,901	26,573
Interest charges	31,100	26,483	91,399	79,383
Income before income taxes	16,432	77,375	189,270	258,573
Income taxes	9,321	37,599	91,197	112,302
Income before non-controlling interest	7,111	39,776	98,073	146,271
Non-controlling interest	(254)	302	(132)	742
Net income applicable to common shares	<u>\$ 7,365</u>	<u>\$ 39,474</u>	<u>\$ 98,205</u>	<u>\$ 145,529</u>
Earnings per average common share	<u>\$ 0.06</u>	<u>\$ 0.31</u>	<u>\$ 0.78</u>	<u>\$ 1.16</u>
Earnings per average common share, before Restructure charge	\$ 0.39	\$ 0.31	\$ 1.11	\$ 1.16
Earnings per average common share from continuing operations	\$ 0.39	\$ 0.31	\$ 1.08	\$ 0.94
Average number of common shares outstanding <i>(thousands)</i>	<u>126,575</u>	<u>125,566</u>	<u>126,418</u>	<u>125,414</u>

**CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)**
**AS AT SEPTEMBER 30**
*(thousands of dollars)*

	<b>1999</b>	<b>1998</b>
<b>ASSETS</b>		
Current assets	\$ 456,340	\$ 401,980
Capital assets	4,534,677	4,389,416
Accumulated depreciation	(2,423,858)	(2,324,493)
Long-term investments	52,039	57,819
Goodwill	121,322	91,050
Deferred charges	126,373	115,376
	<u>\$ 2,866,893</u>	<u>\$ 2,731,148</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities	\$ 745,258	\$ 549,014
Long-term debt	964,221	1,080,375
Deferred credits	55,035	36,521
Non-controlling interest	34,321	38,455
Shareholders' equity	1,068,058	1,026,783
	<u>\$ 2,866,893</u>	<u>\$ 2,731,148</u>

**CONDENSED STATEMENT OF CHANGES IN FINANCIAL POSITION (UNAUDITED)**

**NINE MONTHS ENDED SEPTEMBER 30, 1999**

*(thousands of dollars)*

	<b>1999</b>	<b>1998</b>
<b>CASH FROM (USED IN) OPERATIONS</b>		
Net income	\$ 98,205	\$ 145,529
Add (deduct) non-cash items		
Depreciation and amortization	253,242	239,761
Other non-cash items	(4,102)	(25,334)
Share in earnings of equity accounted investments	951	3,020
Non-controlling interest	(132)	742
	348,164	363,718
Provision for restructuring charge	42,532	-
	390,696	363,718
Change in non-cash working capital	(108,030)	(60,693)
	282,666	303,025
<b>CASH FROM (USED IN) FINANCING</b>		
Proceeds from (repayment of) long-term debt	(18,421)	81,605
Proceeds from notes payable	99,755	11,151
Proceeds from common shares	18,276	10,669
	99,610	103,425
<b>CASH FROM (USED IN) INVESTING</b>		
Capital expenditures—net	(269,327)	(218,158)
Increase in materials and supplies	(9,757)	1,784
Purchase of subsidiary net assets	(24,271)	(121,522)
Non-controlling interest acquired	(8,357)	-
Increase in investments	(3,184)	(5,202)
Merger costs	(8,889)	-
Proceeds on sale of investments	-	11,795
Decrease in other deferred charges	20,891	4,873
	(302,894)	(326,430)
<b>DIVIDENDS DECLARED</b>	(77,996)	(70,543)
<b>INCREASE IN CASH &amp; CASH EQUIVALENTS</b>	1,386	9,477
<b>CASH &amp; CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	12,358	11,713
<b>CASH &amp; CASH EQUIVALENTS, END OF PERIOD</b>	\$ 13,744	\$ 21,190

CONSOLIDATED STATISTICS (UNAUDITED)

<i>(dollars in thousands, except per share amounts)</i>	YEAR TO DATE	YEAR TO DATE
	SEPTEMBER 30, 1999	SEPTEMBER 30, 1998
Earnings per common share	\$ 0.78	\$ 1.16
Operating cashflow per share	\$ 3.09	\$ 2.90
Free cashflow	\$ (64,657)	\$ 14,324
Return on average common equity	12.42%	19.70%
Capital expenditures	\$ 269,327	\$ 218,158
Network access services—landlines	1,536,919	1,492,340
Network access services—cellular	276,845	211,792
Total network access services	1,813,764	1,704,132
Long-distance conversations minutes <i>(thousands)</i>	2,070,890	1,503,353
Employees, at September 30	9,311	8,542
Salaries (including capitalized amount)	\$ 359,357	\$ 281,119
Capital Structure		
Short-term debt	\$ 311,486	\$ 216,944
Long-term debt	\$ 1,089,124	\$ 1,110,039
Common shareholders' equity	\$ 1,068,058	\$ 1,026,783
Total capital structure	\$ 2,468,668	\$ 2,353,766

SEPTEMBER 30, 1999

## 1. Reorganization

Effective May 31, 1999, Bruncor Inc., Island Telecom Inc., Maritime Telegraph and Telephone Company, Limited and NewTel Enterprises Limited combined their businesses to form Aliant Inc. The combination has been accounted for in these financial statements by reflecting the combined historical carrying values of the assets, liabilities, and shareholders' equity and the historical operating results of the predecessor companies.

## 2. Segmented Information

The Company operates four reportable segments:

**Telecommunications**—provides a full range of telecommunications services in New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador. Included in this line of business are NBTel Inc., Maritime Tel & Tel Limited, Maritime Tel & Tel Mobility Limited, Island Telecom Inc., NewTel Communications Inc. and NewTel Mobility Limited.

**Information Technology**—provides systems integration, application development, local area network installation, wide area network management, data centre operations, VAR and information technology planning services. Included in this line of business are **xwave solutions inc.**, MITI Information Technologies Inc., IT division of NBTel and Island Tel Advanced Solutions Inc.

**Mobile Satellite Communications**—provides a full range of satellite communications services to clients in the domestic and international marketplace. Included in this line of business is Stratos Global Corporation.

**Emerging Business**—focused on developing and nurturing new technology-based products and services such as: (1) computer telephony integration, TV over copper, high-speed e-commerce, and new media. This includes New North Media, iMagicTV, NBTel VideoActive Networks Ltd., and NBTel Global; (2) electronics manufacturing carried out by NewTech Instruments Limited; and (3) supply and service of the east coast oil and gas industry as conducted by AMI Offshore Limited.

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

The accounting policies of the segments are the same as those of the Company. The Company evaluates performance based on a number of financial and non-financial indicators including net income not including nonrecurring gains and losses, return on equity, and revenue growth.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Three Months Ended September 30, 1999  
(thousands of dollars)

INDUSTRY SEGMENTS	Telecom- munications	Information Technology	Satellite Com- munications	Emerging Business	All Others	Eliminations	Consolidated
Revenue from external customers	\$ 417,370	\$ 42,038	\$ 37,048	\$ 18,221	\$ 1,644	\$ -	\$ 516,321
Intersegment revenue	\$ 1,024	\$ 16,852	\$ -	\$ 1,028	\$ 2,419	\$ (21,323)	\$ -
Operating revenue	\$ 418,394	\$ 58,890	\$ 37,048	\$ 19,249	\$ 4,063	\$ (21,323)	\$ 516,321
Other income	1,239	70	-	(692)	1,192	(1,319)	490
Operating expenses	302,861	53,214	32,179	19,851	4,567	(21,393)	391,279
Restructuring charge	78,000	-	-	-	-	-	78,000
Interest expense	25,942	413	3,410	(342)	3,315	(1,638)	31,100
Income taxes	6,296	2,413	1,029	(182)	(312)	77	9,321
Non-controlling interest	-	200	116	(570)	-	-	(254)
Net income	\$ 6,534	\$ 2,720	\$ 314	\$ (200)	\$ (2,315)	\$ 312	\$ 7,365
Total assets	\$ 2,411,404	\$ 119,504	\$ 200,517	\$ 60,275	\$ 1,810,840	\$ (1,735,647)	\$ 2,866,893
Capital expenditure	\$ 80,586	\$ 1,952	\$ 2,750	\$ 1,295	\$ -	\$ -	\$ 86,583
Depreciation and amortization	\$ 80,394	\$ 2,593	\$ 2,489	\$ 930	\$ 318	\$ 372	\$ 87,096

Three Months Ended September 30, 1998  
(thousands of dollars)

INDUSTRY SEGMENTS	Telecom- munications	Information Technology	Satellite Com- munications	Emerging Business	All Others	Eliminations	Consolidated
Revenue from external customers	\$ 391,226	\$ 33,263	\$ 7,835	\$ 4,468	\$ 2,416	\$ -	\$ 439,208
Intersegment revenue	\$ 1,336	\$ 7,789	\$ -	\$ 391	\$ 973	\$ (10,489)	\$ -
Operating revenue	\$ 392,562	\$ 41,052	\$ 7,835	\$ 4,859	\$ 3,389	\$ (10,489)	\$ 439,208
Other income	913	4	111	(929)	(158)	(31)	(90)
Operating expenses	287,989	37,745	7,393	6,757	3,747	(8,371)	335,260
Restructuring charge	-	-	-	-	-	-	-
Interest expense	24,695	155	312	220	1,626	(525)	26,483
Income taxes	37,125	1,428	79	(929)	61	(165)	37,599
Non-controlling interest	-	223	72	-	-	7	302
Net income	\$ 43,666	\$ 1,505	\$ 90	\$ (2,118)	\$ (2,203)	\$ (1,466)	\$ 39,474
Total assets	\$ 2,311,077	\$ 58,454	\$ 192,231	\$ 54,962	\$ 742,920	\$ (628,496)	\$ 2,731,148
Capital expenditure	\$ 64,845	\$ 2,225	\$ 163	\$ 772	\$ 337	\$ -	\$ 68,342
Depreciation and amortization	\$ 76,480	\$ 2,214	\$ 687	\$ 975	\$ 299	\$ 703	\$ 81,358

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Nine Months Ended September 30, 1999  
(thousands of dollars)

INDUSTRY SEGMENTS	Telecom- munications	Information Technology	Satellite Com- munications	Emerging Business	All Others	Eliminations	Consolidated
Revenue from external customers	\$1,208,360	\$ 140,507	\$ 106,674	\$ 39,149	\$ 9,205	\$ -	\$ 1,503,895
Intersegment revenue	3,522	51,366	-	1,514	2,417	(58,819)	-
Operating revenue	\$ 1,211,882	\$ 191,873	\$ 106,674	\$ 40,663	\$ 11,622	\$ (58,819)	\$ 1,503,895
Other income	7,770	147	2,382	(445)	1,366	(1,319)	9,901
Operating expenses	885,765	173,062	96,174	41,846	12,843	(54,563)	1,155,127
Restructuring charge	78,000	-	-	-	-	-	78,000
Interest expense	74,255	889	10,004	201	8,861	(2,811)	91,399
Income taxes	81,935	8,261	1,079	(753)	584	91	91,197
Non-controlling interest	-	601	630	(1,363)	-	-	(132)
Net income	\$ 99,697	\$ 9,207	\$ 1,169	\$ 287	\$ (9,300)	\$ (2,855)	\$ 98,205
Total Assets	\$ 2,411,404	\$ 119,504	\$ 200,517	\$ 60,275	\$ 1,810,840	\$ (1,735,647)	\$ 2,866,893
Capital expenditure	\$ 243,153	\$ 6,361	\$ 8,726	\$ 10,662	\$ 425	\$ -	\$ 269,327
Depreciation and amortization	\$ 235,042	\$ 6,675	\$ 7,031	\$ 1,673	\$ 907	\$ 1,914	\$ 253,242

Nine Months Ended September 30, 1998  
(thousands of dollars)

INDUSTRY SEGMENTS	Telecom- munications	Information Technology	Satellite Com- munications	Emerging Business	All Others	Eliminations	Consolidated
Revenue from external customers	\$ 1,159,681	\$ 72,012	\$ 7,835	\$ 11,610	\$ 14,108	\$ -	\$ 1,265,246
Intersegment revenue	3,991	22,083	-	971	955	(28,000)	-
Operating revenue	\$ 1,163,672	\$ 94,095	\$ 7,835	\$ 12,581	\$ 15,063	\$ (28,000)	\$ 1,265,246
Other income	3,505	11	111	18,535	4,893	(482)	26,573
Operating expenses	858,359	84,143	7,393	18,151	10,075	(24,258)	953,863
Restructuring charge	-	-	-	-	-	-	-
Interest expense	73,727	233	312	344	6,018	(1,251)	79,383
Income taxes	106,135	4,338	79	(1,494)	3,549	(305)	112,302
Non-controlling interest	-	663	72	-	-	7	742
Net income	\$ 128,956	\$ 4,729	\$ 90	\$ 14,115	\$ 314	\$ (2,675)	\$ 145,529
Total assets	\$ 2,311,077	\$ 58,454	\$ 192,231	\$ 54,962	\$ 742,920	\$ (628,496)	\$ 2,731,148
Capital expenditure	\$ 209,260	\$ 3,958	\$ 163	\$ 3,656	\$ 1,044	\$ 77	\$ 218,158
Depreciation and amortization	\$ 229,234	\$ 5,539	\$ 687	\$ 2,517	\$ 933	\$ 851	\$ 239,761

SEPTEMBER 30, 1999

### 3. Acquisitions

#### *Software Kinetics Limited*

On April 30, 1999, **xwave solutions inc.** acquired all of the outstanding common shares of Software Kinetics Limited, a provider of information technology services, for an aggregate purchase price of \$20.0 million resulting in goodwill of \$16.6 million.

### 4. Arrangement Costs

As indicated in the Joint Management Information Circular (Page 20), the Company expected to charge 1999 earnings the costs associated with restructuring activities. At the end of the third quarter a charge of \$78.0 million was recorded. This charge represents the estimated costs for 1999 and 2000 to complete the merger restructuring activities. A significant portion of these expenses are for voluntary early retirement programs for employees. In addition, the business restructuring includes employee transfer costs and business combination expenses resulting from merger integration activities.

As indicated in the Joint Management Information Circular (Page 22), the third party costs of effecting the merger arrangement were to be charged to retained earnings. These costs included financial advisor fees, regulatory filing fees, legal and accounting fees and printing and mailing costs. The final total of these costs was \$15.5 million (\$8.8 million after income taxes) and they have been recorded to the end of the third quarter.

During the second quarter, the Company adjusted its results to reflect consistent application of accounting policies across all lines of business. The net impact on the earnings of the Company is not material and has been recorded in the second quarter results.

### 5. Comparative Figures

The comparative financial information has been restated to conform with the 1999 presentation.

**INVESTOR INFORMATION**

Aliant Inc. (TSE stock trading symbol: AIT)

**IMPORTANT DATES**

Dividend Record Dates *	Dividend Payable Dates	Dividend Reinvestment Dates **
March 15	March 30	March 31
June 15	June 30	July 1
September 15	September 30	October 1
December 15	December 30	December 31

\* If this date is a non-business day, the record date will be the preceding business day.

\*\* If this date is a non-business day, reinvestment will be effective on the following business day.

**ALIAN T INVESTOR RELATIONS**

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Please contact us for the following inquiries:

- merger information
- additional financial or statistical information
- industry and company developments
- latest news releases

**THIRD QUARTER**
**1999 SHARE PRICES AND VOLUME**

	July	August	September
High	\$ <b>24.40</b>	\$ <b>23.00</b>	\$ <b>23.00</b>
Low	\$ <b>21.60</b>	\$ <b>21.50</b>	\$ <b>21.75</b>
Close	\$ <b>22.50</b>	\$ <b>22.70</b>	\$ <b>22.00</b>
Volume	<b>1,947,600</b>	<b>1,562,900</b>	<b>1,269,100</b>

**STOCK REGISTRAR AND TRANSFER AGENT**

CIBC Mellon Trust Company

Phone (toll free in Canada and U.S.): 1 800 565-2188

Mailing Address:

CIBC Mellon Trust Company

P. O. Box 2082, Station Central RPO

Halifax, NS B3J 3B7

Please use the above contact information to:

- obtain Dividend Reinvestment and Share Purchase Plan (DRP) information and forms
- inquire about your DRP account

CIBC Mellon Trust Company

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

1 800 387-0825 (Answerline™)

e-mail address: inquiries@cibcmellon.com

Mailing Address:

CIBC Mellon Trust Company

Investor Correspondence

P. O. Box 7010, Adelaide Street Postal Station

Toronto, ON M5C 2K4

Please use the above contact information to:

- notify us of an address change (in writing)
- obtain share transfer information
- obtain lost share certificate replacement instructions and necessary forms
- consolidate accounts
- obtain a Letter of Transmittal in order to exchange Bruncor, MTT, Island Tel or NewTel share certificates to Aliant
- inquire about dividend payments, including "direct deposit"
- inquire about settling an estate
- obtain a copy of a Quarterly Report or Annual Report