

# *It's all about change*

Our customers are changing. Our company is changing.

Our vision remains the same. (third quarter report (Period ending September 30, 2002))

Trevor Weissent,  
Secunda Marine Services

"We trust Aliant to provide  
our fleet with voice, fax and  
email communications –  
including our vessel operations  
management system."

## *Net income up 32%*

### Financial highlights\*

(millions of dollars except earnings per common share amounts)

	Three months		Nine months	
	2002	2001	2002	2001
Operating revenues	\$ 654	\$ 641	\$ 1,970	\$ 1,938
EBITDA**	\$ 233	\$ 250	\$ 698	\$ 712
Net income	\$ 44	\$ 33	\$ 182	\$ 109
Earnings per common share	\$ 0.30	\$ 0.23	\$ 1.26	\$ 0.78

\* 2001 results have been restated to reflect new Canadian Generally Accepted Accounting Principles for foreign exchange gains and losses effective January 1, 2002.

\*\* Earnings before interest, taxes, depreciation and amortization



# Letter to shareholders

## Proof of our success

As we enter the final quarter of the year, I would like to reflect on the progress we have made in the last 12 months. One year ago, we announced plans to strengthen our ties with the Bell family of companies in an effort to reduce costs. We also announced a major restructuring expecting to save \$56 million in operating expenses. In fact, we saved \$61 million. We have brought our cost structure in line with the current low growth business environment and we have improved our telecommunications operating margins by 1.5 percentage points on a year-over-year basis. Furthermore, our actions to strengthen our balance sheet have brought stability to our credit ratings and lowered our cost of capital. Combined, our actions have made Aliant one of the most productive and financially stable communications companies in North America. Our third quarter results are proof of our success.

### Net income up 32 per cent

On a consolidated basis, the company's net income increased by 32 per cent to \$44 million, up \$11 million from \$33 million during the same period last year. This translates into earnings per share of \$0.30, a 30 per cent increase over the third quarter of 2001.

### Strong wireless and Internet revenue growth

Revenue for the quarter was \$654 million, up 2 per cent over the third quarter in 2001. Strong growth in wireless and Internet revenues, both up 11 per cent for the quarter, continued to offset declines in local service revenue that has been negatively impacted by CRTC rulings. Revenue from our information technology business decreased 3 per cent for the quarter due to continued softening of demand for IT services. Strong demand for INMARSAT high-speed data services by military and media customers drove third quarter revenues 16 per cent higher in our remote communications line of business. EBITDA (earnings before interest, taxes, depreciation and amortization) was \$223 million, down 11 per cent over the same quarter last year.

### Managing costs

Through the capital investment review program, which



Jay Forbes, President and CEO

allows us to balance immediate investment needs with the investment needs required for long-term growth, we have limited capital investment to \$98 million, the lowest quarter so far this year. This has helped us produce a positive free cash flow from operations of \$134 million year to date. Overall, we have made significant strides in driving costs out of our organization. By the end of 2002, we anticipate our savings run-rate to reach \$89 million as we continue to realize the benefits of voluntary workforce reductions and as we progress with our alignment efforts with Bell Canada.

### 2002 outlook

As announced in early October, we expect 2002 consolidated revenues to be in the range of \$2.63 billion to \$2.67 billion or 1 per cent to 3 per cent higher than last year. EBITDA is expected to be \$940 million to \$975 million, a decline of 4 per cent to flat over 2001. Earnings per share are looking solid at

\$1.60 to \$1.90, an increase of between 22 per cent and 45 per cent, and our estimate for capital spending is \$415 million to \$430 million, which reflects a reduction of between 11 per cent and 8 per cent over 2001. Free cash flow from operations is expected to range from \$160 million to \$200 million.

### Dividend confirmed

On October 21 your Board of Directors declared a common share dividend of \$0.25 per common share payable on December 30, 2002 to shareholders of record on December 15, 2002. The Board of Directors also declared a preferred share dividend of \$0.340625 per preference share, payable on December 31, 2002 to shareholders of record on December 15, 2002.

### Frank Fagan leads telecom

I am very pleased to announce the appointment of Frank Fagan as our new executive vice-president and chief operating officer. He assumes responsibility for the telecommunications business formerly led by Roch Dubé who has returned to the Bell Canada organization. Frank was president of Aliant Telecom Mobility.

Having started with the company in 1962, Frank knows every aspect of our telecommunications business and every area of our operating region. He has established a remarkable record for customer service. Frank will focus on the growth opportunities presented by the small- to medium-sized enterprise market and ensure we remain competitive and customer focused as Atlantic Canada's leading telecommunications company. He assumed his new duties on October 21.

### What lies ahead

Although we are pleased with the progress we have made in the last 12 months, our work is far from complete. The focus of our efforts will continue to be on retaining and attracting customers, in part by launching new and innovative services. For example, we recently introduced *Voice Net* for Mobility customers, Canada's first voice-recognition email service. And, we introduced *Music on My PC* for our high-speed Internet customers. *Music on My PC* is one of the country's first digital music services licensed to offer streaming subscription-based music. These are just two examples of how Aliant Telecom is generating new revenue while differentiating itself in an increasingly competitive market.

We are also enhancing the value of our services for business customers. By having Aliant Telecom and xwave work more closely together we are broadening

our services and deepening our customer relationships. Innovatia will help drive both voice and data traffic over our network as the acceptance of web-based training grows. And Stratos Global will continue to seek opportunities to become the world's leading INMARSAT distributor.

Never content to rest on past achievements, we are working hard to position Aliant for continued success.

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NET INCOME FOR THE THIRD QUARTER

INCREASED 32 PER CENT TO

**\$44 million.**

EARNINGS PER COMMON SHARE

UP 30 PER CENT TO \$0.30.

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A renewed focus on our core telecommunications business has never been more justified. Trends in the region indicate that Atlantic Canadians have an increasing appetite for technology services. Through strategic investments in information technology and knowledge management services we are committed to ensuring that Atlantic Canada remains one of the best served regions in North America, and that we are poised to capitalize on opportunities as they present themselves.

Yours sincerely,



Jay Forbes  
President and CEO  
October 21, 2002

This document contains statements and information about potential future circumstances and developments. Such statements and information are qualified by any of the inherent risks and uncertainties surrounding future expectations generally and may differ materially from Aliant Inc.'s actual future experience. Aliant Inc. disclaims any intention or obligation to update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.

The Company has referenced some terms that are not measures of financial performance under Canadian generally accepted accounting principles to improve the comparability of financial results between periods, including EBITDA, free cash flow from operations, net income applicable to common shares adjusted for changes in accounting policies, earnings per share adjusted for changes in accounting policies, EBITDA excluding the impact of the contribution decision, net income excluding the impact of the contribution margin, and earnings per share before restructuring charge. These are not necessarily comparable to

similarly titled measures used by other companies. This document should be read in conjunction with the annual Management Discussion and Analysis.

### CONSOLIDATED

Aliant Inc. ("Aliant" or the "Company") consolidated revenues amounted to \$654.1 million for the third quarter of 2002 and \$1,970 million for the first nine months of 2002, a 2.1 per cent increase for the quarter and 1.7 per cent for the first nine months compared to 2001. Telecommunications revenues decreased 1.1 per cent for the third quarter of 2002 versus the same period in 2001 (3.6 per cent for the first nine months of 2002) due to a decline in local revenues resulting from previous decisions by the Canadian Radio-television and Telecommunications Commission ("CRTC"). Continued growth in Aliant Telecom Inc.'s ("Aliant Telecom") wireless and Internet revenues partially offset these declines. Information technology revenues decreased slightly for the quarter compared to the third quarter of 2001, with a 7.7 per cent increase for the first nine months of 2002 as product sales grew substantially. Remote

### Aliant Inc. consolidated operating results (thousands of dollars except per share amounts)

	Quarter ended September 30				Nine months ended September 30			
	2002	2001	% change	\$ change	2002	2001	% change	\$ change
		(restated) <sup>2</sup>				(restated) <sup>2</sup>		
Operating revenues	\$ 654,068	\$ 640,501	2.1	\$ 13,567	\$ 1,969,824	\$ 1,937,707	1.7	\$ 32,117
Cost of operating revenues	179,888	167,117	7.6	12,771	549,838	512,731	7.2	37,107
Net operating revenues	474,180	473,384	0.2	796	1,419,986	1,424,976	(0.4)	(4,990)
Operating expenses	250,849	223,696	12.1	27,153	721,712	713,177	1.2	8,535
EBITDA <sup>1</sup>	223,331	249,688	(10.6)	(26,357)	698,274	711,799	(1.9)	(13,525)
Depreciation and amortization	110,857	107,664	3.0	3,193	325,080	323,847	0.4	1,233
Operating income	112,474	142,024	(20.8)	(29,550)	373,194	387,952	(3.8)	(14,758)
Other income (expense)	(2,010)	(7,208)	(72.1)	5,198	8,528	(10,956)	(177.8)	19,484
Gain (loss) on foreign exchange	—	(21,076)	—	21,076	23,944	(26,264)	191.2	50,208
Interest	30,591	38,756	(21.1)	(8,165)	96,771	122,851	(21.2)	(26,080)
Income taxes	33,583	53,365	(37.1)	(19,782)	105,530	140,808	(25.1)	(35,278)
Non-controlling interest	2,150	(11,875)	(118.1)	14,025	21,270	(22,153)	(196.0)	43,423
Net income	44,140	33,494	31.8	10,646	182,095	109,226	66.7	72,869
Preferred share dividends	2,384	2,384	—	—	7,153	4,235	68.9	2,918
Net income applicable								
to common shares	\$ 41,756	\$ 31,110	34.2	\$ 10,646	\$ 174,942	\$ 104,991	66.6	\$ 69,951
Basic earnings per share	\$ 0.30	\$ 0.23	30.4	\$ 0.07	\$ 1.26	\$ 0.78	61.5	\$ 0.48
Diluted earnings per share	\$ 0.30	\$ 0.23	30.4	\$ 0.07	\$ 1.26	\$ 0.77	63.6	\$ 0.49

<sup>1</sup> EBITDA is defined by the Company as operating income plus depreciation and amortization expense. The Company has included information concerning EBITDA because it believes that it is used by certain investors as one measure of the Company's financial performance. EBITDA is not a measure of financial performance under Canadian generally accepted accounting principles and is not necessarily comparable to similarly titled measures used by other companies. EBITDA should not be construed as an alternative measure of liquidity.

<sup>2</sup> As required under the new CICA standard for foreign currency translation, results for 2001 have been restated. All exchange gains and losses arising from the translation of foreign currency monetary items have been included in income. Previously, unrealized foreign exchange gains or losses in relation to long-term debt balances were deferred and amortized over the remaining term of the related debt. See note 2 to the Company's unaudited interim consolidated financial statements for more detailed information.

communications revenues increased 15.7 per cent for the third quarter this year over 2001 (19.7 per cent increase for the first nine months of 2002 over the same period last year) based on growing demand for INMARSAT high-speed data services by military and media customers.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") declined by 10.6 per cent to \$223.3 million for the third quarter in 2002 from \$249.7 million a year ago. EBITDA for the first nine months of 2002 declined by 1.9 per cent. Consolidated net income applicable to common shares was \$41.8 million, or \$0.30 per share for the third quarter in 2002, a growth of 34.2 per cent and 30.4 per cent respectively over the same period in 2001. Growth rates are 66.6 per cent and 61.5 per cent for net income and earnings per share in the first nine months of the year compared to the same period in 2001.

#### OTHER CONSOLIDATED RESULTS

##### Other income (expense)

Aliant's other expense decreased \$5.2 million for the third quarter of 2002 and \$19.5 million for the first nine months compared with the same periods last year. Other expense in the third quarter of 2001 included costs incurred by Stratos Global Corporation ("Stratos") in transitioning operations of British Telecom's Aeronautical and Marine (BT A&M) business. Other income for the first nine months of 2002 includes gains on sales of assets and investments, and a dilution gain when the Company reduced its ownership in Stratos from 61 per cent to 53 per cent following the \$148 million Stratos equity offering in May. The gain totaled \$32.5 million (\$25.9 million after income tax) and was partially offset by investment write-downs recorded on Aliant's investment in iMagicTV Inc. and various portfolio

investments. This write-down totaled \$21.4 million (\$18.1 million after income tax) and was recorded in the second quarter of 2002.

##### Interest expense

Consolidated interest expense decreased from \$38.8 million in the third quarter of 2001 to \$30.6 million in the third quarter of 2002, contributing to a 21.2 per cent decrease for the first nine months of 2002. This is due to lower interest rates and reduced borrowings across all lines of business.

Interest expense in the telecommunications line of business was reduced by \$2.8 million for the third quarter of 2002 and \$9.4 million for the first nine months of 2002, due to declining interest rates and reduced borrowings. Aliant Telecom has been able to reduce its interest costs in part by lowering its total debt position, but also by taking advantage of refinancing maturing long-term debt issues at lower interest rates in recent years. Also, the net proceeds from securitization of \$135.0 million of accounts receivable and the positive free cash flow from operations<sup>3</sup> that Aliant Telecom has been generating in 2002 has been utilized by Aliant to retire commercial paper borrowing and lower corporate interest costs.

A \$5.9 million reduction in interest expense in the third quarter of 2002 in the remote communications line of business, \$12.5 million for the first nine months of 2002, is primarily attributable to the repayment of debt by Stratos after completion of a \$148.0 million equity offering in May 2002. Stratos is also benefiting from lower interest costs under the terms of its credit facilities.

The combined interest expense in all other lines of business and on unallocated corporate borrowings has

#### Net income reconciliation (thousands of dollars)

For the nine months ended September 30

2001 net income applicable to common shares, as restated	\$ 104,991
Factors impacting year over year growth:	
EBITDA <sup>1</sup> growth in 2002	(13,525)
Goodwill amortization recorded in 2001	18,833
Increased depreciation and amortization in 2002	(17,508)
Dilution gain, net of taxes, recorded in 2002	25,857
Investment write downs, net of taxes, recorded in 2002	(18,091)
Increased gain on foreign exchange, net of taxes and non-controlling interest	27,595
Reduction in interest expense in 2002	26,080
Transitional cost in 2001 related to an acquisition	4,679
Other miscellaneous items in other income (expense)	3,700
Tax impact of increased net earnings offset by decline in statutory tax rate	27,787
Tax benefits recognized in 2002 from losses brought forward	6,775
Change in non-controlling interest in 2002	(19,313)
Incremental preferred share dividends	(2,918)
2002 reported net income applicable to common shares	\$ 174,942

declined overall over the past 12 months. In addition to lower short-term interest rates, the issuance of \$175.0 million in preferred shares by Aliant during the second quarter of 2001, and the application of the net proceeds to reduce debt have helped reduce interest costs. Aliant's consolidated interest coverage ratio<sup>4</sup> (before restructuring charge) has improved from 3.1 times for the 12 months ended September 30, 2001 to 4.2 times for the 12 months ended September 30, 2002.

### Taxes

Aliant's consolidated income tax provision decreased by 37.1 per cent from \$53.4 million for the third quarter of 2001 to \$33.6 million in the third quarter of 2002 primarily due to a decline in statutory tax rates. During the first nine months of 2002, a decrease in tax expense of Aliant by \$6.8 million has resulted from the recognition of tax benefits relating to a portion of the tax loss carry forward of one of its subsidiaries. The effective tax rate for the third quarter of 2002 was 42.05 per cent, compared to 71.17 per cent in the same period in 2001. For the nine month period ended September 2002 the effective rate was 34.16 per cent, compared to 61.79 per cent for the first nine months of 2001.

### Restructuring charge

In the fourth quarter of 2001, Aliant recorded a \$111.2 million restructuring charge comprised primarily of staff severance costs and the cost of consolidating various activities into one operating unit. Total operating savings for the first nine months of 2002 are \$29.2 million, and the annual run rate<sup>5</sup> at September 30, 2002 is \$50.0 million. The Company's selected retirement program has proceeded following the favourable Canadian Industrial Relations Board (CIRB) decision in June of 2002 regarding unionized employees. The union's petition had initially caused delays in implementing this voluntary separation offer for unionized employees. An additional \$6.5 million charge will be taken in the fourth quarter of 2002 related to an additional 71 employees who have elected to take advantage of the voluntary program. With these additional work force reductions, an annual run rate of \$61.0 million is expected at December 31, 2002.

## LIQUIDITY AND CAPITAL RESOURCES

### Operating activities

Aliant's operating cash flow before changes in non-cash working capital for the first nine months of 2002 increased 11 per cent from \$430 million in 2001 to \$477 million in 2002. Management's focus to improve working capital balances continues to see results; the change in non-cash working capital balances improved by \$114 million over the first nine months of 2001.

### Investing activities

Aliant's consolidated capital expenditures for the third quarter of 2002 were \$98.2 million and are \$319.9 million for the first nine months of 2002. This represents a 9.0 per cent increase over the third quarter of 2001, but a 5.9 per cent decrease over the first three quarters of 2001. Capital spending at Aliant Telecom was \$87.2 million for the third quarter of 2002, a 30.8 per cent increase over 2001 due to different timing of expenditures as compared to the previous year, bringing the nine month expenditure to 1.9 per cent below 2001.

### Financing activities

#### Telecommunications

The primary external source of financing for Aliant Telecom's operations is long-term debt issued to the public. For the foreseeable future, Aliant Telecom will obtain its short-term debt and common equity financing from Aliant. In April 2001, Aliant Telecom filed a renewal base shelf prospectus for the issue of \$350.0 million of Medium Term Notes (MTNs) in the Canadian market. On January 15, 2002, Aliant Telecom issued \$100.0 million of 5-year notes bearing interest at 5.36 per cent under this prospectus. This financing is expected to fulfill Aliant Telecom's borrowing needs for the year 2002 and was completed early in the year to take advantage of favorable access to debt markets and low interest rates. The proceeds have been temporarily loaned to Aliant to retire commercial paper borrowings, to retire Aliant Telecom's maturing long-term debt and to fund the year's capital expenditure program as necessary. Aliant Telecom repaid \$50 million in maturing long-term debt in June 2002.

### Capital expenditures (thousands of dollars)

	Quarter ended September 30			Nine months ended September 30		
	2002	2001	% change	2002	2001	% change
Telecommunications	\$ 87,192	\$ 66,653	30.8	\$ 277,338	\$ 282,727	(1.9)
Information technology	486	5,783	(91.6)	4,799	10,953	(56.2)
Remote communications	7,563	7,478	1.1	29,760	15,974	86.3
Emerging business	2,478	9,212	(73.1)	7,220	29,090	(75.2)
Other	467	932	(49.9)	808	1,158	(30.2)
<b>Total capital</b>	<b>\$ 98,186</b>	<b>\$ 90,058</b>	<b>9.0</b>	<b>\$ 319,925</b>	<b>\$ 339,902</b>	<b>(5.9)</b>

<sup>4</sup> The consolidated interest coverage ratio on long-term debt is calculated as net income before non-controlling interest, plus income tax, plus interest on long-term debt, divided by the interest on long-term debt.

<sup>5</sup> Annual run rate is calculated as year-to-date results projected for 12 months.

### Information technology

The primary sources of financing for xwave are debt and equity investments from Aliant and bank credit facilities. xwave has in place as of September 2002, operating lines of credit totaling \$51 million and acquisition facilities of \$24 million with a syndicate of Canadian chartered banks. Amounts outstanding on these lines at September 30, 2002 are \$48 million and \$nil respectively.

### Remote communications

Stratos obtains its debt financing through bank facilities and its common equity financing through the public issue of shares that trade on the Toronto Stock Exchange. Aliant has guaranteed US\$33 million of Stratos' obligations under its credit facilities, a reduction of US\$117 million from the first quarter of 2002 as equity proceeds raised by Stratos in May 2002 were applied to the guaranteed debt. In March 2002, Stratos and its banking syndicate agreed to amendments to certain terms under the credit facilities that will allow for a further extension of Stratos' bridge loan facility to July 2003, a modification to some of the financial covenants and a reduction of the interest rates payable on advances under the facilities.

### Corporate financing

Aliant issued \$0.4 million in common equity during the third quarter by way of its dividend reinvestment, stock purchase plan and the exercise of options under its employee stock option plan. Shares were purchased on the open market in the third quarter to fulfill the requirements of the Company's employee stock savings plan. Total dividends paid by Aliant to its common shareholders in 2002 rose marginally from 2001 levels due to the increased number of shares outstanding and the dividend increase announced early in the third quarter of this year. Aliant paid preferred share dividends of \$2.4 million for the quarter.

Aliant had no commercial paper outstanding at September 30, 2002, compared with \$4.9 million at December 31, 2001. Cash flow from operations, the lines of business' external financing sources and common share proceeds were sufficient for debt repayment, dividends and investing needs. Aliant maintains lines of credit totaling \$535.0 million in aggregate with its bankers of which \$300.0 million is a committed facility

supporting the Company's commercial paper program and \$125.0 million is a total of two committed bank lines held in reserve in support of the guarantee of Stratos' debt. The other \$110.0 million is a total of Aliant's uncommitted operating lines.

### Capital structure

The percentage of debt to equity is 45.1 per cent at September 30, 2002 compared to 50.3 per cent at December 31, 2001.

It is anticipated that Aliant will continue to generate sufficient internal cash flow to provide for dividend payments, as and when such dividends are declared, and to fund its capital investments. Also, Aliant has sufficient capacity in its existing and available financing facilities to provide liquidity for existing operations and future growth.

Based on Aliant's demonstrated financial strength, its Board approved an increase in the quarterly dividend of 2.5 cents per common share in the third quarter of 2002, effectively raising the annual dividend to \$1.00 per common share.

On July 18, 2002, Aliant announced acceptance by the Toronto Stock Exchange of notice of intention to purchase, pursuant to a normal course issuer bid, from time to time up to 1,600,000 of its outstanding common shares on the Toronto Stock Exchange, representing approximately 1.1 per cent of the issued and outstanding common shares of Aliant as of that date, being 139,567,382 common shares.

Under the normal course issuer bid, the Company would acquire, from time to time, its common shares at the market price from cash through the facilities of the Toronto Stock Exchange. Purchases of common shares may be made during the 12-month period commencing July 22, 2002 and ending on July 21, 2003. Aliant has purchased and cancelled 99,800 common shares to date.

### ACCOUNTING POLICY CHANGES

#### Goodwill

Previously, recorded goodwill was amortized on a straight-line basis over the estimated life of ten to twenty years. In addition, the Company would periodically

### Consolidated capital structure (thousands of dollars)

	September 30, 2002		December 31, 2001	
Common equity	\$ 1,544,236	44.96%	\$ 1,410,715	42.62%
Preferred equity	172,264	5.01%	172,264	5.20%
Non-controlling interest	168,156	4.90%	61,029	1.84%
Long-term debt (including current portion)	1,430,701	41.65%	1,545,529	46.69%
Short-term debt, including bank indebtedness and interest payable	119,630	3.48%	120,778	3.65%
	\$ 3,434,987	100.00%	\$ 3,310,315	100.00%

evaluate the carrying value of goodwill for potential permanent impairment through ongoing review and analysis of fair market value and expected earnings. A permanent impairment in the value of goodwill was charged to earnings in the year such impairment was determined.

Under a new Canadian Institute of Chartered Accountants (CICA) accounting standard, goodwill and intangibles with an indefinite life are no longer amortized. Entities were also required to perform an impairment test as of January 1, 2002 to ascertain whether they should recognize a decline in the carrying value of any recorded goodwill balances. An impairment provision of \$8.6 million was recognized as a result of the adoption of this new standard and was charged to opening retained earnings. This impairment test must be performed annually and any subsequent impairment provisions deemed necessary by management will be charged to income at that date.

Consistent with this new standard, the Company has not recorded any charge relating to the amortization of goodwill in 2002. During the second quarter of 2001, the Company recorded \$6.7 million (\$18.8 million for the first nine months of 2001) in depreciation and amortization expense relating to the amortization of goodwill.

#### Foreign currency translation

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

Assets and liabilities of the Company's self-sustaining foreign operations are translated using the current rate method at exchange rates prevailing at the balance sheet date, which was US\$1.00 = Canadian\$1.59 at September 30, 2002 (US\$1.00 = Canadian\$1.59 at December 31, 2001). Resulting unrealized gains or losses are deferred and included in shareholders' equity as a cumulative translation adjustment. The change in the cumulative translation adjustment account reflects changes due to fluctuations in exchange rates during the period. Revenues and expenses are translated at the average exchange rate prevailing during the period.

#### Stock-based compensation

The Company has a stock-based compensation plan for executives and certain senior managers, which is described in note 16 to the Company's unaudited interim financial statements. No compensation expense is recognized when stock options are issued. Consideration paid on exercise of stock options is credited to share capital. Compensation expense is recognized for the Company's contributions to the Employee Stock Savings Plan.

A subsidiary of the Company has a stock-based compensation plan specific to its own shares. A participant in this plan may elect to cash settle the options in lieu of exercising them. The variable accounting method is used to record the compensation expense on these options. Under this method, these awards result in the subsidiary recognizing a liability. Changes in the amount of this liability due to stock price changes are recorded as compensation expense.

#### TELECOMMUNICATIONS

The telecommunications line of business is comprised of the operations of Aliant Telecom, its subsidiaries and Aliant's 87 per cent ownership of Aliant ActiMedia, a telephone directory business operating in Atlantic Canada. Telecommunications revenues decreased

#### Impact of accounting changes on financial results (thousands of dollars, except per share amounts)

	Quarter ended September 30			Nine months ended September 30		
	2002	2001	% change	2002	2001	% change
Net income	\$ 44,140	\$ 33,494	31.8	\$ 182,095	\$ 109,226	66.7
Preferred share dividends	2,384	2,384	—	7,153	4,235	68.9
Net income applicable to common shares	41,756	31,110	34.2	174,942	104,991	66.6
Goodwill amortization	—	6,665	—	—	18,833	—
After tax foreign exchange gain (loss)	—	(12,500)	—	12,748	(14,847)	(185.9)
Net income applicable to common shares						
(adjusted for changes in accounting policies) <sup>6</sup>	\$ 41,756	\$ 50,275	(16.9)	\$ 162,194	\$ 138,671	17.0
Basic EPS	\$ 0.30	\$ 0.23	30.4	\$ 1.26	\$ 0.78	61.5
EPS (adjusted for changes in accounting policies) <sup>6</sup>	\$ 0.30	\$ 0.37	(18.9)	\$ 1.17	\$ 1.03	13.6

<sup>6</sup> Net income applicable to common shares (adjusted for changes in accounting policies) and EPS (adjusted for changes in accounting policies) are not measures of financial performance under Canadian generally accepted accounting principles. They have been presented here to improve the comparability of financial results between periods. This is not necessarily comparable to similarly titled measures used by other companies.

1.1 per cent in the third quarter of 2002 to \$459.9 million and 3.6 per cent in the first nine months of 2002 to \$1,327.8 million due to a decline in local revenues resulting from the CRTC's banding decision, decline in contribution rate to the national pool, and cost subsidy rules. Excluding the impact of this decision, revenue growth was 4.9 per cent for the third quarter of 2002 and 2.5 per cent for the first nine months of 2002. Continued growth in Aliant Telecom's wireless and Internet revenues partially offset these declines with revenue growth of 10.5 per cent and 10.8 per cent respectively for the third quarter of 2002, and 11.1 per cent and 18.2 per cent respectively for the first nine months of 2002.

Cost of operating revenues remained relatively flat for the quarter as increased cost of goods sold was offset

by lower contribution payments into the national pool. Operating expenses increased 1.9 per cent for the third quarter of 2002, and decreased 3.5 per cent for the first nine months of 2002. EBITDA declined 3.9 per cent from \$228.1 million in the third quarter of 2001 to \$219.3 million in the third quarter of 2002. During the first nine months of 2002, EBITDA decreased 0.9 per cent to \$636.5 million.

On May 30, 2002, the CRTC released its price cap decision that prescribes new rules to determine the rates charged for certain local telephone services. The decision is estimated to have a negative EBITDA impact of \$25.0 million in 2003 and a negative impact on net income of \$14.6 million. During 2002, the decision is expected to negatively impact EBITDA by \$6.0 million to \$10.0 million. The impact

#### Telecommunications operating results (thousands of dollars)

	Quarter ended September 30			Nine months ended September 30		
	2002	2001	% change	2002	2001	% change
Local	\$ 194,326	\$ 219,341	(11.4)	\$ 577,799	\$ 649,463	(11.0)
Long distance	99,909	100,393	(0.5)	302,993	306,587	(1.2)
Wireless	75,501	68,317	10.5	204,129	183,814	11.1
Internet	23,178	20,910	10.8	67,465	57,089	18.2
Other	66,959	55,976	19.6	175,379	180,266	(2.7)
Total operating revenues	459,873	464,937	(1.1)	1,327,765	1,377,219	(3.6)
Cost of operating revenues	58,089	57,698	0.7	152,991	177,182	(13.7)
Net operating revenues	401,784	407,239	(1.3)	1,174,774	1,200,037	(2.1)
Operating expenses	182,521	179,167	1.9	538,292	557,943	(3.5)
EBITDA <sup>1</sup>	219,263	228,072	(3.9)	636,482	642,094	(0.9)
Depreciation and amortization	92,659	86,140	7.6	274,121	261,865	4.7
Operating income	126,604	141,932	(10.8)	362,361	380,229	(4.7)
Other income (expense)	(1,598)	1,072	(249.1)	(1,911)	2,340	(181.7)
Interest	22,344	25,097	(11.0)	66,065	75,497	(12.5)
Income taxes	41,208	54,274	(24.1)	116,626	140,908	(17.2)
Non-controlling interest	399	291	37.1	815	582	40.0
Net income	\$ 61,055	\$ 63,342	(3.6)	\$ 176,944	\$ 165,582	6.9

#### Impact of contribution regime changes (millions of dollars)

	Quarter ended September 30		Nine months ended September 30	
	2002	2001	2002	2001
Decreased local revenues	\$ (28.0)	\$ (2.0)	\$ (84.1)	\$ (10.3)
Decreased long distance revenues	—	(5.4)	—	(16.5)
Total revenue impact	(28.0)	(7.4)	(84.1)	(26.8)
Decreased settlement expense	—	(2.3)	—	(8.9)
Decreased contribution expense	(10.2)	(9.2)	(30.4)	(32.7)
Total cost of revenues impact	(10.2)	(11.5)	(30.4)	(41.6)
Net EBITDA impact	(17.8)	4.1	(53.7)	14.8
Income tax impact	7.4	(1.7)	22.4	(6.2)
Net income impact	\$ (10.4)	\$ 2.4	\$ (31.3)	\$ 8.6

of the decision on Aliant may change following further analysis and clarification from the CRTC on the deferral account mechanism. The new price cap regime replaces a price cap framework that ended on May 31, 2002 and will continue until September 2006.

In addition to the CRTC rulings discussed above, effective January 1, 2002, all service providers must pay 1.4 per cent (4.5 per cent – 2001) on certain of their telecommunications revenues into a national contribution pool. Local service providers are then able to draw from the pool to help offset the costs of providing basic local services in high-cost areas. These changes have reduced both Aliant Telecom's revenues and related cost of revenues, with the decrease in costs only partially offsetting decreased revenues. EBITDA for the third quarter of 2002 was negatively impacted by \$17.8 million compared to a \$4.1 million positive impact during the same period in 2001, a \$21.9 million decrease. Excluding the contribution decision, EBITDA growth would be 3.9 per cent for the third quarter of 2002 (7.5 per cent for the first nine months of 2002). Net income for the third quarter of 2002 was negatively impacted by \$10.4 million compared to a \$2.4 million positive impact during the same period in 2001, a \$12.8 million decrease. Excluding the impact of this decision, net income growth was 12.8 per cent for the third quarter of 2002 and 25.8 per cent year-to-date.

## Revenues

### Local

Local revenues are earned through the provision of voice and data network access, telephone set rentals, enhanced service options and contribution payments. Total local revenues decreased by 11.4 per cent (\$25.0 million) to \$194.3 million for the third quarter of 2002 and by 11.0 per cent to \$577.8 million for the first nine months of 2002 due to a \$28.0 million decrease in contribution revenues for the quarter and \$84.1 million for the first nine months of 2002. The loss of contribution revenues was partially offset by higher network access services (NAS) revenues from price increases implemented in mid 2001, and growth in both features and data access services revenues, as well as price increases in local and other services in 2002. Without the loss of revenues from the CRTC contribution changes, local revenues would have increased 1.4 per cent for the third quarter of 2002 and 1.9 per cent for the first nine months of 2002.

Local voice NAS revenue increased \$0.3 million to \$116.6 million for the third quarter of 2002. For the first nine months of 2002, NAS revenues are higher by \$5.0 million or 1.4 per cent due to price increases implemented in mid 2001. NAS volumes declined 0.5 per cent as at September 30, 2002 compared to September 30, 2001 due to a combination of competition and cannibalization to wireless.

Telecommunications' overall market share for local services remains strong at 96.8 per cent due to its strategy of retaining customers through targeted bundled service offerings. Residential customer acceptance of these bundled service offerings has resulted in a 25 per cent increase in the number of packages over the third quarter in 2001, with approximately 34 per cent of residential customers participating. Revenue from the provision of enhanced service features grew \$2.5 million or 11.1 per cent in the third quarter of 2002 and \$6.5 million or 10.0 per cent for the first nine months of 2002, resulting from higher penetration with bundle offerings and increased prices. Revenue from the provision of local data access services grew \$3.6 million or 5.3 per cent in the first nine months of 2002 from growth in data circuits.

### Long distance

Aliant Telecom's minute volumes increased by 6.5 per cent from 849.4 million in the third quarter of 2001 to 904.5 million in the third quarter of 2002. This brings minute volumes to 2.695 billion for the first nine months of 2002, up 3.3 per cent from the first nine months of 2001. The large base of call-center customers that Aliant Telecom has been able to attract in Atlantic Canada continues to be a significant driver of long distance minute volumes. At the same time, bundled service offerings, including a flat-rate long distance component, continue to help drive up calling volumes in the residential market. As a result of these initiatives, Aliant Telecom has maintained its market share of approximately 88 per cent of the Atlantic Canada long distance market.

Lower average per-minute prices continue to offset the impact of demand growth on long distance revenues. As a result, long distance revenues remained relatively flat for the third quarter of 2002, with a decline of 1.2 per cent or \$3.6 million for the first nine months of 2002.

### Wireless

Wireless revenues are earned through the provision of cellular, paging and mobile radio services. Aliant Telecom's wireless business continued its steady growth, with revenues increasing 10.5 per cent to \$75.5 million for the third quarter of 2002 and 11.1 per cent to \$204.1 million for the first nine months of 2002. Aliant Telecom maintains an industry-leading market share (approximately 75 per cent) for cellular services, and continued new demand for these services is reflected in customer growth. Aliant's cellular customers numbered 534,762 at September 30, 2002, representing growth of 18.8 per cent over September 2001, including a 93.4 per cent increase in digital subscribers.

Part of the growing demand for cellular services is due to the growth in new digital services as geographical digital coverage is expanded. As at September 30, 2002, approximately 60 per cent of Atlantic Canada's

population had access to digital cellular service. Prepaid wireless services continue to meet the market demand of customers with lower usage patterns. While this has resulted in greater penetration of service, there has been a decline in the average revenues per customer (ARPC) by 6.0 per cent to \$45.05 per month for the third quarter of 2002 compared with \$47.94 per month for the same period last year. Recent price changes are anticipated to increase prepaid ARPC significantly in 2003. Average revenue per postpaid customer is \$51.02 per month in 2002 compared to \$52.34 per month in 2001.

#### Internet

Internet services continued to generate strong growth over the past 12 months as the number of Aliant Telecom's high-speed customers increased by approximately 55 per cent while the number of regular dial-up customers grew by approximately 3 per cent. Revenues from Internet services increased 10.8 per cent to \$23.2 million for the third quarter of 2002, contributing to the 18.2 per cent growth for the first nine months of 2002. At the end of the third quarter of 2002, high-speed Internet services pass 60 per cent of the homes in Atlantic Canada.

#### Other

Other telecommunications revenues are primarily derived from telephone directory advertising, equipment sales and newer revenue sources such as e-Commerce and network management. Total other revenues increased by \$11.0 million, or 19.6 per cent for the third quarter of 2002 and decreased by \$4.9 million or 2.7 per cent in the first nine months of 2002. Sales of telecom equipment increased by \$13.1 million in the third

quarter of 2002 from one-time sales related mainly to call centre equipment, trunk mobile radio set sales, and sales of IT equipment. The \$7.9 million or 12.5 per cent decrease in other miscellaneous revenues for the first nine months of 2002 is partially due to lower pole attachment revenues resulting from the sale of poles in Newfoundland and Labrador in the third quarter of 2001.

#### Expenses

##### Cost of revenues

Cost of revenues includes cost of goods sold, contribution payments and settlement costs paid to other telecommunications carriers to transit and terminate long distance calls originating on Aliant Telecom's network. Cost of revenues remained relatively flat for the third quarter of 2002 as increases in cost of goods sold, consistent with increased product sales, were offset by lower contribution payments. Contribution payments were lower by \$10.2 million or 68.5 per cent for the third quarter and \$30.4 million or 68.7 per cent for the first nine months of 2002, as a result of the new contribution regime.

##### Operating expenses

Telecommunications operating expenses were \$182.5 million for the third quarter of 2002, up 1.9 per cent over the third quarter of 2001, bringing the decrease to 3.5 per cent for the first nine months of 2002. Operating expenses in the third quarter of 2002 increased over the same period in 2001 as the benefit of an investment tax credit was recognized in the third quarter of 2001. Operating expenses for the first nine months of 2002 have decreased as efforts to reduce costs, combined with the result of the 2001 restructuring

#### Other revenues (thousands of dollars)

	Quarter ended September 30			Nine months ended September 30		
	2002	2001	% change	2002	2001	% change
Product sales	\$ 39,941	\$ 26,869	48.7	\$ 83,336	\$ 81,920	1.7
Directory revenues	9,539	9,001	6.0	36,592	34,966	4.7
Other miscellaneous	17,479	20,106	(13.1)	55,451	63,380	(12.5)
	\$ 66,959	\$ 55,976	19.6	\$ 175,379	\$ 180,266	(2.7)

#### Cost of revenues (thousands of dollars)

	Quarter ended September 30			Nine months ended September 30		
	2002	2001	% change	2002	2001	% change
Settlement costs	\$ 10,066	\$ 10,665	(5.6)	\$ 34,905	\$ 33,610	3.9
Contribution payments	4,714	14,947	(68.5)	13,824	44,227	(68.7)
Cost of goods sold	40,586	30,177	34.5	96,110	90,862	5.8
Other	2,723	1,909	42.6	8,152	8,483	(3.9)
	\$ 58,089	\$ 57,698	0.7	\$ 152,991	\$ 177,182	(13.7)

charge and the Bell alignment initiative, as discussed below, have generated \$20 million in savings over the same period in 2001.

#### Depreciation and amortization

Telecommunications' depreciation and amortization expenses were up 7.6 per cent for the third quarter of 2002 and 4.7 per cent for the first nine months of 2002 compared to last year due to a larger capital asset base. The focus of capital spending has shifted over the past two years from the traditional voice network toward broadband and wireless, areas with high revenue-growth. Capital investments for the first nine months of 2002 have decreased by 1.9 per cent to \$277.3 million.

#### Bell alignment initiative

Late in 2001, Aliant Telecom and Bell Canada agreed to work more closely together to achieve shared goals of improving customer service, reducing costs (expense and capital) and growing revenues.

Aliant Telecom and Bell Canada have identified that there are ways both companies can work together and leverage their respective strengths. Together the companies are finding ways to reduce costs and bring new products and services to their customers.

In the first nine months of 2002, the two companies reached agreement on a number of initiatives that are expected to provide Aliant Telecom with \$29 million in annualized revenue generation and cost savings opportunities and ongoing capital savings. These initiatives include a common voice mail and email platform, shared creative work for advertising campaigns and lower cross border rates for calls terminating in the U.S.

## INFORMATION TECHNOLOGY

Aliant's information technology (IT) line of business is operated by xwave, a wholly owned subsidiary. xwave's revenues decreased 2.5 per cent for the third quarter of 2002 to \$83.2 million bringing the increase for the first nine months of 2002 to 7.7 per cent. Sales in the higher-margin IT services business decreased by 5.1 per cent over the third quarter of 2001, while sales in the fulfillment business increased by 2.6 per cent over the third quarter of 2001. Gross margins on product sales for the third quarter of 2002 decreased 0.5 per cent over the same period in 2002, bringing the year-to-date gross margin to 8.1 per cent, a decline of 1.3 per cent over the first nine months of 2002.

xwave continues to be an important supplier to other Aliant companies, particularly Aliant Telecom, as it continues to make investments in network systems and operating efficiency programs. Sales made to Aliant lines of business in the third quarter of 2002 have decreased to 42.2 per cent of total sales, down 1.4 per cent from the same period in 2001. Gross margin on service revenues declined by 4 per cent for the first nine months of 2002, to 30 per cent, compared with the same period in 2001.

Recognizing the diminished prospects of recovery in the information technology sector in the short term, the Company has revised its estimates with respect to the continuing value of xwave's assets. As a consequence, a charge of \$12 million has been taken in the third quarter of 2002. It is anticipated that up to an additional \$5.0 million in costs will be incurred in the fourth quarter of 2002 which relate to reorganization of the xwave business model.

#### Information technology operating results (thousands of dollars)

	Quarter ended September 30			Nine months ended September 30		
	2002	2001	% change	2002	2001	% change
Services	\$ 53,383	\$ 56,265	(5.1)	\$ 179,833	\$ 184,834	(2.7)
Product sales	29,797	29,051	2.6	128,528	101,388	26.8
Total operating revenues	83,180	85,316	(2.5)	308,361	286,222	7.7
Cost of operating revenues	27,463	26,633	3.1	118,153	91,904	28.6
Net operating revenues	55,717	58,683	(5.1)	190,208	194,318	(2.1)
Operating expenses	67,176	52,096	28.9	184,252	168,085	9.6
EBITDA <sup>1</sup>	(11,459)	6,587	(274.0)	5,956	26,233	(77.3)
Depreciation and amortization	3,242	4,562	(28.9)	9,042	11,695	(22.7)
Operating income	(14,701)	2,025	(826.0)	(3,086)	14,538	(121.2)
Other income (expense)	376	166	126.5	448	299	49.8
Interest	480	532	(9.8)	1,237	1,628	(24.0)
Income taxes (recovery)	(5,828)	1,393	(518.4)	(825)	7,342	(111.2)
Non-controlling interest	16	(10)	(260.0)	(11)	(101)	(89.1)
Net income (loss)	\$ (8,993)	\$ 276	—	\$ (3,039)	\$ 5,968	(150.9)

## REMOTE COMMUNICATIONS

Aliant's remote communications line of business is represented by its ownership of Stratos. Remote communications' revenue increased by 15.7 per cent to \$128.2 million for the third quarter of 2002 from \$110.8 million in the corresponding period in 2001, bringing Stratos' revenue growth for the first nine months of 2002 to 19.7 per cent or \$63.1 million. EBITDA for the third quarter of 2002 increased 2.3 per cent to \$26.7 million from \$26.1 million in the same period in 2001. Lower margin product revenues, due to a different product sales mix, and increased operating expenses reduced Stratos' EBITDA margin by 2.7 percentage points for the third quarter of 2002 and 1.1 per cent for the first nine months of 2002, compared with the same periods in 2001.

In May 2002, Stratos issued \$148 million of new equity, including Aliant's participation of \$31 million. The net proceeds were used by Stratos to pay down its bridge credit facility. A dilution gain of \$32.5 million (\$25.9 million net of income taxes) was recorded by Aliant in Other income during the second quarter.

### Revenue

Mobile satellite revenues increased 27.5 per cent from \$71.7 million for the third quarter in 2001 to \$91.4 million in the third quarter of 2002, and increased 30.4 per cent in the first nine months of 2002 to \$275.6 million, due primarily to increased military and media demand for high-speed INMARSAT data services and the contract from the U.S. Navy which began to produce revenue in the second quarter of 2002. Broadband revenues decreased 6.0 per cent in the third quarter of 2002 from \$39.1 million for the third quarter of 2001 to \$36.8 million primarily due to decreased drilling activity in the Gulf of Mexico and North Sea. Broadband revenues decreased

1.1 per cent in the first nine months of 2002 to \$107.9 million.

Cost of revenues for the third quarter of 2002 increased 19.3 per cent to \$83.1 million from \$69.6 million in 2001 and increased 22.8 per cent to \$245.0 million in the first nine months of 2002 in line with increased revenues. Gross margin as a percentage of revenue was 36.1 per cent during the first nine months of 2002 compared to 37.7 per cent for the same period in 2001. The decrease in gross margin as a percentage of revenue is related to a different mix of products and services in 2002 as revenue associated with lower margin products and services increased throughout this year.

### Expenses

Operating expenses increased 22.0 per cent to \$18.4 million in the third quarter of 2002 from \$15.1 million in the third quarter of 2001 due to increased sales and marketing and other expenses. For the first nine months of 2002, operating expenses increased 15.9 per cent to \$57.2 million from \$49.4 million in the same period last year. As a percentage of revenue, operating expenses for the third quarter of 2002 were 14.6 per cent, a slight increase over the same quarter in 2001.

Depreciation and amortization decreased \$0.9 million in the third quarter of 2002 and \$7.2 million for the first nine months of 2002 compared with the prior year primarily as a result of the cessation of goodwill amortization in 2002. Goodwill amortization in the third quarter of 2001 was \$4.3 million, \$12.4 million for the first nine months of 2001.

Interest expense decreased \$5.9 million in the third quarter of 2002 and \$12.5 million for the first nine

### Remote communications operating results (thousands of dollars)

	Quarter ended September 30			Nine months ended September 30		
	2002	2001	% change	2002	2001	% change
Operating revenues	\$ 128,215	\$ 110,831	15.7	\$ 383,504	\$ 320,390	19.7
Cost of operating revenues	83,069	69,607	19.3	244,971	199,483	22.8
Net operating revenues	45,146	41,224	9.5	138,533	120,907	14.6
Operating expenses	18,407	15,091	22.0	57,237	49,406	15.9
EBITDA <sup>1</sup>	26,739	26,133	2.3	81,296	71,501	13.7
Depreciation and amortization	11,971	12,911	(7.3)	31,904	39,122	(18.4)
Operating income	14,768	13,222	11.7	49,392	32,379	52.5
Other income (expense)	—	(6,412)	—	—	(13,226)	—
Gain (loss) on foreign exchange	—	(21,076)	—	23,944	(26,264)	191.2
Interest	7,743	13,673	(43.4)	31,347	43,886	(28.6)
Income taxes (recovery)	2,728	2,710	0.7	(734)	6,638	(111.1)
Non-controlling interest	2,009	(11,920)	116.9	19,977	(22,622)	188.3
Net income (loss)	\$ 2,288	\$ (18,729)	112.2	\$ 22,746	\$ (35,013)	165.0

months of 2002 compared with the prior year due to a combination of their successful equity issue, long-term debt repayment, and a decrease in interest rates in 2002 compared to 2001.

Other expense recorded in 2001 represented costs of integrating the operations of British Telecom's Aeronautical and Marine (BT A&M) business; there are no continuing costs in 2002.

#### EMERGING BUSINESS

Aliant's emerging businesses are grouped under the ownership of Aliant Horizons Inc. and include wholly-owned Innovatia Inc. ("Innovatia"), wholly-owned Prexar LLC ("Prexar") and 57 per cent-owned AMI Offshore Inc. (AMI).

- Innovatia is focused on innovating operational process excellence for the telecommunications sector principally in the area of eLearning.
- Prexar is an Internet services provider operating in the northern New England States.
- AMI provides process and systems control technical services and contract manufacturing solutions to the offshore oil and gas and other industries.

Aliant has previously announced its intention to exit from its investment in AMI and Prexar.

Aliant's emerging business revenues decreased 20.8 per cent to \$22.5 million in the third quarter of 2002 from \$28.4 million in the third quarter of 2001, 28.6 per cent to \$73.2 million for the first nine months of 2002 from \$102.4 million in the first nine months of 2001, due largely to the sale of K&D Pratt Limited and ASCO Canada in the fourth quarter of 2001. These businesses contributed \$10.3 million in revenue during the third quarter of 2001, \$32.4 million in the first nine months of 2001. EBITDA in the third quarter of 2002 improved by \$7.4 per cent, 16.7 per cent year-to-date, due to a focus on reducing costs in light of lower revenues. Other expense for the first nine months of 2002 includes \$21.4 million in investment write-downs recorded on long-term investments and various subsidiary assets in the second quarter of 2002.

#### CONSOLIDATED OUTLOOK, RISKS AND UNCERTAINTIES

During 2001, Aliant continued to concentrate on executing a long-term growth strategy, evolving the organizational structure to continue realizing merger synergy targets and strengthening the position of each line of business through targeted acquisitions and business expansion. In 2002 Aliant is focusing on operational efficiencies and the implementation of

#### Emerging business operating results (thousands of dollars)

	Quarter ended September 30			Nine months ended September 30		
	2002	2001	% change	2002	2001	% change
Operating revenues	\$ 22,523	\$ 28,433	(20.8)	\$ 73,166	\$ 102,425	(28.6)
Cost of operating revenues	11,153	13,178	(15.4)	33,495	44,978	(25.5)
Net operating revenues	11,370	15,255	(25.5)	39,671	57,447	(30.9)
Operating expenses	14,608	18,752	(22.1)	43,582	62,143	(29.9)
EBITDA <sup>1</sup>	(3,238)	(3,497)	7.4	(3,911)	(4,696)	16.7
Depreciation and amortization	2,761	2,059	34.1	9,248	5,203	77.7
Operating loss	(5,999)	(5,556)	(8.0)	(13,159)	(9,899)	(32.9)
Other income (expense)	(1,225)	(1,884)	35.0	(24,626)	74	—
Interest	391	607	(35.6)	1,065	1,605	(33.6)
Income taxes (recovery)	(1,631)	(2,250)	27.5	(8,188)	(3,502)	(133.8)
Non-controlling interest	(274)	(236)	(16.1)	489	(12)	—
Net (loss)	\$ (5,710)	\$ (5,561)	(2.7)	\$ (31,151)	\$ (7,916)	(293.5)

#### Consolidated 2002 guidance (millions of dollars except per share amounts)

	2001	2002 growth rate			
		2002 low	low %	2002 high	high %
Revenues	\$ 2,602	\$ 2,630	1	\$ 2,670	3
EBITDA (before restructuring charge)	\$ 977	\$ 940	(4)	\$ 975	—
Earnings per share (before restructuring charge)*	\$ 1.31	\$ 1.60	22	\$ 1.90	45
Capital expenditures	\$ 466	\$ 415	(11)	\$ 430	(8)
Free cash flow from operations <sup>3</sup>	\$ 40	\$ 160	400	\$ 200	500

\* 2001 Earnings per share is before required retroactive restatement of foreign exchange gains and losses.

alignment strategies with Bell Canada. Regulation continues to be an aspect of the operating environment in which Aliant Telecom functions. Price-cap regulation of utility services (which include residential local services and single and multi-line local business services), in particular, limits the growth in revenues from local services by placing a cap on these prices.

Aliant will achieve its planned growth objectives for 2002 and beyond through a strengthened focus on telecommunications in Atlantic Canada, specifically in areas such as broadband and wireless which continue to show evidence of solid growth despite industry and market challenges. To keep pace with rapidly changing technology, competition and economic uncertainties,

Aliant maintains an aggressive customer retention strategy by improving service levels, offering competitive leading-edge solutions, and generating additional revenues by investing in enhanced applications to increase traffic across existing networks. To further differentiate Aliant and provide it with a strong, competitive advantage, xwave will align its efforts with those of telecommunications to pursue the small and medium-sized enterprise market, while Innovatia will continue its focus on securing a large portion of the potential elearning market in North America. Aliant's strategy, combined with a commitment to maintain a strong balance sheet, generate free cash flow from operations, and sustain earnings momentum, positions it to maintain its leadership position in the industry.

# Statements

## Consolidated balance sheets (unaudited)

<i>(thousands of dollars)</i>	As at September 30, 2002	As at December 31, 2001 <i>(as restated, note 2)</i>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and short-term investments	\$ 210,843	\$ 131,558
Accounts receivable <i>(note 3)</i>	463,550	482,454
Inventory	29,777	36,046
Prepayments	57,740	34,947
Future income tax asset	2,945	17,500
	<b>764,855</b>	<b>702,505</b>
<b>Capital assets <i>(note 4)</i></b>	<b>2,348,247</b>	<b>2,346,599</b>
<b>Other assets</b>		
Long-term investments <i>(note 5)</i>	47,003	65,501
Deferred charges	118,989	121,474
Future income tax asset	31,806	9,881
Goodwill <i>(note 6)</i>	421,886	418,286
	<b>619,684</b>	<b>615,142</b>
<b>Total assets</b>	<b>\$ 3,732,786</b>	<b>\$ 3,664,246</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Notes payable and bank advances <i>(note 7)</i>	\$ 92,171	\$ 103,156
Payables and accruals <i>(note 8)</i>	262,223	311,915
Long-term debt due within one year <i>(note 9)</i>	191,242	84,788
	<b>545,636</b>	<b>499,859</b>
<b>Long-term debt <i>(note 9)</i></b>	<b>1,239,459</b>	<b>1,460,741</b>
<b>Accrued benefit obligation</b>	<b>50,122</b>	<b>43,758</b>
<b>Deferred credits</b>	<b>12,913</b>	<b>15,880</b>
	<b>1,848,130</b>	<b>2,020,238</b>
<b>Non-controlling interest <i>(note 10)</i></b>	<b>168,156</b>	<b>61,029</b>
<b>Shareholders' equity</b>		
Capital stock <i>(note 11)</i>	1,239,867	1,186,680
Contributed surplus	69,320	69,320
Retained earnings	396,734	326,979
Cumulative translation adjustment	10,579	—
	<b>1,716,500</b>	<b>1,582,979</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 3,732,786</b>	<b>\$ 3,664,246</b>

See accompanying notes to the consolidated financial statements

Signed on behalf of the board of directors:



Charles White  
Chairman



Edward Reevey  
Director

## Consolidated statements of income (unaudited)

<i>(thousands of dollars except per share amounts)</i>	Three months ended September 30		Nine months ended September 30	
	2002	2001	2002	2001
<b>Operating revenues</b> <i>(note 12)</i>	<b>\$ 654,068</b>	\$ 640,501 <i>(as restated, note 2)</i>	<b>\$1,969,824</b>	\$ 1,937,707 <i>(as restated, note 2)</i>
<b>Expenses</b>				
Cost of operating revenues	179,888	167,117	549,838	512,731
Operating expenses	250,849	223,696	721,712	713,177
Depreciation and amortization	110,857	107,664	325,080	323,847
	<b>541,594</b>	498,477	<b>1,596,630</b>	1,549,755
Operating income	<b>112,474</b>	142,024	<b>373,194</b>	387,952
<b>Other income (expenses)</b>				
Gain (loss) on foreign exchange <i>(note 2)</i>	—	(21,076)	23,944	(26,264)
Other income (expenses) <i>(note 13)</i>	(2,010)	(7,208)	8,528	(10,956)
	<b>(2,010)</b>	(28,284)	<b>32,472</b>	(37,220)
<b>Interest charges</b>				
Interest on long-term debt	29,341	36,043	95,207	113,885
Other interest	1,250	2,713	1,564	8,966
	<b>30,591</b>	38,756	<b>96,771</b>	122,851
Income before underlisted items	79,873	74,984	308,895	227,881
<b>Income taxes</b> <i>(note 14)</i>	<b>33,583</b>	53,365	<b>105,530</b>	140,808
Income before non-controlling interest	46,290	21,619	203,365	87,073
<b>Non-controlling interest share of (income) losses</b>	<b>(2,150)</b>	11,875	<b>(21,270)</b>	22,153
<b>Net income</b>	<b>\$ 44,140</b>	\$ 33,494	<b>\$ 182,095</b>	\$ 109,226
Net income	\$ 44,140	\$ 33,494	\$ 182,095	\$ 109,226
Add back: amortization of goodwill	—	6,665	—	18,833
<b>Net income before amortization of goodwill</b>	<b>\$ 44,140</b>	\$ 40,159	<b>\$ 182,095</b>	\$ 128,059
<b>Earnings per common share</b> <i>(note 15)</i>				
Basic	\$ 0.30	\$ 0.23	\$ 1.26	\$ 0.78
Add back: amortization of goodwill	—	0.05	—	0.14
Adjusted basic	\$ 0.30	\$ 0.28	\$ 1.26	\$ 0.92
Diluted	\$ 0.30	\$ 0.23	\$ 1.26	\$ 0.77
Add back: amortization of goodwill	—	0.05	—	0.14
Adjusted diluted	\$ 0.30	\$ 0.28	\$ 1.26	\$ 0.91

*See accompanying notes to the consolidated financial statements*

## Consolidated statements of retained earnings (unaudited)

(thousands of dollars)	Nine months ended September 30	
	2002	2001
<b>Retained earnings, beginning of period as previously reported</b>	<b>\$ 343,807</b>	<b>\$ 351,482</b>
Change in accounting policy for foreign currency translation <i>(note 2)</i>	(16,828)	—
	<b>326,979</b>	351,482
Change in accounting policy for stock-based compensation <i>(note 2)</i>	(369)	—
Goodwill impairment provision <i>(note 2)</i>	(8,622)	—
<b>Retained earnings, beginning of period as restated</b>	<b>317,988</b>	351,482
Net income	182,095	109,226
Preferred share dividends	(7,153)	(4,235)
Common share dividends	(96,196)	(91,011)
<b>Retained earnings, end of period</b>	<b>\$ 396,734</b>	<b>\$ 365,462</b>

*See accompanying notes to the consolidated financial statements*

## Consolidated statements of cash flows (unaudited)

(thousands of dollars)	Three months ended September 30		Nine months ended September 30	
	2002	2001	2002	2001
		<i>(as restated, note 2)</i>		<i>(as restated, note 2)</i>
<b>Cash and cash equivalents from (used in) operations</b>				
Net income	<b>\$ 44,140</b>	\$ 33,494	<b>\$ 182,095</b>	\$ 109,226
Add (deduct) non-cash items:				
Depreciation and amortization	110,857	107,664	325,080	323,847
Loss (gain) on foreign exchange	—	21,076	(23,944)	26,264
Future income taxes	(19,165)	1,668	(25,220)	11,601
Other non-cash items	4,086	(10,768)	(5,708)	(22,967)
Share in earnings of equity accounted investments	1,235	1,612	3,181	4,524
Non-controlling interest share of income (losses)	2,150	(11,875)	21,270	(22,153)
	<b>143,303</b>	142,871	<b>476,754</b>	430,342
Change in non-cash working capital balances related to operations	25,190	14,222	(22,825)	(136,812)
	<b>168,493</b>	157,093	<b>453,929</b>	293,530
<b>Cash and cash equivalents from (used in) financing</b>				
Repurchase of accounts receivable	—	—	(15,000)	—
Net proceeds (repayments) of notes payable and bank advances	(4,935)	64,658	(10,985)	(76,153)
Proceeds from long-term debt	1,000	154,000	101,000	380,670
Repayments of long-term debt	(8,693)	(289,653)	(200,753)	(430,415)
Increase in non-controlling interest	9,364	64	118,782	2,059
Proceeds from issue of preferred shares <i>(note 11)</i>	—	(23)	—	172,433
Proceeds from issue of common shares <i>(note 11)</i>	(4,626)	5,716	13,873	26,816
Preferred share dividends	(2,384)	(2,384)	(7,153)	(4,235)
Common share dividends	(32,641)	(12,025)	(56,882)	(51,496)
	<b>(42,915)</b>	(79,647)	<b>(57,118)</b>	19,679
<b>Cash and cash equivalents from (used in) investing</b>				
Capital expenditures	(98,186)	(90,058)	(319,925)	(339,902)
Proceeds on sale of investments	1,224	31,606	9,900	53,197
Decrease (increase) in investments	(452)	13,645	(977)	18,986
Decrease in deferred charges	(15,776)	(16,203)	(7,191)	(48,412)
Purchase of subsidiaries' net assets and goodwill	—	—	—	(2,539)
	<b>(113,190)</b>	(61,010)	<b>(318,193)</b>	(318,670)
<b>Change in cash and short-term investments</b>	<b>12,388</b>	16,436	<b>78,618</b>	(5,461)
<b>Cash and short-term investments, beginning of period</b>	<b>197,788</b>	58,595	<b>131,558</b>	80,492
<b>Effect of exchange rate changes on cash</b>	<b>667</b>	—	<b>667</b>	—
<b>Cash and short-term investments, end of period</b>	<b>\$ 210,843</b>	\$ 75,031	<b>\$ 210,843</b>	\$ 75,031
<b>Supplementary disclosure</b>				
Interest paid	\$ 22,570	\$ 40,763	\$ 86,604	\$ 121,531
Income taxes paid	\$ 29,872	\$ 38,663	\$ 118,928	\$ 122,799

*See accompanying notes to the consolidated financial statements*

# Statement notes

Notes to the consolidated financial statements  
September 30, 2002 (unaudited)

## NOTE 1

### Interim financial statements

The accounting policies and methods followed for interim reporting purposes are consistent with those in effect for the most recent annual financial statements of the Company for the year ended December 31, 2001,

except for changes as explained below. These unaudited interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2001.

## NOTE 2

### Summary of significant accounting policies

#### Consolidated financial statements

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

At September 30, 2002, the principal subsidiaries of the Company include: Aliant Telecom Inc., Aliant Information Technology Inc., Xwave Solutions Inc., Aliant Horizons Inc., Stratos Global Corporation, AMI Offshore Inc., Innovatia Inc., Prexar LLC, 515713 N.B. Inc., and Aliant Energy Services Inc.

#### Use of accounting estimates

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

#### Regulation

Aliant Telecom Inc., the Company's major telecommunications subsidiary, is subject to regulation by the Canadian Radio-television and Telecommunications Commission ("CRTC"). On May 30, 2002 the CRTC released its Decision 2002-34, which includes prescribed new rules effective for a four year period to determine the rates charged for certain local telephone services. Aliant Telecom Inc. filed these rates with regulators in August 2002 and CRTC approval is expected during the fourth quarter of 2002. The approved rates will be retroactive to June 1, 2002.

#### Cash and short-term investments

Cash and short-term investments consist of cash on hand and balances with banks, and investments in money

market instruments with original maturity of less than 90 days that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. The Company uses the indirect method to prepare its cash flow statement.

#### Transfer of receivables

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

The accounts receivable are transferred on a fully-serviced basis. As a result, the Company recognizes a servicing liability on the date of the transfer and amortizes this liability to income over the expected life of the transferred accounts receivable.

#### Inventory

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

## NOTE 2

### Summary of significant accounting policies (continued)

#### Income taxes

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

#### Capital assets

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

Asset	Method	Rate
Buildings	StraightLine	32 – 40 years
Plant	StraightLine	14 years
Machinery and equipment	StraightLine	3 – 5 years

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

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

#### Long-term investments

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

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

#### Deferred charges

Deferred charges include debt issue costs, which are amortized on a straight-line basis over the term of the related debt. Also included in deferred charges are cellular dealer commissions and hardware subsidies, which are amortized over the length of customer contracts, as well as Internet commissions, which are amortized over a defined customer relationship period.

#### Goodwill

Goodwill represents the excess, at the dates of acquisition, of the costs over the fair values of the net amounts assigned to individual assets acquired and liabilities assumed. The Company annually reviews goodwill of all its reporting units to ensure that its fair value remains greater than, or equal to, carrying value.

Any impairment in the value of goodwill is charged to income in the period such impairment is determined.

#### Post employment benefits

The Company maintains both contributory defined contribution and non-contributory defined benefit final average pension plans for the benefit of employees of certain subsidiaries.

The Company also offers other non-pension post employment benefits to employees of certain subsidiaries, including life insurance and health care plans.

Obligations under the employee benefit plans are accrued as the employees render the service necessary to earn the pension and other employee future benefits.

The Company accrues its obligations under employee benefit plans and the related costs, net of plan assets.

The Company has adopted the following policies for its defined benefit pension plans and other post employment benefits:

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

#### Earnings per common share

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

#### Stock-based compensation plan

The Company has a stock-based compensation plan for executives and certain senior managers, which is described in note 16. No compensation expense is recognized when stock options are issued. Consideration paid on exercise of stock options is credited to share

## NOTE 2

### Summary of significant accounting policies *(continued)*

#### Stock-based compensation plan *(continued)*

capital. Compensation expense is recognized for the Company's contributions to the Employee Stock Savings Plan.

A subsidiary of the Company has a stock-based compensation plan specific to its own shares. A participant in this plan may elect to cash settle the options in lieu of exercising them. The variable accounting method is used to record the compensation expense on these options. Under this method, these awards result in the subsidiary recognizing a liability. Changes in the amount of this liability due to stock price changes are recorded as compensation expense.

#### Foreign currency translation

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

Assets and liabilities of the Company's self-sustaining foreign operations are translated using the current rate method at exchange rates prevailing at the balance

sheet date, which was US\$1.00 = Canadian\$1.59 at September 30, 2002 (US\$1.00 = Canadian\$1.59 at December 31, 2001). Resulting unrealized gains or losses are deferred and included in shareholders' equity as a cumulative translation adjustment. The change in the cumulative translation adjustment account reflects changes due to fluctuations in exchange rates during the period. Revenues and expenses are translated at the average exchange rate prevailing during the period.

#### Accounting changes

Effective January 1, 2002, the Company adopted the new accounting standards of the Canadian Institute of Chartered Accountants (CICA) with regard to Foreign Currency Translation, Stock-Based Compensation and Other Stock-Based Payments and Goodwill and Other Intangibles.

#### (a) Foreign currency translation

All exchange gains and losses arising from the translation of foreign currency monetary items prior to the change in translation methods from temporal to current rate method (see Foreign currency translation accounting policy note) are included in income. Previously, unrealized foreign exchange gains or losses in relation to long-term debt balances were deferred and amortized over the remaining term of the related debt.

As required under the new standards, this change was adopted retroactively with restatement of prior period balances. The following table outlines the impact of these changes:

<i>(thousands of dollars)</i>	<b>Nine months ended September 30, 2002</b>	Nine months ended September 30, 2001	Year ended December 31, 2001
<b>Consolidated statements of income</b>			
Increase (decrease) to:			
Loss (gain) on foreign exchange	\$ (23,944)	\$ 26,264	\$ 30,938
Depreciation and amortization	—	(2,558)	(4,416)
Future income taxes	—	589	1,016
Non-controlling interest	11,196	(9,448)	(10,710)
Net income	\$ 12,748	\$ (14,847)	\$ (16,828)
<b>Consolidated balance sheets</b>			
Increase (decrease) to:			
Deferred charges	\$ —	\$ (23,706)	\$ (26,522)
Future income tax liability	\$ —	\$ 589	\$ 1,016
Non-controlling interest	\$ 11,196	\$ (9,448)	\$ (10,710)
Retained earnings	\$ 12,748	\$ (14,847)	\$ (16,828)

## NOTE 2

### Summary of significant accounting policies (continued)

#### Accounting changes (continued)

Basic and diluted earnings per share for the nine months and three months ended September 30, 2001 decreased by \$0.11 and \$0.09 respectively (December 31, 2001 – \$0.12) from previously reported amounts.

#### (b) Stock-based compensation and other stock-based payments

The Company does not record compensation expense upon issuance of stock options to employees under its own stock option plan, as permitted under the new CICA accounting standard. However, as required by the new standard, the Company is disclosing the pro-forma net income and pro-forma earnings per share using the fair market value method of accounting for stock-based compensation awards. This pro-forma information is presented in note 15.

Under a subsidiary company's employee stock option plan, the requirements of the new standard have been adopted retroactively. As a result of this change, opening retained earnings was decreased by \$0.4 million and accounts payable and accrued liabilities were increased by \$0.4 million. During the period ended September 30, 2002, there was an additional compensation expense

recorded in the amount of \$0.1 million.

#### (c) Goodwill and other intangibles

Previously, recorded goodwill was amortized on a straightline basis over the estimated life of ten to twenty years. In addition, the Company would periodically evaluate the carrying value of goodwill for potential permanent impairment through ongoing review and analysis of fair market value and expected earnings. A permanent impairment in the value of goodwill was charged to earnings in the year such impairment was determined.

Under the new accounting standards, goodwill and intangibles with an indefinite life are no longer amortized. Entities were required to perform an impairment test as of January 1, 2002 to ascertain whether they should recognize a decline in the carrying value of any recorded goodwill balances. An impairment provision in the amount of \$8.6 million was recognized as a result of the impairment test and was charged to opening retained earnings. This impairment test is required to be performed on at least an annual basis and any subsequent impairment provisions would be charged to income at that date.

## NOTE 3

### Transfer of receivables

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

Under the agreement receivables are sold on a fully serviced basis, so that the Company continues to administer the collection of such receivables. The Purchaser will re-invest the funds from collections in the purchase of additional interests in the Company's accounts receivable until the expiration of the agreement on December 13, 2006.

As at September 30, 2002, the Company had sold \$135.0 million (December 31, 2001 – \$150.0 million) of accounts receivable and transferred \$164.9 million (December 31, 2001 – \$176.8 million) of receivables to the trust.

## NOTE 4

### Capital assets

(thousands of dollars)

	September 30, 2002		
	Cost	Accumulated depreciation	Net book value
Land	\$ 15,989	\$ —	\$ 15,989
Buildings	343,797	167,553	176,244
Plant	4,169,875	2,564,841	1,605,034
Machinery and equipment	912,080	449,840	462,240
Plant under construction	78,927	—	78,927
Materials and supplies	9,813	—	9,813
Total capital assets	\$ 5,530,481	\$ 3,182,234	\$ 2,348,247

## NOTE 4

### Capital assets *(continued)*

<i>(thousands of dollars)</i>	December 31, 2001		
	Cost	Accumulated depreciation	Net book value
Land	\$ 16,888	\$ —	\$ 16,888
Buildings	333,361	157,680	175,681
Plant	4,054,070	2,419,011	1,635,059
Machinery and equipment	851,437	380,848	470,589
Plant under construction	39,771	—	39,771
Materials and supplies	8,611	—	8,611
Total capital assets	\$ 5,304,138	\$ 2,957,539	\$ 2,346,599

## NOTE 5

### Long-term investments

<i>(thousands of dollars)</i>	September 30, 2002	December 31, 2001
Investments subject to significant influence	\$ 9,005	\$ 23,534
Portfolio investments	37,998	41,967
	\$ 47,003	\$ 65,501

## NOTE 6

### Goodwill

<i>(thousands of dollars)</i>	September 30, 2002	December 31, 2001
Goodwill, at cost	\$ 474,229	\$ 461,391
Goodwill impairment provision <i>(note 2)</i>	(8,622)	—
Accumulated amortization	(43,721)	(43,105)
	\$ 421,886	\$ 418,286

## NOTE 7

### Notes payable and bank advances

At September 30, 2002 the Company has \$nil (December 31, 2001 – \$4.9 million) outstanding under its commercial paper program. The Company has lines of credit available of \$535 million (December 31, 2001 – \$725 million). These lines consist of \$300 million (December 31, 2001 – \$350 million) in committed lines

supporting the Company's commercial paper program, \$125 million (December 31, 2001 – \$225 million) in committed lines supporting a Stratos loan guarantee and \$110 million (December 31, 2001 – \$150 million) in uncommitted operating lines.

## NOTE 8

### Restructuring charge

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

Costs associated with workforce reduction and operational integration continue to be charged against the restructuring provision recorded at December 31,

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

As at September 30, 2002, the balance of this restructuring provision included in payables and accruals totaled \$36.3 million (December 31, 2001 – \$69.0 million). The remaining provision will be substantially drawn down during 2002, as the consolidation and integration of its operations are completed.

## NOTE 9

## Long-term debt

<i>(thousands of dollars)</i>	Interest rate	Maturity	September 30, 2002	December 31, 2001
<b>Telecommunications</b>				
Notes	5.35% – 6.80%	2004 – 2011	\$ 600,000	\$ 500,000
Bonds	8.76% – 12.25%	2007 – 2019	197,500	197,500
Debentures	6.40% – 11.13%	2002 – 2025	265,000	315,000
Other			1,992	2,009
			<b>1,064,492</b>	1,014,509
Present value of obligations under capital leases			2,459	2,092
Total – Telecommunications			<b>1,066,951</b>	1,016,601
<b>Information technology</b>				
Mortgages	Prime plus 1.00% – 1.50%	2002	1,163	1,879
Present value of obligations under capital leases			—	330
Total - Information technology			<b>1,163</b>	2,209
<b>Remote communications</b>				
Term debt	LIBOR + 2.50%	2005	301,568	318,560
Acquisition facility	LIBOR + 2.50%	2003	52,378	199,100
Other			2,472	2,815
Total – Remote communications			<b>356,418</b>	520,475
<b>Emerging business</b>				
Mortgages	6.89%	2004	1,444	1,501
Bank loans	7.02% – Prime plus 5.00%	2002 – 2004	3,392	3,239
Other	0% – Prime plus 4.00%	2004 – 2007	971	1,101
Present value of obligations under capital leases			362	403
Total - Emerging business			<b>6,169</b>	6,244
Total long-term debt			<b>1,430,701</b>	1,545,529
Less: Portion due within one year			<b>191,242</b>	84,788
			<b>\$ 1,239,459</b>	\$ 1,460,741

During the period, the Company issued \$100 million of 5 year medium-term notes pursuant to its base shelf prospectus dated April 27, 2001. These notes carry a coupon rate of 5.35 per cent payable semi-annually and mature on January 15, 2007.

## NOTE 10

## Non-controlling interest

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

<i>(thousands of dollars)</i>	September 30, 2002	December 31, 2001
Stratos Global Corporation	\$ 159,002	\$ 52,657
TechKnowledge Inc.	821	835
Atlantic Mobility Products Ltd.	1,936	1,165
Prexar LLC	—	572
Sablecom	1,956	1,834
Transtech Engineering Inc.	41	49
AMI Offshore Inc.	4,400	3,917
	<b>\$ 168,156</b>	<b>\$ 61,029</b>

## NOTE 11

### Capital stock

#### Authorized

Unlimited number of preference shares, issuable in series.  
Unlimited number of common shares, without par value.

#### Issued

(thousands of dollars)	September 30, 2002		December 31, 2001	
	Number of shares	Value	Number of shares	Value
Preference shares, series 2	7,000,000	\$ 172,264	7,000,000	\$ 172,264
Common shares	139,583,464	1,067,603	137,526,147	1,014,416
		\$ 1,239,867		\$ 1,186,680

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

(thousands of dollars)	September 30, 2002		December 31, 2001	
	Number of shares	Value	Number of shares	Value
Stock option plan (note 16)	400,922	\$ 6,679	336,488	\$ 5,072
Common shareholder dividend reinvestment and stock purchase plan	1,314,656	36,844	1,836,679	54,353
Employees' stock savings plan (note 16)	441,539	12,452	1,015,997	32,390
Shares purchased for cancellation	(99,800)	(2,788)	—	—
	2,057,317	\$ 53,187	3,189,164	\$ 91,815

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

During the period, the Company issued shares in relation to the common shareholder dividend reinvestment and stock purchase plan as well as the employees' stock savings plan in lieu of paying cash dividend in the amount of \$39.3 million (year ended December 31, 2001 – \$57.8 million).

On July 18, 2002, Aliant Inc. announced acceptance by the Toronto Stock Exchange of Notice of intention

to purchase from time to time up to 1,600,000 of its outstanding common shares on the Toronto Stock Exchange, representing approximately 1.1 per cent of the issued and outstanding common shares of Aliant Inc. as of that date, being 139,567,382 common shares. Under the bid, the Company would acquire, from time to time, its common shares at the market price from cash through the facilities of the Toronto Stock Exchange. Purchases of common shares may be made during the 12-month period commencing July 22, 2002 and ending on July 21, 2003. All common shares purchased will be cancelled by Aliant Inc.

The Company purchased and cancelled 99,800 shares for an aggregate price of \$2.8 million during the period.

## NOTE 12

### Segmented information

The Company operates through 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 is Aliant Telecom Inc.

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

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

*Emerging business* – focused on developing and nurturing new technology-based products and services such as computer telephony integration, TV over copper, high-speed e-commerce, and new media. This includes (1) Innovatia Inc.; and (2) supply and service of the east coast oil and gas industry as conducted by AMI Offshore Inc.

## NOTE 12

### Segmented information *(continued)*

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

The accounting policies of the segments are the same as those described in note 2. The Company evaluates performance based on a number of financial and

non-financial indicators including net income, return on equity and revenue growth.

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

*For the period ended September 30, 2002 (thousands of dollars)*

	Three months						Consolidated
	Telecommunications	Information technology	Remote communications	Emerging business	All others	Eliminations	
Revenue from							
external customers	\$ 455,398	\$ 48,094	\$ 128,215	\$ 21,560	\$ 801	\$ —	\$ 654,068
Intersegment revenue	4,475	35,086	—	963	—	(40,524)	—
Operating revenue	459,873	83,180	128,215	22,523	801	(40,524)	654,068
Operating expenses	240,610	94,639	101,476	25,761	6,943	(38,692)	430,737
Depreciation and amortization	92,659	3,242	11,971	2,761	224	—	110,857
Gain (loss) on foreign exchange	—	—	—	—	—	—	—
Other income (expenses)	(1,598)	376	—	(1,225)	1,670	(1,233)	(2,010)
Interest expense	22,344	480	7,743	391	866	(1,233)	30,591
Income taxes	41,208	(5,828)	2,728	(1,631)	(2,067)	(827)	33,583
Non-controlling interest	(399)	(16)	(2,009)	274	—	—	(2,150)
Net income (loss)	\$ 61,055	\$ (8,993)	\$ 2,288	\$ (5,710)	\$ (3,495)	\$ (1,005)	\$ 44,140
Total assets	\$2,666,918	\$ 223,951	\$ 815,177	\$ 110,438	\$1,846,342	\$ (1,930,040)	\$3,732,786
Capital expenditures	\$ 87,192	\$ 486	\$ 7,563	\$ 2,478	\$ 467	\$ —	\$ 98,186

*For the period ended September 30, 2001 (thousands of dollars)*

	Three months <i>(as restated, note 2)</i>						Consolidated
	Telecommunications	Information technology	Remote communications	Emerging business	All others	Eliminations	
Revenue from							
external customers	\$ 459,485	\$ 48,759	\$ 110,831	\$ 21,347	\$ 79	\$ —	\$ 640,501
Intersegment revenue	5,452	36,557	—	7,086	—	(49,095)	—
Operating revenue	464,937	85,316	110,831	28,433	79	(49,095)	640,501
Operating expenses	236,865	78,729	84,698	31,930	5,628	(47,037)	390,813
Depreciation and amortization	86,140	4,562	12,911	2,059	85	1,907	107,664
Gain (loss) on foreign exchange	—	—	(21,076)	—	—	—	(21,076)
Other income (expenses)	1,072	166	(6,412)	(1,884)	2,817	(2,967)	(7,208)
Interest expense	25,097	532	13,673	607	1,814	(2,967)	38,756
Income taxes	54,274	1,393	2,710	(2,250)	(1,832)	(930)	53,365
Non-controlling interest	(291)	10	11,920	236	—	—	11,875
Net income (loss)	\$ 63,342	\$ 276	\$ (18,729)	\$ (5,561)	\$ (2,799)	\$ (3,035)	\$ 33,494
Total assets	\$2,660,572	\$ 270,455	\$ 793,724	\$ 167,943	\$1,663,624	\$ (1,637,380)	\$3,918,938
Capital expenditures	\$ 66,653	\$ 5,783	\$ 7,478	\$ 9,212	\$ 932	\$ —	\$ 90,058

## NOTE 12

Segmented information *(continued)*

	Year to date						
	Telecommunications	Information technology	Remote communications	Emerging business	All others	Eliminations	Consolidated
Revenue from							
external customers	\$ 1,313,624	\$ 198,468	\$ 383,504	\$ 70,159	\$ 4,069	\$ —	\$ 1,969,824
Intersegment revenue	14,141	109,893	—	3,007	—	(127,041)	—
Operating revenue	1,327,765	308,361	383,504	73,166	4,069	(127,041)	1,969,824
Operating expenses	691,283	302,405	302,208	77,077	20,519	(121,942)	1,271,550
Depreciation and amortization	274,121	9,042	31,904	9,248	765	—	325,080
Gain (loss) on foreign exchange	—	—	23,944	—	—	—	23,944
Other income (expenses)	(1,911)	448	—	(24,626)	41,398	(6,781)	8,528
Interest expense	66,065	1,237	31,347	1,065	3,838	(6,781)	96,771
Income taxes	116,626	(825)	(734)	(8,188)	952	(2,301)	105,530
Non-controlling interest	(815)	11	(19,977)	(489)	—	—	(21,270)
Net income (loss)	\$ 176,944	\$ (3,039)	\$ 22,746	\$ (31,151)	\$ 19,393	\$ (2,798)	\$ 182,095
Total assets	\$ 2,666,918	\$ 223,951	\$ 815,177	\$ 110,438	\$ 1,846,342	\$ (1,930,040)	\$ 3,732,786
Capital expenditures	\$ 277,338	\$ 4,799	\$ 29,760	\$ 7,220	\$ 808	\$ —	\$ 319,925

	Year to date (as restated, note 2)						
	Telecommunications	Information technology	Remote communications	Emerging business	All others	Eliminations	Consolidated
Revenue from							
external customers	\$ 1,363,137	\$ 176,921	\$ 320,390	\$ 76,594	\$ 665	\$ —	\$ 1,937,707
Intersegment revenue	14,082	109,301	—	25,831	—	(149,214)	—
Operating revenue	1,377,219	286,222	320,390	102,425	665	(149,214)	1,937,707
Operating expenses	735,125	259,989	248,889	107,121	18,028	(143,244)	1,225,908
Depreciation and amortization	261,865	11,695	39,122	5,203	240	5,722	323,847
Gain (loss) on foreign exchange	—	—	(26,264)	—	—	—	(26,264)
Other income (expenses)	2,340	299	(13,226)	74	8,606	(9,049)	(10,956)
Interest expense	75,497	1,628	43,886	1,605	9,283	(9,048)	122,851
Income taxes	140,908	7,342	6,638	(3,502)	(7,883)	(2,695)	140,808
Non-controlling interest	(582)	101	22,622	12	—	—	22,153
Net income (loss)	\$ 165,582	\$ 5,968	\$ (35,013)	\$ (7,916)	\$ (10,397)	\$ (8,998)	\$ 109,226
Total assets	\$ 2,660,572	\$ 270,455	\$ 793,724	\$ 167,943	\$ 1,663,624	\$ (1,637,380)	\$ 3,918,938
Capital expenditures	\$ 282,727	\$ 10,953	\$ 8,496	\$ 29,089	\$ 8,637	\$ —	\$ 339,902

## NOTE 12

### Segmented information *(continued)*

Revenue from external customers by product and service:

For the period ended September 30 (thousands of dollars)	Three months		Year to date	
	2002	2001	2002	2001
Telecommunications				
Local	\$ 194,326	\$ 219,341	\$ 577,799	\$ 649,463
Long distance	95,843	96,032	290,846	296,238
Wireless	75,501	68,317	204,129	183,814
Other telecommunications	89,728	75,795	240,850	233,622
	<b>455,398</b>	<b>459,485</b>	<b>1,313,624</b>	<b>1,363,137</b>
Information technology				
Products	22,699	24,302	112,879	83,841
Services	25,395	24,457	85,589	93,080
	<b>48,094</b>	<b>48,759</b>	<b>198,468</b>	<b>176,921</b>
Remote communications				
Mobile satellite services	91,428	71,708	275,619	211,324
Broadband services	36,787	39,123	107,885	109,066
	<b>128,215</b>	<b>110,831</b>	<b>383,504</b>	<b>320,390</b>
Emerging business	21,560	21,347	70,159	76,594
Other	801	79	4,069	665
	<b>\$ 654,068</b>	<b>\$ 640,501</b>	<b>\$1,969,824</b>	<b>\$1,937,707</b>

## NOTE 13

### Other income (expenses)

The Company recorded a gain on reduction of ownership in one of its subsidiaries in the amount of \$32.5 million (\$25.9 million net of income taxes). In addition, certain portfolio investments, investments

subject to significant influence and assets of a subsidiary company were written down to their estimated market value by \$5.6 million, \$10.6 million and \$5.2 million respectively (\$18.1 million net of income taxes).

## NOTE 14

### Income taxes

The Company recognized \$6.8 million of tax benefits relating to a portion of the tax losses carry forward of one of its subsidiaries. The Company has developed,

and if necessary, will implement before the expiry of the losses, a tax strategy that would result in the realization of the tax benefits recognized.

## NOTE 15

### Earnings per common share

For the period ended September 30 (thousands of dollars except per share amounts)	Three months		Year to date	
	2002	2001	2002	2001
Net income applicable to common shares:				
Net income	\$ 44,140	\$ 33,494	\$ 182,095	\$ 109,226
Preferred share dividends	(2,384)	(2,384)	(7,153)	(4,235)
Net income applicable to common shares	\$ 41,756	\$ 31,110	\$ 174,942	\$ 104,991
Basic:				
Average number of common shares outstanding	139,568	135,975	138,719	135,216
Basic earnings per share	\$ 0.30	\$ 0.23	\$ 1.26	\$ 0.78
Diluted:				
Average number of common shares outstanding	139,568	135,975	138,719	135,216
Impact of outstanding stock options	—	596	71	479
	139,568	136,571	138,790	135,695
Diluted earnings per share	\$ 0.30	\$ 0.23	\$ 1.26	\$ 0.77

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

presented below pertain to new awards granted since adoption of the new stock-based compensation standards on January 1, 2002 as described in note 2.

For the period ended September 30, 2002 (thousands of dollars except per share amounts)	Three months	Year to date
Pro-forma net income applicable to common shares:		
Net income	\$ 44,140	\$ 182,095
Preferred share dividends	(2,384)	(7,153)
Pro-forma adjustments	(501)	(1,829)
Pro-forma net income applicable to common shares	\$ 41,255	\$ 173,113
Basic:		
Average number of common shares outstanding	139,568	138,719
Pro-forma earnings per share	\$ 0.30	\$ 1.25
Diluted:		
Average number of common shares outstanding	139,568	138,719
Impact of outstanding stock options	—	71
	139,568	138,790
Pro-forma earnings per share	\$ 0.30	\$ 1.25

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants:

	September 30, 2002
Dividend yield	3.40%
Expected volatility	25.3%
Risk-free interest rate	6.75%
Expected lives	7.8 years

## NOTE 16

### Stock-based compensation plans

At September 30, 2002 the Company has the following stock-based compensation plans.

#### Stock option plan

Under the stock option plan, the Company may grant options to plan members for up to 7,361,746 shares of common stock, of which 2,760,303 options for the same number of common shares were outstanding at the end of the period. The exercise price of each option

equals the market price of the Company's stock on the date of grant and an option's maximum term is ten years. Options vest evenly over three years from the date they are granted under the plan.

A summary of the status of the Company's stock option plan as of September 30, 2002 and December 31, 2001, and changes during the periods ended on those dates is presented below:

	September 30, 2002		December 31, 2001	
	Number of shares	Weighted-average exercise price	Number of shares	Weighted-average exercise price
Options outstanding at beginning of period	2,558,275	\$ 26.67	2,478,674	\$ 23.26
Granted	633,049	29.05	416,089	35.34
Forfeited	35,172	23.24	—	—
Exercised	400,922	16.66	336,488	15.07
Options outstanding at end of period	2,755,230	\$ 28.79	2,558,275	\$ 26.67
Options exercisable at end of period	1,731,218	\$ 27.40	1,614,550	\$ 21.53

The following table summarizes information about stock options outstanding at September 30, 2002:

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding at September 30, 2002	Weighted-average remaining contractual life in years	Weighted-average exercise price	Number exercisable at September 30, 2002	Weighted-average exercise price
\$10.625 to \$15.718	222,399	4.0	\$13.911	222,399	\$13.911
\$17.557 to \$20.079	203,933	5.3	\$19.894	203,933	\$19.894
\$21.768 to \$25.552	382,984	6.3	\$22.742	350,731	\$22.719
\$27.950 to \$34.900	1,448,988	8.3	\$31.654	703,786	\$33.325
\$35.250 to \$38.100	496,926	8.3	\$35.422	250,369	\$35.430
	2,755,230			1,731,218	

The Company expects that approximately 95 per cent of the nonvested awards at September 30, 2002 will eventually vest.

#### Employees' stock savings plan

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

Under the terms of the plan, employees can choose each year to have a portion of their annual base earnings withheld to purchase the Company's common stock. The Company contributes to the plan on behalf of eligible participants based upon a prescribed formula. The purchase price of the stock is the arithmetic average of the closing price of the shares traded on The Toronto Stock Exchange on the last five days up to, and including, the dividend payment date. Over 80 per cent of eligible employees are participating in the plan. Under the plan, the Company sold 441,539 shares from

treasury and 267,970 shares from market repurchases to employees from January 1 to September 30, 2002.

#### Employees' stock option plan of a subsidiary company

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

As at September 30, 2002, there were 565,414 (December 31, 2001 – 252,015) options outstanding and exercisable. The weighted average remaining contractual life of the options is 8.1 years (December 31, 2001 – 6.6 years) and the weighted average exercise price is \$8.57 (December 31, 2001 – \$3.79).

#### NOTE 17

##### **Contingencies**

An international arbitration action for approximately US\$8.0 million was initiated in 1999 against certain subsidiaries of the Company claiming breach of contract. In July 2002, an arbitrator awarded the claimant damages plus other costs and interest. The Company has contested a portion of this award by filing for corrections. This matter is awaiting a final decision on damages from the arbitrator. Management's estimate of the potential loss has been accrued in these financial statements.

An action has been commenced against the Company by 132 former employees who took early retirement under the 1998 early retirement incentive program. The former employees seek damages in the amount of the difference between what they received upon retirement in 1998, and what they would have received had they retired under the 1999 early retirement incentive program. The outcome of this matter is not determinable at this time.

#### NOTE 18

##### **Subsequent event**

On October 16, 2002, a subsidiary of the Company redeemed all outstanding 12.25 per cent First Mortgage Bonds, Series R. The redemption price was 102.05 per cent of the principal amount plus \$0.34 per \$1,000 principal amount representing accrued interest to the redemption date (a total of \$1,020.84 per \$1,000 principal amount).

#### NOTE 19

##### **Comparative figures**

The comparative financial information has been restated to conform to the presentation adopted for 2002.

# Shareholders

## Owning AIT

### We're here to help

To learn more about Aliant and to view the latest news releases, please visit our Web site at [www.aliant.ca](http://www.aliant.ca). Contact Aliant investor relations for additional financial and statistical information, and industry developments.

Phone: 1.877.248.3113  
Fax: 1.877.498.2464  
Email: [investor.relations@aliant.ca](mailto:investor.relations@aliant.ca)

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

Phone: 1.800.387.0825  
Email: [inquiries@cibcmellon.com](mailto:inquiries@cibcmellon.com)  
Web site: [www.cibcmellon.com](http://www.cibcmellon.com)

### Where we're listed

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

### Direct deposit of dividends

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

### Common share dividend dates for 2002\*

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

\* Subject to approval by the board of directors

### Dividend reinvestment plan

Registered common shareholders of Aliant may reinvest their dividends, automatically and without fees, in additional shares of the Company. Also, up to \$10,000 in Company shares may be purchased each quarter with optional cash payments. The Company pays all administration costs. Approximately 40 per cent of registered shareholders are enrolled in the plan. A brochure containing information on the dividend reinvestment and stock purchase plan may be obtained by calling CIBC Mellon Trust Company.

### Common share price range\*

	July	August	September
High	\$ 29.43	\$ 29.47	\$ 29.74
Low	\$ 24.05	\$ 26.00	\$ 28.25
Close	\$ 26.25	\$ 28.50	\$ 29.73

\* Toronto Stock Exchange

### Performance numbers

(as at September 30)

	2002	2001	% change
Network access services – landlines	1,528,290	1,536,203	(0.5)
Network access services – cellular	534,762	450,134	18.8
Internet subscribers – high speed	94,819	61,111	55.2
Internet subscribers – dial-up	192,202	187,058	2.7
Long distance conversation minutes	904,454,000	849,438,000	6.5
Employees	10,210	10,502	(2.8)
Quarter-end stock price	\$ 29.73	\$ 30.97	(4.0)

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[investor.relations@aliant.ca](mailto:investor.relations@aliant.ca)  
[www.aliant.ca](http://www.aliant.ca)

Visit our Web site to listen to a recorded analysts' conference call discussing our third quarter results.

