Aliant Inc.

Management's Discussion and Analysis

For the quarter ended March 31, 2003

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

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

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

Overview of Aliant's legal and operating structure

Aliant Inc. ("Aliant" or "the Company") is comprised of three main segments: Telecommunications, Remote Communications and Information Technology. A fourth segment, Emerging Business, had existed until December 31, 2002 but this has been dismantled, as described later in this document.

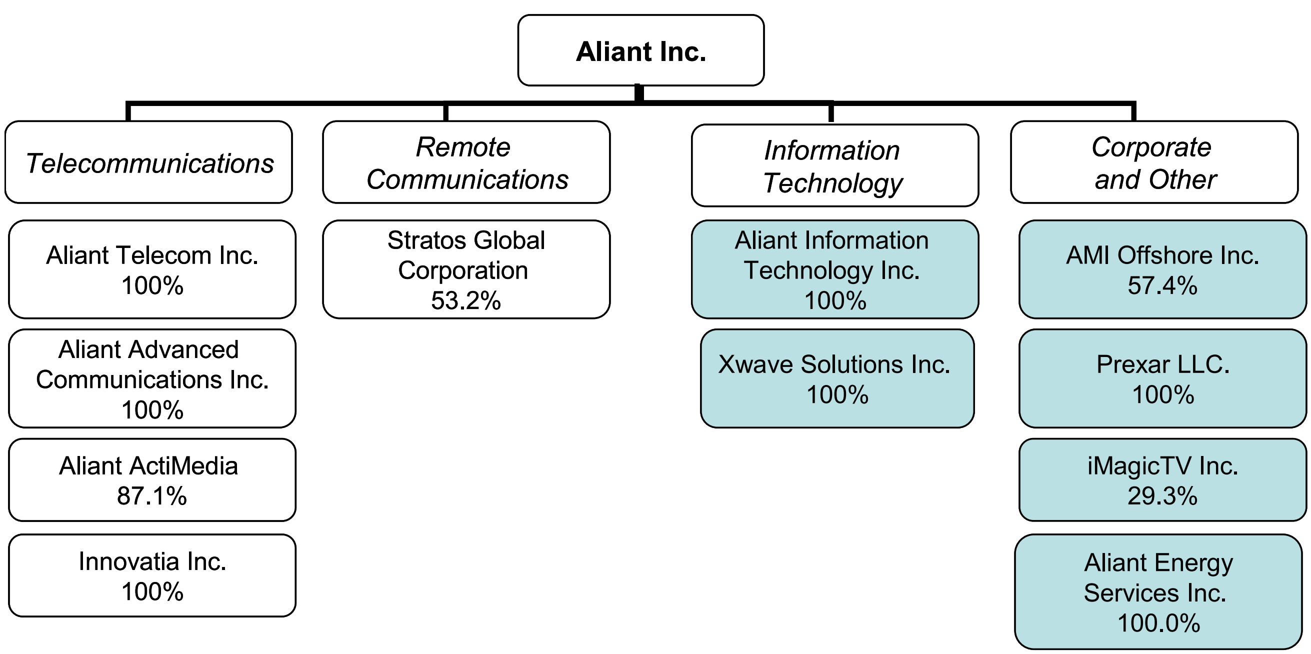
Aliant's vision is to be the company with the strongest connection to the hearts and minds of Atlantic Canadians. Aliant intends to accomplish this by enhancing and simplifying the lives of consumers through world-leading communications solutions. This concept is the foundation of the Aliant brand campaign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

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

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

The organization chart below reflects the Company's current external reporting structure and its core lines of business in 2003. It illustrates the main corporate entities carrying out the business of the core segments, as well as other corporate investments. This chart also shows the percentage of voting securities that Aliant holds, directly or indirectly, in these companies.

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



Changes in accounting policies and management estimates

Stock-based compensation

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

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

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

Pension assumptions

Commencing December 31, 2002, Aliant extended its conservative approach to pension accounting by reducing the assumed rate of return on pension assets from 9.0% to 7.5% and lowered the discount rate used to calculate pension liabilities from 7.0% to 6.75%. The Company will undertake a full actuarial valuation in 2003.

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

Aliant Inc. consolidated operating results

Consolidated statements of income

For the quarter ended March 31

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

Operating revenues

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

[1]EBITDA is defined by the Company as operating income plus depreciation and amortization expense. EBITDA is not a measure of financial performance under Canadian generally accepted accounting principles and is not necessarily comparable to similarly titled measures used by other companies. The Company has included information concerning EBITDA because it believes that it is used by certain investors as one measure of a company's financial performance. EBITDA should not be construed as an alternative to operating income or to cash flows from operating activities (as determined in accordance with Canadian generally accepted accounting principles) as a measure of liquidity.

Cost of operating revenues

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

Operating expenses

Operating expenses increased $27.3 million over the first quarter of 2002. The primary reason was a charge of $9.6 million resulting from a change in certain pension assumptions, as discussed under "Changes in accounting policies and management estimates". In addition, $5.2 million of restructuring costs were incurred in the Information Technology business early in the first quarter of 2003, and approximately $12.5 million of cost increases in labour and other operating expenses in the Telecommunications business.

Depreciation and amortization

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

Other expenses

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

Loss on foreign exchange

A loss on foreign exchange was incurred in relation to Stratos Global Corporation ("Stratos") in the first quarter of 2002. Under approved accounting procedures for self-sustaining organizations, and since July 1, 2002, gains and losses are recorded on the balance sheet. This is further described under the "Accounting policy changes" section of Aliant's 2002 Annual Management's Discussion and Analysis.

Interest charges

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

Aliant's consolidated interest coverage ratio[2] for the twelve-month periods ended March 31, 2003 and March 31, 2002 were 3.8 times and 3.6 times, respectively. The higher coverage was attributable to lower consolidated interest expense.

Income taxes

Aliant's consolidated income tax provision increased by 13.7% from $25.2 million in the first quarter of 2002 to $28.7 million in the first quarter of 2003. The effective tax rate for the first quarter of 2003 was 39.6%, an increase over the 2002 rate of 29.9%, but was a more normalized level for the business. In the first quarter of 2002, Aliant recognized a $7.4 million benefit related to the tax loss carry forwards of its Remote Communications business. The year on year increase was mitigated by a reduction in statutory income tax rates in 2003.

Non-controlling interest

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

Liquidity and capital resources

Operating Activities

Aliant's free cash flow from operations[3] increased $108.4 million from $48.1 million in the first quarter of 2002 to $156.5 million in 2003. This significant improvement is the combination of an increase of $78.4 million in cash from operations and a decrease of $30.0 million in capital investments. The increase in cash from operations was driven by improved working capital, but partially offset by a $14.6 million decrease in net income from operations.

[2] The interest coverage ratio is calculated as operating income plus other income divided by total interest charges. The interest coverage ratio is not a measure of financial performance under Canadian generally accepted accounting principles and is not necessarily comparable to similarly titled measures used by other companies. The Company has included information concerning interest coverage because it believes that it is used by certain investors as one measure of the Company's financial performance.

[3] Free cash flow from operations is defined as cash and cash equivalents from (used in) operations, less capital investments. Free cash flow from operations is not a measure of financial performance under Canadian generally accepted accounting principles and is not necessarily comparable to similarly titled measures used by other companies. The Company has included information concerning free cash flow from operations because it believes that it is used by certain investors as one measure of the Company's financial performance.

Investing Activities

Capital investments

For the quarter ended March 31

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

Aliant's consolidated capital investment for the first quarter of 2003 was $76.7 million, a 28.1% decrease from the same period last year. Telecommunications' capital spending, at least in the short to medium term, is becoming more focused on sustaining expenditures and less on build-out such as the significant investments made in broadband infrastructure in recent years. Capital investment in the current year will focus mainly on maintaining existing infrastructure, supporting new opportunities that are economically justified, supporting wireless subscriber growth and higher customer usage, and increasing wireless digital coverage where appropriate. Remote Communications' capital spending in the first quarter of 2003 decreased versus the same period last year when 2002 expenditures were required to support the then recently-won United States Navy contract.

Financing Activities

Telecommunications

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

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

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

Remote Communications

Remote Communications obtains its debt financing through bank facilities and its common equity financing through the public issue of shares that trade on the Toronto Stock Exchange. Aliant has provided a guarantee on the obligations of Stratos under its credit facilities. In the first quarter of 2003, Stratos repaid US$10.0 million of debt according to its repayment schedule and this was split evenly between the bridge and term facilities. As a result of Stratos reducing its bridge facility, the amount guaranteed by Aliant has been reduced from US$28.0 million at the end of 2002 to US$23.0 million at the end of March 2003.

Information Technology

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

Corporate financing

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

On July 18, 2002, Aliant announced acceptance by the Toronto Stock Exchange of notice of intention to purchase, from time to time, up to 1,600,000 of its outstanding common shares on the Toronto Stock Exchange pursuant to a normal course issuer bid (NCIB). This limit represents approximately 1.1% of the issued and outstanding common shares of Aliant as of that date, being 139,567,382 common shares. Under the NCIB, the Company would acquire, from time to time, its common shares at market price through the facilities of the Toronto Stock Exchange. Purchases of common shares may be made during the 12-month period commencing July 22, 2002 and ending on July 21, 2003. During 2002 Aliant purchased and cancelled 264,300 shares for an aggregate price of $7.2 million. Aliant has purchased and cancelled 751,800 common shares during the first quarter of 2003 for an aggregate price of $20.4 million.

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

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

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

Capital structure

Consolidated capital structure

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

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

It is anticipated that Aliant will continue to generate sufficient free cash flow from operations to provide for dividend payments, when such dividends are declared, to repay a portion of its maturing long-term debt, and to repurchase common shares through its NCIB. Also, Aliant has sufficient capacity in its financing facilities to provide liquidity for existing operations, future growth, and the uncertain economic environment

Outstanding share information as of April 14, 2003:

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

Issued
(thousands of dollars)

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

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

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

Consolidated outlook, risks and uncertainties

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

Preserving and growing revenues in one of North America's most competitive regions for telecommunications services is challenging given the ongoing regulatory constraints of the Canadian Radio-television and Telecommunications Commission ("CRTC") on the provision of local telecommunications service, including restrictions on bundling and win back promotions. The 2002 price cap decision is anticipated to negatively impact revenues by $25 million in 2003. Aliant is responding by providing customers with superior customer service, innovative products and services, and a total solutions approach. While Aliant anticipates a modest decrease in consumer network access subscribers due to a combination of competition and cannibalization to wireless solutions and migration from dial-up to high-speed Internet, wireless and Internet revenues are expected to continue to provide solid revenue growth.

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

Aliant is a major Internet service provider in Atlantic Canada and expects to maintain its strong market position into the future by focusing on quality, customer service, range of application and dedicated two-way access on its high-speed network. Internet revenues are anticipated to grow in 2003 as a result of new customers and existing customer migration from dial-up to high-speed Internet connections.

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

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

Operating results by line of business

Telecommunications

Telecommunications operating results

For the quarter ended March 31

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

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

Local

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

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

Long distance

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

Wireless

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

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

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

Internet

Internet services revenue increased 16.2% over the first quarter of 2002 due to continued customer growth. During the first quarter of 2003 Aliant's high-speed customers increased by 28.1% to 102,219 while the number of dial-up customers declined by 2.7% to 192,097. Consumer high-speed customer growth has slowed during the first quarter of 2003. To stimulate growth, Aliant introduced offers for new consumer high-speed customers as of March 1, 2003. As at March 31, 2003 high-speed Internet services passed 61% of the homes in Atlantic Canada. Aliant maintains an Internet churn of 1.9% and is aggressively managing churn through new contract offers and increased customer contact.

Innovatia

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

Other revenues

For the quarter ended March 31

(thousands of dollars)	**2003**	**2002**	**$ change**	**% change**
Product sales	$ 24,625	$ 18,732	$ 5,893	31.5
Directory revenues	1,763	1,714	49	2.9
Other miscellaneous	10,529	19,262	(8,733)	(45.3)
	$ 36,917	$ 39,708	$ (2,791)	(7.0)

Increased revenues from product sales were offset by decreased other miscellaneous revenues, with the latter primarily due to the absence of approximately $6.0 million in

Internet Help Desk revenue, as that service is now provided by the Information Technology segment.

Cost of operating revenues

For the quarter ended March 31

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

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

Remote Communications

Remote comunications operating results

For the quarter ended March 31

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

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

Stratos' first quarter revenue increased 13.8% to $144.1 million for the first quarter of 2003 from $126.5 million in 2002. Strong activity in the corporation's mobile satellite business, due in part to new contract awards and the Middle East conflict, has contributed to this overall revenue growth. Cost of sales increased in accordance with revenue growth, adjusted for changes in product mix, resulting in increased EBITDA of 4.7% or $32.9 million for the first quarter of 2003 versus $31.4 million for the same period in 2002.

Information Technology

Information Technology operating results
For the quarter ended March 31

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

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

Forward–looking statements

Certain statements contained in this document and in particular the statements contained in the "Consolidated outlook, risk and uncertainties" section, constitute forward–looking statements. These forward-looking statements relate to future financial condition and results of operations of Aliant. These statements are based on current expectations and estimates about the markets in which Aliant operates and management's beliefs and assumptions regarding these markets. In some cases forward-looking statements may be identified by words such as "anticipate", "believe", "could", "expect", "plan", "seek", "may", "intend", "will", "target", "goal" and similar expressions. These statements are subject to important risks and uncertainties which are difficult to predict and assumptions which may prove to be inaccurate. Some of the factors which could cause results or events to differ materially from current expectations include but are not limited to: general economic conditions, market or business conditions; increased competition in the markets in which Aliant operates; technological developments; changes in laws and the regulatory environment; impact of acquisitions, divestitures and alliances; and other factors, many of which are beyond the control of Aliant. Should one or more of these factors impact the Company in an unexpected manner, or should assumptions underlying the forward-looking statements prove incorrect, the results or events predicted in the Management's Discussion and Analysis may differ materially from actual results or events. Consequently, all of the forward-looking statements made in this document and the documents referred to within are qualified by these cautionary statements, and there can be no assurance that the results or developments anticipated by Aliant will be realized or, even if substantially realized, that they will have the expected consequences to, or effect on Aliant. Readers should also consult when filed the Annual Information Form for the year ended December 31, 2002 for Aliant Inc., Aliant Telecom Inc., and Stratos Global Corporation. Readers should not place undue reliance on any forward-looking statements. Further, Aliant disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.