



Aliant Inc.

**Notice Concerning
Forward-Looking Statements**

January 26, 2006

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In this document, *we*, *us*, *our* and Aliant mean Aliant Inc., its subsidiaries and controlled entities.

The 2005 year end earnings news release issued January 26, 2006, and certain oral statements made by our senior management at the conference call with the financial community on January 27, 2005, contain forward-looking statements about Aliant's objectives, plans, strategies, financial condition, results of operations and businesses. In addition, we, or others on our behalf, may make other written or oral statements that are forward-looking from time to time.

A statement we make is forward looking when it uses what we know and expect today to make a statement about the future. Forward-looking statements are based on our current expectations, estimates and assumptions about the markets we operate in, the Canadian economic environment and our ability to attract and retain customers and to manage network assets and operating costs. They may include words such as *anticipate*, *believe*, *could*, *expect*, *goal*, *guidance*, *intend*, *may*, *objective*, *plan*, *outlook*, *seek*, *strive*, *target* and *will*.

It is important to know that:

- Forward-looking statements describe our expectations on the day that they are made. For the forward-looking statements set out in our 2005 year end earnings news release issued January 26, 2006, or made by our senior management at the conference call on January 27, 2006, the expectations are stated as of those dates.
- Our actual results could differ materially from what we expect if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. As a result, we cannot guarantee that any forward-looking statement will materialize and, accordingly, you are cautioned not to place undue reliance on these forward-looking statements.
- Forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made may have on our business. Such statements do not reflect the impact of dispositions, sales of assets, monetization, mergers, acquisitions, other business combinations or transactions, asset write-downs or other charges announced or occurring after forward-looking statements are made. The financial impact of such transactions and non-recurring and other special items can be complex and necessarily depends on the facts particular to each of them. Accordingly, the expected impact cannot be meaningfully described in the abstract or presented in the same manner as known risks affecting our business.

You will find in Sections A, B and C of this document a description of:

- the principal elements of guidance provided by Aliant for 2006
- the material factors and assumptions applied and made by Aliant in preparing such guidance
- the principal known risks that could cause our actual results to differ materially from our current expectations.

A. FORWARD-LOOKING STATEMENTS

This section outlines the principal elements of guidance provided by Aliant for 2006.

2006 Outlook

For 2006, Aliant expects to achieve the following ranges of results for key financial reporting indicators. The earnings per share forecasted below includes a one-time, non-cash, accounting impact from the anticipated exercise of two interest rate derivative contracts, the loss on which is currently estimated to be \$0.14 per share. Further details can be found in management's discussion and analysis for the year ended December 31, 2005.

<i>(millions of dollars, except earnings per share amounts)</i>	2006 Guidance	
	Low	High
Operating revenues	\$ 2,150	\$ 2,200
Earnings per share	\$ 1.40	\$ 1.46
Earnings per share, excluding derivative accounting loss	\$ 1.54	\$ 1.60
Cash from operating activities	\$ 520	\$ 560
Capital investments	\$ 350	\$ 380

B. MATERIAL ASSUMPTIONS MADE IN THE PREPARATION OF ALIANT'S 2006 GUIDANCE

A number of factors or assumptions were applied or made by Aliant in preparing its guidance for 2006. The material factors and assumptions are outlined in this section. The reader should note that factors and assumptions applied or made in the preparation of the 2006 guidance, although considered reasonable by Aliant at the time of preparation of such guidance, may prove to be inaccurate due to material factors and risks, as set out herein, that could cause actual results to differ materially from a conclusion, forecast or projection. Accordingly, our actual results could differ materially from our expectations as set forth in our 2006 guidance.

Economic Assumptions

Aliant's 2006 guidance is based on various assumptions concerning the Canadian and specifically the Atlantic Canadian economy. First, it assumes Atlantic Canadian GDP growth will be slightly higher than the Canadian average GDP growth of 3% for 2006 as estimated by the Atlantic Provinces Economic Council (APEC). Atlantic Canadian GDP growth is expected to be driven primarily by several large-scale business and public sector projects, while the overall population growth is expected to be lower than in other parts of Canada, if not slightly negative. It also assumes that the general level of interest rates and the inflation rate will remain fairly stable, but will rise slightly (no more than one percentage point each) from current levels. For this purpose current levels are indicated by the approximate 4% interest rate on Government of Canada 5-year bonds and the approximate 2% growth rate of the Consumer Price Index.

Market Assumptions

Our 2006 guidance also reflects various assumptions about the markets in which we operate. First, we have assumed growth in the overall Canadian telecommunications market in 2006 slightly higher than GDP growth. Second, we have assumed that our market share of the consumer voice telecommunications market will continue to decrease in 2006 due to the entrance of new competitors, particularly cable companies, and broad industry trends such as wireless and Voice over Internet Protocol (VoIP) substitution. Third, we do expect some forbearance from regulation in those markets where voice service competition is well established, namely in certain parts of Nova Scotia and Prince Edward Island. Finally, specific to the business market, the information and communication technology (ICT) sector's growth is forecast by International Data Corporation (IDC) to be approximately 5%, which is above that forecasted for the overall Canadian economy. Our assumption is that we will capture more of the ICT market in Atlantic Canada and adjacent geographies, as we leverage our ICT integration and introduce new ICT solutions for key industries, such as contact centres, health care and the public sector.

Financial Factors and Assumptions

Our financial guidance anticipates increased net income from revenue growth and through productivity improvements. We also expect to benefit from an effective tax rate that remains consistent with Canadian statutory rates. Our net income for 2006 is expected to be negatively affected by the accounting for non-cash losses on two interest rate derivative contracts that we anticipate will be exercised during 2006. For details on these contracts and the anticipated outcomes, refer to the "Other financial arrangements" section of our management's discussion and analysis for the year ended December 31, 2005.

We anticipate earnings growth to contribute to generating more than sufficient cash flow in 2006 to meet our operating, financing and investing requirements. Operating needs include total defined benefit (DB) pension and other post employment benefit (OPEB) plan contributions for 2006 of an estimated \$120 million to \$130 million. These estimates include our anticipated impact of lower interest rates that were in effect at the end of 2005 and new actuarial valuation rules that were enacted in the last year, however, they are subject to revision based on new plan valuations to be completed later in 2006.

Financing requirements include our regular common and preferred share dividends. Investing requirements include our capital investment program, estimated to be \$350 million to \$380 million. In 2006, our capital investments will reflect a continued emphasis on strategic initiatives required to grow and transform our business. Approximately 60 per cent of our 2006 capital investments will support continued growth in our business. Approximately 20 per cent of our 2006 capital investments will support improving our customer experience and transforming our operational effectiveness. And the remaining approximately 20 per cent of our 2006 capital investments will be directed toward sustaining our existing business and levels of reliability.

C. RISKS THAT COULD AFFECT OUR BUSINESS AND RESULTS

This section describes material factors and general risks that could affect Aliant Inc. and all its subsidiaries and controlled entities.

A risk is the possibility that an event might happen in the future that could have a negative effect on the financial condition, results of operations or business of one or more entities in the Aliant group of companies. Part of managing our business is to understand what these potential risks could be and to minimize them where we can.

Because no one can accurately predict whether an event that is only possible will actually happen or what its consequences may be, the actual effect of any event on our business and results could be materially different from what we currently anticipate. In addition, this description of risks does not include all possible risks, and there may be other risks of which we are currently not aware.

Aliant Telecom Inc. is our most important subsidiary, which means our financial performance depends in large part on how well Aliant Telecom Inc. performs financially.

Risks that could affect Aliant

Risk and risk management

Management is confident about our long-term prospects, but we recognize that we are exposed to a number of risks in the normal course of business that could have a negative effect on our financial condition or results of operations. The risks noted may not be exhaustive as there may be other risks that we are currently unaware of or that we presently consider insignificant to our consolidated operations.

Our corporate structure

Aliant Inc., as a corporate entity does not carry on any significant operations and has no major sources of income or assets, other than interest in its subsidiaries and a joint venture. Our financial performance and our ability to service our debt and pay dividends to our shareholders are dependent on the dividends and other distributions we receive from our interest in our subsidiaries and joint venture.

Our dependence on the telecommunications segment

Our financial performance is dependent on the performance of our subsidiaries and joint venture, in particular the performance of those interests that constitute our telecommunications segment. Therefore the risks that impact this segment are more likely to have a significant impact on the financial condition, results of operations and business of Aliant as a whole.

Stock market volatility

Stock markets are generally subject to significant volatility due to such factors as fluctuating interest rates, economic conditions and political uncertainty. This market volatility influences the market price and trading volumes of the shares of many companies. In particular, the

shares of telecommunications companies have been experiencing price volatility due to industry factors such as competition, mergers and acquisitions activity, the debate over the merit of conversion to an income trust structure and regulatory developments.

Differences between our actual or anticipated financial results and the published expectations of financial analysts may also contribute to volatility in our common shares. A major decline in the capital markets in general, or an adjustment in the market price or trading volumes of our common shares or other securities, may materially and negatively impact our ability to raise capital, issue debt, retain employees or make future strategic acquisitions or joint ventures.

Ability to achieve strategies and plans

We plan to achieve our business objectives in 2006 through the performance of key strategic initiatives under our continued strategy of growth and transformation. These initiatives are discussed under the “2006 strategic direction” section of Aliant’s management’s discussion and analysis for the year ended December 31, 2005.

These initiatives will have a wide-reaching impact, transforming our customer interactions, our internal processes, our network and our people. If we are unable to attain these initiatives on a timely basis or achieve the desired effect, we may be unable to meet our business objectives. As a result, our financial performance, including our growth prospects, could be negatively affected.

General economic conditions

Changes in general economic conditions, customer confidence and spending affect the demand for, and prices of, our products and services. In particular, a downturn in general economic conditions could lead to:

- Lower than anticipated demand for information technology (IT) services and products and integrated ICT solutions;
- Lower than expected growth in data revenue due to softer demand from enterprise and wholesale customers;
- Lower than anticipated long distance and wireless revenues due to decreased usage; and
- Higher than anticipated bad debt expense due to increased credit risk.

The existence of these conditions or the emergence of new conditions could reduce revenues or increase costs, negatively affecting results. We constantly monitor economic conditions to enable us to respond by implementing strategies to mitigate risks or adjusting assumptions used in recording the effects of these risks on our results.

Pension plan funding

Our required DB pension and OPEB plan funding for 2006 is estimated to be in the range of \$120 million to \$130 million. This estimate is subject to change, as we remain exposed to general future valuation risk. Actuarial valuations will be required as of December 31, 2005, for all of our DB pension plans. Required funding levels for 2006 and beyond may change as a result of these updated actuarial valuations. If the return on plan assets, interest on the obligation, or actual experience of the plans are better or worse than initially anticipated, the valuations could result in either lower or higher minimum required contributions.

Higher cash contributions are gradually leading toward an improved going concern funding position for the DB pension plans. As this occurs we are shifting the asset mix and strategies in the pension plan funds to mitigate the impact that future interest rate changes and investment returns will have on the plans' funding position. As well, all of our DB pension and OPEB plans are now closed to new entrants, placing a cap on the future growth of these obligations.

Reliance on systems

We are reliant on our systems as they enable us to provide services to customers, manage customer relationships, billings, and inventory. They also support many other vital activities. These systems are made up of many integrated parts consisting of cable, equipment, buildings and towers, IT equipment, IT software and the related data. Our operations depend on how well we protect these components against damage from fire, natural disaster, power loss, hacking, computer viruses, disabling devices, deliberate acts of vandalism, acts of war or terrorism, and other events. Any of these events could cause our operations to be shut down indefinitely. Our systems are connected with the systems of other telecommunications carriers, and we rely on them to deliver some of our services. Any of the events mentioned previously, as well as strikes or other work disruptions, bankruptcies, technical difficulties or other events affecting the networks of these other carriers, could hurt our business, including our customer relationships and operating results.

Changing technology

We operate in an industry that experiences constant change, driven by rapid advances in technology, evolving industry standards, customer demands and short product life cycles. Our success is dependent on our ability to anticipate and respond to these changes in order to effectively deliver new services and technologies to our customers.

There is a risk associated with adopting new technologies to serve our business needs. New technologies invested in may have shorter than anticipated product life cycles due to evolving standards or sudden advances in the development of competing products or services. This may result in increased re-engineering costs to incorporate new technology and may cause current products or services to become unmarketable or could cause prices to fall, resulting in a negative financial impact.

We are continuing the evolution of our network from a circuit-based technology infrastructure to an Internet Protocol (IP) infrastructure. This evolution enables the development of enhanced services for our customers through the integration of voice, data and video. This integration plays a significant role in increasing operating and capital efficiency. In some cases, significant investments need to be made before it can be determined if the new services will be successful in the marketplace. There is no assurance that customers will adopt these new services or migrate from existing services in a reasonable period of time.

The adoption of new IP-based services may be influenced by the customer perception of the security, reliability and quality of IP networks. There are no assurances that solutions will be available to allow service providers to totally defend customers against all forms of computer viruses and attacks.

We are responding to the fast pace of technological change by embracing new service development with strategic partners, accelerating new service introduction and developing an integrated growth plan to remain a next generation services provider. The success of new products is influenced by a number of factors, not all of which are under our control. Considerable effort is expended to ensure we correctly interpret, predict and respond to changes in technology, the regulatory environment, partner relationships and customer demand. However, we are not immune to sudden or unanticipated changes in any of these areas. This may result in the failure of new services and products to meet expectations and result in lower than anticipated net income.

Increasing competition

Atlantic Canada continues to be among the most competitive telecommunications markets in North America for local residential service. Our Atlantic Canadian population and economy are growing slowly compared to the rest of the country, yet our competitors are among the largest, nationally and internationally. In our business market, we compete with traditional telecommunication operators that are commoditizing communications services and also with international system integrators offering consulting and solutions, based on in-depth vertical knowledge learned elsewhere.

Our focus is on building trust-based relationships with our customers and collaborating with them to make their businesses successful. Our strategy includes enhancing our services and packages to create compelling value, innovating with our customers to provide complete integrated ICT solutions, improving our cost structure to enable greater price competitiveness, and expanding our IP network and its capabilities to provide broader access and innovative solutions. Competition, and particularly changes in the competitive landscape, can place these strategies at risk, and as such have a negative impact on future revenue growth and profitability. In recognition of this we constantly monitor our marketplace and respond accordingly to ensure we maintain our leadership position.

Local and long distance

In 2006, it is expected that a new competitor will begin to offer local telephone service in a large portion of our marketplace. This competitor will have the ability to offer four-services bundles, consisting of telephone, Internet, wireless and TV. Cable competitors are free from regulation and are able to offer local service in bundles at greatly reduced prices in a bid to gain market share. We are vigilant and passionate about our customers and continue to pursue them with compelling value packages, offering value, simplicity and competitive pricing. However, there is no assurance that this will mitigate churn and market share erosion resulting from new competitive entrants to our marketplace.

In addition to cable competitors in our local service market, a threat to our customer base continues to be the slow and gradual replacement of local landline service with wireless-only service. This puts pressure on revenues for local service and also leads to declining revenues for services and features that are carried on the local network including Internet and long distance.

The value of long distance as a stand-alone service has diminished but it is an integral component in the customer solution. In the telecommunications industry, long distance is increasingly offered within flat-rate calling plans while alternatives like VoIP, instant messaging and peer-to-peer applications replace traditional calling, contributing to continued price and minute erosion.

Competition continues with dial-around and prepaid card providers, traditional primary interexchange carrier competitors and resellers, and most recently, VoIP providers. VoIP will continue to erode traditional long distance as the technology improves and managed VoIP services are launched, making the technology transparent and more attractive to the consumer. We are currently conducting a VoIP technical trial and results will be integrated into our voice evolution strategy.

Wireless

National and international wireless providers dominate our landscape. Competitors are increasing their network coverage and dealer channel breadth while service offerings including reduced rates for local and long distance minutes, innovative applications and handsets are being promoted as the new differentiators. This activity results in constant pressure on our pricing and revenues. We expect intense competition to continue as the industry has forecasted continued growth in wireless penetration and application opportunities. While competitors threaten our position in the market place, we continue to invest in our network, collaborate with our customers to provide innovative solutions, and present extensive, reliable coverage and customer service they can trust.

Internet

Internet penetration is still growing in our market. As IP becomes standard, we are experiencing an increasingly diverse and global group of competitors ranging from cable providers with excess network capacity to IT companies, equipment providers and system integrators that increasingly bundle telephony components and professional services into solutions at commodity prices. These competitors continually challenge us as they assert pressure on our pricing, revenues and market share. We will continue to build our ICT expertise and to serve our customers holistically, helping them evolve their networks and providing them with world-class industry-specific solutions.

Television

We are new entrants to the television market with our launch of Aliant TV, our IP-TV service. We launched this service in one area while offering our entire market the choice of satellite TV through Bell ExpressVu service. Cable TV penetrates the majority of our market and accounts for the majority of market share. While we are starting to gain market share with Aliant TV service, and the opportunity for growth is large in specific markets, Aliant TV service requires

high-speed Internet and will be dependent on high-speed Internet-penetrated urban areas. Television is integral to home entertainment and to bundled packages. Through Aliant TV service we are offering customers the opportunity to be early adopters of an innovative, yet familiar, product.

Changing regulations

Overall regulatory environment

The business of our primary telecommunications company, Aliant Telecom Inc., is affected by decisions made by the Canadian Radio-Television and Telecommunications Commission (CRTC or the Commission). 2005 was a challenging year with several significant decisions being made by the Commission.

Our profitability continues to be negatively influenced by regulatory changes concerning the rates charged and the terms and conditions offered for price-regulated services. The outcome of future regulatory reviews could have an impact on our ability to compete effectively and our future revenues and costs.

Another important initiative that could affect our industry is the federal Industry Minister's announcement early in 2005 of a review of Canada's current telecommunications policy. We are hopeful that the outcome of the review will lead to policies that will allow incumbent telephone companies such as Aliant Telecom Inc. to compete fairly and limit regulation to areas where it is proven to be needed.

Today the prices of telecommunications services offered by competitive local exchange carriers (CLECs) are free from rate regulation while many of our local and other telephone service rates continue to be regulated by the CRTC. Any change in the regulations governing these services can potentially affect us.

The CRTC is currently reviewing a number of items that could have a financial impact on our company. A decision on our application for forbearance from price regulation of local residential services in certain areas or exchanges in Nova Scotia and Prince Edward Island which would allow for greater pricing flexibility and symmetrical competition is expected in March 2006. As well, we are expecting a decision shortly on our request that the CRTC exclude, for the reporting period of April to December 2004, below-standard work-stoppage-related results from the calculation of service quality related customer rebates. In 2006, we are also expecting the CRTC to provide a ruling on the magnitude and treatment of deferral accounts, which were established pursuant to the 2002 Price Cap Decision, and conduct a proceeding to review the regulatory regime that will be effective beyond the close of the current price cap period, which could affect our revenues and earnings in 2007 and beyond. We will also be faced with other challenges in 2006, including appealing the VoIP decision and implementing the CRTC's requirements for wireless number portability.

Local services forbearance application

In April 2004, we filed a forbearance application with the CRTC requesting them to stop regulating local residential phone service within certain areas of Nova Scotia and Prince Edward Island where there is significant local residential competition.

In addition to the forbearance request, we also asked for interim relief from certain restrictions on promotions and certain rates that required CRTC approval until the CRTC ruled on the framework for local service forbearance. In August 2004, the CRTC determined that our request for relief from the restrictions will be considered as part of a proceeding in which our request for forbearance for local service will be addressed. On October 7, 2005, the formal process with regards to the CRTC proceeding on local forbearance was completed and a decision is expected in March 2006.

Quality of service rebates

In 2005, we filed applications requesting that the CRTC exclude from the calculation of service quality related rebates, certain below-level service standards associated with the labour disruption of our unionized workforce in 2004 and the residual affects of the lengthy work stoppage. A decision from the CRTC related to our 2004 reporting period is expected in early 2006.

Deferral account

In the 2002 Price Cap Decision, the CRTC established deferral accounts. The CRTC created deferral accounts to address concerns that incumbent local exchange carrier (ILEC) price decreases for residential services based on the price cap formula would negatively affect competition. Based on this rationale, the Commission ordered companies to put the amount that would otherwise have been granted as annual price reductions into this notional 'account'.

We have submitted to the Commission our proposed amount in our deferral account and have also filed a proposal to clear our deferral account balance. We have not recognized the deferral account as a liability in our financial statements, but a liability, should one arise as a result of the CRTC decision on our proposal, will be charged to operating income or capital investments, as appropriate. We estimate that the deferral account balance as of December 31, 2005 could be between \$6 million and \$39 million. A decision from the CRTC is expected in early 2006.

Current price cap regime extended

Current price cap rules that were scheduled to expire in 2006 under the CRTC Price Cap Decision of May 2002, have been extended for a period of one year to May 31, 2007. Prices for certain ILEC services will continue to be capped by an index calculated using a target productivity factor and an inflation measure. During years that inflation is lower than the target productivity factor ILECs, such as Aliant Telecom Inc., will be required to reduce certain retail prices.

The CRTC will begin a price cap review in the first half of 2006 after they have released their decision on local service forbearance. The CRTC decision based on this review could greatly affect us, as well as our customers and competitors.

VoIP appeal

In conjunction with other Canadian ILECs, we filed a petition with the Governor in Council seeking a fundamental change to the Commission's VoIP decision. The petition emphasized the fact that VoIP is indeed a different service than traditional landline access service and that the Commission's approach to regulating VoIP would ultimately harm innovation and competition in Canada.

If the Commission's decision is not altered, we will be working in an environment in which we are subject to price-regulation while competitors are not. This could negatively affect our future revenue potential.

Wireless number portability

In December 2005, the CRTC issued its decision on the implementation of Wireless Number Portability, providing for the porting of telephone numbers between wireless carriers in Canada and between wireless and wireline services.

Certain wireless carriers are required to implement complete portability by March 14, 2007, while other carriers, including Aliant Telecom Inc., must be able to port-out numbers by March 14, 2007, with the ability to port-in by September 12, 2007. To accommodate this, our system modifications will likely require a single implementation plan, therefore we are working toward the delivery of full number portability by the earlier date.

This issue affects our customers and a number of our internal wireless and wireline systems. The timeframe for implementation will be very challenging.

Legal contingencies and changes in laws

We review all legal proceedings and make an assessment of the likelihood of a negative outcome and the estimated impact. Losses are accrued for when a potential loss is deemed probable and its impact can be reasonably estimated. However, pending or future litigation could still have a material and negative effect on our results of operations, cash flows and financial position in the period in which the judgment or settlement occurs. Significant legal contingencies outstanding are presented in note 22 to our consolidated financial statements for the year ended December 31, 2005.

In addition, the adoption of new laws, changes in laws or changes in their interpretation, including changes in tax laws or rates, could materially or negatively affect our results of operations, cash flows and financial position.

Capital management risks

The financial transactions we participate in may expose us to credit, foreign currency, interest rate, and financial instrument risks. A more detailed description of our exposure to these risks and the procedures in place to mitigate these risks is described in note 18 to our consolidated financial statements for the year ended December 31, 2005.