



Telecommunications
 Information Technology
 Emerging Business
 Mobile Satellite Communications

INTERIM
 REPORT
 TO
 SHAREHOLDERS

To our shareholders:

It is our pleasure to issue Aliant Inc.'s first interim report to our shareholders at this time. As you know, the second quarter of 1999 was a new beginning for telecommunications and IT companies in Atlantic Canada as Aliant began operations on June 1, 1999. Shareholders voted overwhelmingly to merge Bruncor Inc., Island Telecom Inc., Maritime Telegraph and Telephone Company, Limited and NewTel Enterprises Limited at annual general and special meetings across the Atlantic region. The initial stages of our collective work as a merged entity are proving to be filled with promise and early success.

FINANCIAL HIGHLIGHTS

We are pleased to report that we ended the second quarter on track to achieve our growth targets for 1999 with an increase in earnings and dividends. The quarter was highlighted by continued strength in telecommunications, strategic acquisitions in pursuit of Aliant's expansion strategy, and the development of new business relationships to advance our IT, emerging business and mobile satellite communications growth agendas.

Net income from continuing operations (which excludes one-time capital gains in the periods) was \$52.1 million for the quarter, or \$0.41 per share, compared to \$41.0 million, or \$0.33 per share last year, an increase of 24 per cent.

Second-quarter 1999 results include an after-tax gain of \$4.0 million, or \$0.03 per share, from the sale of real estate. Comparatively, results for the second quarter of 1998 included after-tax gains of \$28.2 million, or \$0.22 per share, for the sale of the company's interest in Genesys Telecommunications Laboratories Inc. and in Alouette Telecommunications Inc.

Therefore, including one-time capital gains of \$0.03 in 1999 and \$0.22 in 1998, net income for

the quarter was \$56.1 million, or \$0.44 per share, compared to \$69.2 million, or \$0.55 per share, last year. Year-to-date net income was \$90.8 million, compared to \$106.1 million in 1998. Earnings per common share for the first six months were \$0.72 compared to \$0.84 for the same period last year.

Total revenues for the quarter increased by 19.5 per cent to \$522.1 million, compared with \$436.8 million for the same period in 1998. We're pleased as well with our year-to-date revenues, totaling \$1.01 billion, up from \$826.0 million in 1998, an increase of 22.0 per cent. A significant portion of this growth in revenues was driven by our acquisition strategy, specifically within the mobile satellite and information technology lines of business.

Operating expenses for the quarter were \$393.4 million, compared with \$325.9 million for the second quarter of 1998. The change in expenses primarily results from the addition of new business units since the corresponding period in 1998 and also includes a reduction of \$7.5 million, reflecting a one-time harmonization of accounting policies as a result of the merger.

Year-to-date, excluding one-time gains, earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 7.6 per cent over last year to \$393.7 million.

In the short time since the creation of Aliant, we have begun to integrate our organization and we have moved towards achieving our targeted synergies of \$80 million in cash operating savings and \$50 million in capital expenditures on an annualized basis. Some of these savings will be realized in 1999, but we expect to see the full impact by the end of year two of our combined operations. In fact, some of our core groups such as Investor Relations, Communications and Human Resources are already operating on an integrated basis, and what is particularly positive is employees' acceptance of our new company and structure.



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DIVISION RESULTS

Aliant's Telecommunications

Aliant's wireline and wireless telecommunications businesses—Island Tel, NBTel, MTT, NewTel Communications, Island Tel Mobility, NBTel Mobility, MTT Mobility, NewTel Mobility and Tele-Direct Atlantic—performed well in the face of intense competition, particularly in the areas of cellular and Internet. Despite the ever-growing list of competitors in the long-distance market, Aliant maintains a market share of approximately 85 per cent.

Telecommunications revenues for the quarter were \$415.5 million, up \$14.9 million compared to last year. While expenses were slightly lower at \$290.4 million, compared to \$296.1 million last year, the improvement is a direct consequence of harmonization of accounting policies as a result of the merger.

Local revenue increased 7.1 per cent to \$206.1 million, compared with \$192.4 million in the second quarter last year. Wireless revenue grew to \$42.8 million from \$37.9 million last year, an increase of \$4.9 million or 12.9 per cent, and the wireless customer base of 261,224 was up 30.8 per cent over last year. Long-distance revenues for the second quarter were \$114.5 million, down \$9.8 million from last year, reflecting active market-driven pricing in this part of the business.

Other telecommunications revenues, including multi-media, Internet, data, and directory, were up 13.4 per cent to \$52.1 million, compared to \$46.0 million in the second quarter last year. This growth is due to the continued success in the companies' dial-up and dedicated high-speed Internet services. Our Internet customer-base of 145,520 includes the addition of 22,992 customers thus far in 1999.

Net income from continuing operations for the quarter (excluding one-time gains on sale of real estate in 1999 and Alouette Telecommunications Inc. in 1998) was \$56.3 million, an increase of 38 per cent over the same period last year.

The quarter also saw each of the telecommunications business units achieve new collective agreements with their unionized employees. While not all agreements have been signed, credit has to be given to each company's bargaining team members from both sides of the table, as these negotiations are reflective of a spirit of co-operation.

Aliant's Information Technology

MITI Information Technology Inc. (MITI), **xwave solutions inc.**, Island Tel Advanced Solutions, and NBTel's IT division form Aliant's information technology businesses, which provide a full range of IT consulting, managed network

services, systems integration and IT outsourcing services.

Aliant's IT division grew in the second quarter with **xwave solutions'** acquisition of Software Kinetics Ltd., adding 270 more employees in Halifax and Ottawa. This purchase enables **xwave solutions** to deliver services in software engineering and systems integration, with strengths in Web-based e-commerce applications. We're pleased this acquisition has allowed the company to extend its reach into the Ontario market as it continues to establish itself as a truly national organization.

Aliant's IT division reported tremendous revenue growth of 95.9 per cent to \$63.1 million, compared to \$32.2 million last year. Operating expenses for the quarter were \$57.1 million, up from \$28.2 million last year. These revenue and expense figures reflect the acquisition of Software Kinetics by **xwave solutions** and the purchase of Keltic Incorporated and Galahad Information Systems Inc. by MITI. Notably, in late June, MITI was named to Profit Magazine's top 100 fastest-growing businesses.

At the end of this quarter, Aliant's IT operations employed 1,700 people and delivered \$2.9 million to Aliant's bottom line for the first six months, compared with net income of \$1.9 million last year, an increase of 52.8 per cent. We anticipate this rapid pace of growth in our IT division will continue to contribute to Aliant's profitability.

Aliant's Mobile Satellite Communications

Aliant's mobile satellite communications business is conducted through its 65.0 per cent ownership of Stratos Global Corporation (TSE: SGB). Stratos Global reported second quarter revenue of \$36.8 million, up from \$16.2 million for the same period in 1998. Revenue for the six months totaled \$70.0 million, up from \$33.4 million in 1998. All of the revenue recorded for the first half of 1999 represents a year-over-year increase for Aliant, as we began consolidating Stratos Global on September 1, 1998. Operating income for the second quarter totalled \$5.3 million, up from \$2.1 million for the prior year.

Through its wholly owned subsidiary, Nova-Net Communications, Stratos Global is a major North American provider of VSAT (Very Small Aperture Terminals) satellite data networks. Nova-Net was recently awarded contracts worth over \$1 million for the supply of satellite terminals and monitoring services for the gas pipeline running from Nova Scotia to Boston.

Stratos Global is a multi-network international mobile satellite service provider offering communications solutions from a range of newly emerging and established technologies. It serves a variety of diverse markets, including international business travelers; commercial shipping

lines; navy, cruise, and yachting vessels; general aviation; fishing, oil and gas industries; UN peacekeeping operations; journalists; fisheries enforcement; Coast Guard and emergency measures.

Aliant's Emerging Business

Aliant's emerging business division focuses on developing and nurturing new technology-based products and services for sale in Atlantic Canada and around the world. The companies in this division are represented through AMI Offshore, ConneCTivity Contact Centre Solutions, iMagicTV, NBTel Global, New North Media, NewTech Instruments, and Aliant's minority interests in Brooklyn North Software Works, InfoInterActive, Neuromedia, Salter Street New Media, Salter Street Films, TecKnowledge Healthcare Systems and VoxCom.

In this quarter, Aliant's emerging business operations reported revenue of \$11.7 million, compared to \$4.4 million in 1998, demonstrating its long-term potential for the company.

In June, iMagicTV, the joint venture company of Aliant and Newbridge Networks, announced it had entered into a contract with Kingston Vision, a subsidiary of UK-based Kingston Communications (Hull) plc. They have chosen iMagic's DTV Manager to deliver interactive television services, including digital TV channels, Web-based e-mail, high-speed Internet, and video-on-demand to their customers. This brings the number of providers to five—two European and three North American—who have chosen the iMagicTV product. We are confident that iMagicTV represents our largest "new" growth opportunity.

Another example of success with our emerging business division is the relationship recently announced among BT (British Telecom) and NBTel Global. The two companies signed a short-term consulting contract to share best practice and knowledge in government online services and technology. The agreement enables BT to access NBTel Global's intellectual property for government online applications, professional consulting and business development services, as well as the research and testing facilities enabled by the *LivingLAB*[™] innovations environment.

AMI Offshore of St. John's announced its acquisition of K&D Industries Ltd., a distributor of telecom and industrial equipment; this transaction was completed in July. Combining the resources and expertise of AMI and K&D creates a strong Atlantic Canada-based supply chain management company. By expanding our operations throughout Atlantic Canada, we are better able to service the needs of a broader customer base, particularly in the offshore oil and gas, telecommunications and construction industries.

A good example of our integrated business strategy in action is Aliant's minority investment in InfoInterActive, Inc. (IIA), a leading provider of Internet-based call management solutions. The Bedford-based company—of which Internet Call Manager (ICM) is its flagship patented product—has recently announced that GTE.net has become the first national Internet Service Provider to offer ICM across the United States to its full base of over 850,000 subscribers. Earlier this quarter, IIA also signed agreements with Yahoo! GeoCities and with its first European customer, Redstone Telecom plc. Redstone's substantial infrastructure places 92 per cent of UK households—over 23 million—within a local call of ICM. To put this success into context for Aliant in Atlantic Canada, in Nova Scotia where this product had its beginnings with MTT's base of 47,000 *Sympatico*[™] customers, over 12.5 per cent have already chosen to subscribe to Internet Call Manager. Investments in emerging companies like IIA diversify Aliant and present us with exciting financial opportunities.

YEAR 2000 PREPAREDNESS

Aliant has established a Year 2000 program across the entire group of companies to address impending Year 2000 issues. The inventory process has been completed and the majority of the remediation work has also been completed. The main focus for the rest of 1999 will be clean management and business continuity planning. Aliant continues to work with its customers, suppliers, business associates and other stakeholders to ensure that they are aware of the Year 2000 challenge. The company's vendor and business associate assurance process is well underway.

CONCLUSION

We have found the first full month of our newly merged operations to be fulfilling and successful, and we look forward to a bright future. As we proceed with our integration plans, it appears certain we will be able to exploit many new revenue opportunities together. We intend to continue on this path and dedicate our energies to pursuing our growth targets and to ensuring an increased return on investment for our shareholders.



Stephen Wetmore
President and CEO
July 28, 1999

CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

PERIOD ENDED JUNE 30, 1999	THREE MONTHS		YEAR TO DATE	
<i>(thousands of dollars, except per share amounts)</i>	1999	1998	1999	1998
Operating Revenues:				
Telecommunications:				
Local	\$ 205,665	\$ 192,387	\$ 411,081	\$ 382,601
Long Distance	114,518	124,332	223,040	250,310
Wireless	42,772	37,900	80,075	70,255
Other telecommunications	52,139	45,996	78,845	67,646
Information Technology	55,294	24,500	117,584	37,147
Emerging Business	6,173	2,179	10,910	3,037
Mobile Satellite	36,717	-	69,626	-
Other	8,861	9,548	16,714	15,042
	<u>522,139</u>	<u>436,842</u>	<u>1,007,875</u>	<u>826,038</u>
Operating Expenses:				
Other operating expenses	310,392	245,411	618,003	460,200
Depreciation and amortization	83,028	80,444	166,146	158,403
	<u>393,420</u>	<u>325,855</u>	<u>784,149</u>	<u>618,603</u>
Net operating revenues	128,719	110,987	223,726	207,435
Other income	7,390	26,490	9,411	26,665
Interest charges	30,660	26,611	60,299	52,900
Income before income taxes	105,449	110,866	172,838	181,200
Income taxes	49,403	41,396	81,876	74,703
Income before non-controlling interest	56,046	69,470	90,962	106,497
Non-controlling interest	(59)	239	122	440
Net income applicable to common shares	<u>\$ 56,105</u>	<u>\$ 69,231</u>	<u>\$ 90,840</u>	<u>\$ 106,057</u>
Earnings per average common share	<u>\$ 0.44</u>	<u>\$ 0.55</u>	<u>\$ 0.72</u>	<u>\$ 0.84</u>
Average number of common shares outstanding <i>(thousands)</i>	<u>126,360</u>	<u>125,482</u>	<u>126,226</u>	<u>125,335</u>

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

	1999	1998
ASSETS		
Current assets	\$ 422,491	\$ 286,163
Capital assets	4,488,600	4,329,400
Accumulated depreciation	(2,386,698)	(2,292,184)
Long-term investments	52,630	86,330
Goodwill	121,379	33,476
Deferred charges	110,753	112,999
	<u>\$ 2,809,155</u>	<u>\$ 2,556,184</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	\$ 684,340	\$ 509,261
Long-term debt	957,435	997,191
Deferred credits	48,716	38,412
Non-controlling interest	35,543	3,123
Shareholders' equity	1,083,121	1,008,197
	<u>\$ 2,809,155</u>	<u>\$ 2,556,184</u>

CONDENSED STATEMENT OF CHANGES IN FINANCIAL POSITION (UNAUDITED)

QUARTER ENDED JUNE 30, 1999

(thousands of dollars)

	1999	1998
CASH FROM (USED IN) OPERATIONS		
Net income	\$ 90,840	\$ 106,057
Add (deduct) non-cash items		
Depreciation and amortization	166,146	158,403
Other non-cash items	(31)	(15,786)
Share in earnings of equity accounted investments	439	1,806
Non-controlling interest	122	440
	<hr/>	<hr/>
	257,516	250,920
Change in non-cash working capital	(31,620)	(65,857)
	<hr/>	<hr/>
	225,896	185,063
CASH FROM (USED IN) FINANCING		
Proceeds from (repayment of) long term debt	(26,741)	(401)
Proceeds from notes payable	29,882	40,446
Proceeds from common shares	10,212	8,072
	<hr/>	<hr/>
	13,353	48,117
CASH FROM (USED IN) INVESTING		
Capital expenditures—Net	(180,123)	(149,872)
Increase in materials and supplies	(754)	2,119
Purchase of subsidiary net assets	(25,400)	-
Non-controlling interest acquired	(5,357)	-
Increase in investments	(7,770)	(66,186)
Merger costs	(8,066)	-
Proceeds on sale of investments	5,899	11,795
Decrease in other deferred charges	(1,812)	(3,333)
	<hr/>	<hr/>
	(223,383)	(205,477)
DIVIDENDS DECLARED	<hr/>	<hr/>
	(49,506)	(46,615)
DECREASE IN CASH & CASH EQUIVALENTS	<hr/>	<hr/>
	(33,640)	(18,912)
CASH & CASH EQUIVALENTS, BEGINNING OF PERIOD	<hr/>	<hr/>
	12,358	11,713
CASH & CASH EQUIVALENTS, END OF PERIOD	<hr/>	<hr/>
	\$ (21,282)	\$ (7,199)

CONSOLIDATED STATISTICS (UNAUDITED)
(dollars in thousands, except per share amounts)

	JUNE 30, 1999	JUNE 30, 1998
Earnings per common share	\$ 0.72	\$ 0.84
Operating cashflow per share	\$ 2.04	\$ 2.00
Free cashflow	\$ (3,733)	\$ (11,424)
Return on average common equity	17.7%	21.7%
Capital expenditures	\$ 180,123	\$ 149,872
Network access services—landlines	1,523,632	1,470,354
Network access services—cellular	261,224	199,490
Internet access services	145,520	102,433
Long distance conversations minutes <i>(thousands)</i>	1,346,451	1,005,610
Employees	9,237	8,362
Salaries (including capitalized amount)	\$ 217,640	\$ 182,168
Capital Structure		
Short-term debt	\$ 277,786	\$ 238,207
Long-term debt	\$ 1,080,763	\$ 1,026,594
Common shareholders' equity	\$ 1,083,121	\$ 1,008,197
Total capital structure	\$ 2,441,670	\$ 2,272,998

JUNE 30, 1999

1. Reorganization

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

2. Segmented Information

The Company operates four reportable segments:

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

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 are **xwave solutions inc.**, MITI Information Technologies Inc., IT division of NBTEL and Island Tel Advanced Solutions Inc.

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

INDUSTRY SEGMENTS	Telecom- munications	Information Technology	Satellite Com- munications	Emerging Business	All Others	Eliminations	Consolidated
Revenue from external customers	\$ 414,308	\$ 56,320	\$ 36,717	\$ 11,429	\$ 3,365	\$ -	\$ 522,139
Intersegment revenue	1,231	6,738	-	240	-	(8,209)	-
Operating revenue	\$ 415,539	\$ 63,058	\$ 36,717	\$ 11,669	\$ 3,365	\$ (8,209)	\$ 522,139
Other income	5,156	52	2,138	(36)	80	-	7,390
Operating expenses	290,378	57,116	34,712	12,928	4,131	(5,845)	393,420
Interest expense	24,073	314	3,566	377	2,949	(619)	30,660
Income taxes	45,990	2,561	50	(973)	1,730	45	49,403
Non-controlling interest	-	213	185	(457)	-	-	(59)
Net income	\$ 60,254	\$ 2,906	\$ 342	\$ (242)	\$ (5,365)	\$ (1,790)	\$ 56,105
Total assets	\$ 2,384,481	\$ 101,905	\$ 196,023	\$ 55,007	\$ 1,513,098	\$ (1,441,359)	\$ 2,809,155
Capital expenditure	\$ 66,295	\$ 2,811	\$ 1,154	\$ 341	\$ 140	\$ (116)	\$ 70,625
Depreciation and amortization	\$ 77,215	\$ 2,105	\$ 2,276	\$ 592	\$ 290	\$ 550	\$ 83,028

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

INDUSTRY SEGMENTS	Telecom- munications	Information Technology	Satellite Com- munications	Emerging Business	All Others	Eliminations	Consolidated
Revenue from external customers	\$ 399,127	\$ 25,310	\$ -	\$ 4,091	\$ 8,314	\$ -	\$ 436,842
Intersegment revenue	1,496	6,881	-	312	-	(8,689)	-
Operating revenue	\$ 400,623	\$ 32,191	\$ -	\$ 4,403	\$ 8,314	\$ (8,689)	\$ 436,842
Other income	860	7	-	19,931	6,020	(328)	26,490
Operating expenses	296,076	28,243	-	6,053	2,954	(7,471)	325,855
Interest expense	24,343	64	-	108	2,572	(476)	26,611
Income taxes	34,884	1,740	-	369	4,479	(76)	41,396
Non-controlling interest	-	239	-	-	-	-	239
Net income	\$ 46,180	\$ 1,912	\$ -	\$ 17,804	\$ 4,329	\$ (994)	\$ 69,231
Total assets	\$ 2,313,092	\$ 54,758	\$ -	\$ 56,145	\$ 760,088	\$ (627,899)	\$ 2,556,184
Capital expenditure	\$ 76,738	\$ 1,197	\$ -	\$ 1,737	\$ 707	\$ 5	\$ 80,384
Depreciation and amortization	\$ 77,126	\$ 1,783	\$ -	\$ 840	\$ 317	\$ 378	\$ 80,444

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Six Months Ended June 30, 1999
(thousands of dollars)

INDUSTRY SEGMENTS	Telecom- munications	Information Technology	Satellite Com- munications	Emerging Business	All Others	Eliminations	Consolidated
Revenue from external customers	\$ 790,992	\$ 118,770	\$ 69,626	\$ 20,928	\$ 7,559	\$ -	\$ 1,007,875
Intersegment revenue	2,498	14,213	-	486	-	(17,197)	-
Operating revenue	\$ 793,490	\$ 132,983	\$ 69,626	\$ 21,414	\$ 7,559	\$ (17,197)	\$ 1,007,875
Other income	6,531	77	2,382	247	174	-	9,411
Operating expenses	582,904	119,848	63,995	21,995	8,277	(12,870)	784,149
Interest expense	48,313	476	6,594	543	5,546	(1,173)	60,299
Income taxes	75,639	5,848	50	(571)	896	14	81,876
Non-controlling interest	-	402	514	(794)	-	-	122
Net income	\$ 93,165	\$ 6,486	\$ 855	\$ 488	\$ (6,986)	\$ (3,168)	\$ 90,840
Total Assets	\$ 2,384,481	\$ 101,905	\$ 196,023	\$ 55,007	\$ 1,513,098	\$ (1,441,359)	\$ 2,809,155
Capital expenditure	\$ 162,567	\$ 4,409	\$ 5,976	\$ 9,367	\$ 432	\$ (2,628)	\$ 180,123
Depreciation and amortization	\$ 154,648	\$ 4,082	\$ 4,542	\$ 743	\$ 589	\$ 1,542	\$ 166,146

Six Months Ended June 30, 1998
(thousands of dollars)

INDUSTRY SEGMENTS	Telecom- munications	Information Technology	Satellite Com- munications	Emerging Business	All Others	Eliminations	Consolidated
Revenue from external customers	\$ 768,455	\$ 38,749	\$ -	\$ 7,142	\$ 11,674	\$ -	\$ 826,020
Intersegment revenue	2,655	14,294	-	580	-	(17,511)	18
Operating revenue	\$ 771,110	\$ 53,043	\$ -	\$ 7,722	\$ 11,674	\$ (17,511)	\$ 826,038
Other income	2,592	7	-	19,464	5,051	(449)	26,665
Operating expenses	570,371	46,398	-	11,394	6,329	(15,889)	618,603
Interest expense	49,032	78	-	124	4,392	(726)	52,900
Income taxes	69,010	2,910	-	(565)	3,488	(140)	74,703
Non-controlling interest	-	440	-	-	-	-	440
Net income	\$ 85,289	\$ 3,224	\$ -	\$ 16,233	\$ 2,516	\$ (1,205)	\$ 106,057
Total assets	\$ 2,313,092	\$ 54,758	\$ -	\$ 56,145	\$ 760,088	\$ (627,899)	\$ 2,556,184
Capital expenditure	\$ 144,415	\$ 1,733	\$ -	\$ 2,884	\$ 707	\$ 133	\$ 149,872
Depreciation and amortization	\$ 152,754	\$ 3,325	\$ -	\$ 1,542	\$ 634	\$ 148	\$ 158,403

JUNE 30, 1999

3. Acquisitions

Software Kinetics Limited

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

Keltic Technologies Group Inc.

On February 1, 1999, MITI Information Technologies Inc. acquired the information technology business of Keltic Technologies Group Inc. for a total cash consideration of \$2.3 million. The allocation of the purchase price was \$0.3 million to working capital, \$1.1 million of capital assets, and \$0.9 million to goodwill.

iMagicTV Inc.

In January, March and June 1999, iMagicTV Inc. issued additional common shares to Bruncor Inc. and to outside interests. Bruncor increased its ownership by 2.8 per cent to 52.8 per cent, for a total cash consideration of \$3.0 million. These net acquisitions were accounted for by the purchase method. The impact of these acquisitions was an increase of \$6.1 million to working capital, \$0.3 million to capital assets, and \$0.3 million to goodwill, less \$3.7 million to minority interest in subsidiary company.

4. Arrangement Costs

As indicated in the *Joint Management Information Circular* (Page 22), the third party costs of effecting the merger arrangement were to be charged to retained earnings. These costs included financial advisor fees, regulatory filing fees, legal and accounting fees and printing and mailing costs. A total of \$14.2 million (\$8.1 million after income taxes) of these costs were recorded in the second quarter.

As previously reported, the Company had estimated restructuring costs associated with the merger at \$56.0 million (\$31.9 million after tax). The Company is actively working on its restructuring plans. The restructuring cost will be recorded as a one time charge against income when completed, currently anticipated for the third quarter.

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

5. Comparative Figures

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

GENERAL SHAREHOLDER INFORMATION

Aliant now offers a Dividend Reinvestment and Stock Purchase Plan (DRP) for all registered holders of Aliant Inc. common shares. The Plan offers a simple and convenient method for registered common shareholders to acquire additional shares with their dividends. Optional cash payments of up to \$10,000 per quarter can be made to acquire additional shares, at no charge to Plan members. All DRP members of the combining companies were automatically enrolled in the new Plan and have been mailed an Aliant DRP brochure. If you were not a DRP member of one of the combining companies and wish to learn more about enrolling in the Aliant Plan, please contact CIBC Mellon Trust at 1 800 565-2188 for a brochure and enrollment form.

Aliant also offers a Direct Deposit of Dividends service whereby dividends are electronically deposited to your bank account (in Canada only). Those who took advantage of this service under a signed agreement with Bruncor, MTT or Island Tel must re-enroll if they wish to use Aliant's Direct Deposit of Dividends service. Only dividends earned on registered shares represented by Aliant Inc. common share certificates can be deposited electronically through this service. If you have any questions, please contact CIBC Mellon Trust at the above-mentioned number.

If you have not already done so, please submit your share certificates, along with the Letter of Transmittal, for exchange to Aliant Inc. common shares.

Aliant Inc. is listed on the Toronto Stock Exchange (symbol: AIT).

FOR FURTHER INFORMATION, CONTACT:

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P.O. Box 880, Stn Central RPO
Halifax, NS B3J 2W3

Tel: 1 877 AIT-3113
Fax: (902) 429-8755
website: www.aliant.ca

STOCK REGISTRAR AND TRANSFER AGENT

CIBC Mellon Trust Company
P.O. Box 2082, Station C
Halifax, NS B3J 3B7

Tel: 1 800 565-2188 (DRP Enquiries)
or 1 800 387-0825 (Answer Line)
website: www.cibcmellon.com

Si, à l'avenir, vous désirez recevoir en français la documentation destinée aux actionnaires d'Aliant, veuillez communiquer avec la Compagnie Trust CIBC Mellon au 1 800 387-0825.

SHARE PRICE RANGE—JUNE 1999

High	Low	Close
\$ 25.75	\$ 21.50	\$ 22.45

Volume: **2,617,800**
