



ALIANTELECOM INC.

2002 ANNUAL INFORMATION FORM - ENGLISH

April 17, 2003

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ITEM 1 CAUTIONARY NOTE

This document contains certain statements and information about potential future circumstances and developments. Such statements and information are qualified by any of the inherent risks and uncertainties surrounding future expectations generally and may differ materially from the actual future experience of Aliant Telecom Inc. (“Aliant Telecom” or the “Company”). Aliant Telecom 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. Included herein is a “Forward-Looking Statement” section, which should be read in conjunction with this document.

ITEM 2 CORPORATE STRUCTURE

NAME AND INCORPORATION

Aliant Telecom was incorporated on August 4, 1999, pursuant to the provisions of the *Canada Business Corporations Act* to become the telecommunications arm of its parent company, Aliant Inc. (“Aliant”). The registered office of the Company is at 69 Belvedere Avenue, Charlottetown, Prince Edward Island.

INTERCORPORATE RELATIONSHIPS

The accompanying table presents the Company’s principal direct and indirect subsidiaries as at December 31, 2002, including the jurisdiction of incorporation or continuance and the percentage of voting and non-voting securities or partnership interests that Aliant Telecom beneficially owned or otherwise controls directly or indirectly as at December 31, 2002. Certain subsidiaries which represent less than 10% of consolidated assets of the Company and not more than 10% of the consolidated sales and operating revenues of the Company, and which, in aggregate, represent not more than 20% of the same consolidated results have been omitted from the accompanying table.

Subsidiary or Investment	Jurisdiction of Incorporation or Continuance	Percentage of voting securities which Aliant Telecom holds directly or
Aliant Telecom Inc.	Canada	
MT&T Mobility Inc.	Canada	100.0%
Aliant Advanced Communications Inc.	Canada	100.0%
MT&T Leasing Inc.	Nova Scotia	100.0%

Aliant Telecom is a wholly owned subsidiary of Aliant .

ITEM 3 GENERAL DEVELOPMENT OF THE BUSINESS

DEVELOPMENT OF THE BUSINESS

Aliant

Aliant Telecom’s parent company, Aliant was incorporated on March 9, 1999 as 3595641 Canada Inc. under the *Canada Business Corporations Act*. Aliant was formed for the purpose of participating in a series of transactions which resulted in the combination of the businesses previously operated by Bruncor Inc. , Island Telecom Inc. (“Island Tel”), Maritime Telegraph and

Telephone Company, Limited and NewTel Enterprises Limited (collectively referred to as the "Combining Companies"). The combination was effective May 31, 1999.

Aliant Telecom

Aliant Telecom was incorporated on August 4, 1999, as the holding company for Aliant's telecommunications subsidiaries.

Effective January 1, 2001, Aliant Telecom amalgamated with most of its wholly owned subsidiaries including Island Tel, Maritime Tel & Tel Limited, NBTel Inc. and NewTel Communications Inc. (collectively the "ATI Telcos"), and NewTel Mobility Limited ("NewTel Mobility").

In the years following the merger Aliant Telecom successfully integrated the ATI Telcos and NewTel Mobility into one company and increased profitability through synergies and growth in a highly competitive environment. Today, Aliant Telecom develops and markets pacesetting telecommunications technologies for its consumer and business customers. Aliant Telecom strives for the highest quality of customer service and places value on innovative capabilities that drive growth in existing and new markets.

THREE YEAR HISTORY

Relationship with BCE and Bell Canada

Aliant Memorandum of Agreement with BCE & Bell Canada

The Combining Companies decided in early 1999 that their combination, together with the development of a strong strategic relationship with BCE Inc. ("BCE") and Bell Canada, would benefit their shareholders, customers, employees and other stakeholders.

Aliant and the Combining Companies entered into a Memorandum of Agreement dated March 19, 1999, as amended, with BCE and Bell Canada. This long term strategic alliance agreement provides for an orderly transition and continuity of the business relationships among the parties and summarizes the understanding of the parties with respect to a strategic alliance for the provision and delivery of telecommunications services.

The agreement identifies the Atlantic Provinces as the traditional territory of Aliant and Quebec and Ontario as the traditional territory of Bell Canada. The agreement provides that Aliant is the vehicle by which telecommunications services will be offered in Aliant's territory, and commits BCE and Bell Canada to the development and growth of a strong and independent Aliant. It assures that Aliant is Bell Canada's preferred supplier of telecommunications services offered in the Atlantic Provinces. It identifies specific areas of co-operation for the purpose of providing a seamless delivery of services.

Aliant gains access to Bell Canada's technology, the exclusive right to use specified Bell Canada trademarks in Aliant's traditional territory, and a license to use Bell Canada's promotional materials. Bell Canada agreed to promote the use and sale of technology and intellectual property developed by Aliant. Each party has agreed to provide the other with support services, including access to operational support and technical, marketing, training and similar assistance. Aliant and Bell Canada will attempt to achieve benefits resulting from a pooling of their requirements such as the aggregation of traffic and purchasing requirements.

With an initial term of five years, the agreement will continue in effect for as long as BCE holds an interest in Aliant of at least 10 percent, subject to termination rights on the occurrence of certain

specified events. BCE's direct and indirect ownership of Aliant is 53.1% of the outstanding shares of that company, making Aliant a majority-owned subsidiary of BCE.

Bell alignment initiative

Building on the relationship established through the aforementioned Memorandum of Agreement dated March 19, 1999, Aliant Telecom announced a strategic alignment with Bell Canada in the fourth quarter of 2001. Through this initiative, Aliant Telecom and Bell Canada agreed to work more closely together to achieve shared goals of improving customer service, reducing costs (expense and capital) and growing revenues. Throughout 2002, the two companies undertook a number of initiatives that have provided Aliant Telecom with \$26.6 million in revenue generation and cost savings opportunities in addition to ongoing capital savings. These initiatives included a common voice mail and email platform, shared creative work for advertising campaigns, adoption of certain Bell pricing methodologies and lower cross border rates for calls terminating in the U.S. Through such strategic initiatives, Aliant Telecom will continue to drive growth in future years through more efficient and competitive operations.

Bell Network Alliance

Late in 2002, Bell Canada and Aliant Telecom announced the development of a strategic network alliance that will forge a more integrated relationship between the two companies. The newly formed Bell Network Alliance will see Bell providing all strategic technology direction and network architecture evolution for Aliant Telecom's core infrastructure and service platforms except for those areas identified in Applications Engineering. In addition Bell will provide the network planning, design and provisioning services for network growth, capacity augmentation, deployment of service platforms and network installation details.

The Bell strategic partnership will deliver the following benefits:

- access to Bell's engineering/network capabilities and intellectual property
- improved customer service delivery and support
- movement towards a common infrastructure, sharing best of class products / processes
- delivery of enhanced and competitive services at lower cost
- reduction in operational cost and improved economies of scale with better capital efficiency

Outlook for 2003

In 2003, Aliant Telecom expects to maintain a strong revenue position. The price cap decision, released by the Canadian Radio-television and Telecommunications Commission (the "CRTC" or the "Commission") in 2002, clarified the overall framework of telecommunications regulation until 2006. It clarified the services subject to regulation and the regulatory rules specific to the services. Further analysis by the CRTC of the deferral account mechanism may result in additional financial impacts in the coming year. In 2003, several regulatory proceedings and accompanying decisions are anticipated, but none are expected to have a material financial impact.

The preservation of traditional wireline revenue streams will be a prime area of focus in 2003. Superior customer service and flexible bundled offerings will support customer retention and growth. The Company anticipates a modest decrease in overall network access subscribers due to competition and cannibalization.

Wireless and Internet are expected to continue providing solid revenue growth. Growth opportunities in wireless consist of obtaining new customers in key market segments and increasing revenue per customer, through shifting analog customers to digital and new wireless data offerings.

Aliant Telecom is a major Internet service provider (ISP) in Atlantic Canada. Aliant Telecom's focus on quality, customer service, and its range of applications, along with the dedicated two-

way access on its high-speed network, should enable the Company to maintain its strong market position into the future. Internet revenues are anticipated to grow in 2003 as dial-up customers begin to shift to high-speed Internet connections.

Aliant Telecom has built a strong telecommunications network. Future capital spending will focus on supporting the existing infrastructure and opportunities that are economically justified. The Company is now poised to leverage this fixed investment by striving for greater capacity utilization and turning its attention towards engaging external partners in the development of new applications for its network. Aliant Telecom, an industry leader in innovation, plans to meet the increasingly complex customer demands through its ongoing development of new products and services.

The Company has achieved strong performance in the management of working capital and the generation of free cash flow. In 2003, Aliant Telecom's capital investment plans will see continued reductions in capital investment spending. The Company will also see continued focus on alignments with strategic partners, business process improvements and supply chain management re-engineering.

SIGNIFICANT ACQUISITIONS AND DISPOSITIONS

Aliant Telecom did not make any significant acquisitions or dispositions during 2002.

RISKS AND UNCERTAINTIES

At present, Aliant Telecom has not identified any trends, commitments, events or uncertainties, other than those referred to generally in the following sections: "Outlook for 2003", "Trends", "Competition", "Regulation", "Technology" and "Litigation" as having the potential to have a material effect on Aliant Telecom's financial condition or results of operation.

ITEM 4 DESCRIPTION OF THE BUSINESS

Overview

Aliant Telecom is a world recognized leader in communications, focused primarily in Atlantic Canada. Measured by revenues, Aliant Telecom is Canada's third largest full-service telecommunications business. Aliant Telecom provides a full range of voice and data communications services including local, long-distance, data, Internet and other wireline and wireless services.

Products and services

Aliant Telecom is not dependent on any single customer for 10 percent or more of its revenues or income, but larger business customers do account for a significant portion of its revenues. Atlantic Canada is the principal market in which the Company operates.

The following tables summarize revenue for each category of principal products or services. Revenues are further summarized by source from which they are derived: external customers, controlling shareholder and internal line of business.

Revenue by Category

For the period ended December 31, 2002

(in thousands of dollars)

Line of Business	Revenue category	Revenue source:			Operating Revenue
		External customers	Aliant Inc.'s Controlling shareholder	Aliant Inc.	
Telecommunications					
	Local	\$ 766,120	\$ -	\$ -	\$ 766,120
	Long distance	375,070	9,774	19,045	403,889
	Wireless	281,321	-	-	281,321
	Other	268,225	20,957	2,688	291,870
Operating revenues		\$ 1,690,736	\$ 30,731	\$ 21,733	\$ 1,743,200

Revenue by Category

For the period ended December 31, 2001

(in thousands of dollars)

Line of Business	Revenue category	Revenue source:			Operating Revenue
		External customers	Aliant Inc.'s Controlling shareholder	Aliant Inc.	
Telecommunications					
	Local	\$ 864,518	\$ -	\$ 3,906	\$ 868,424
	Long distance	384,044	8,604	16,009	408,657
	Wireless	249,897	-	-	249,897
	Other	253,569	19,360	-	272,929
Operating revenues		\$ 1,752,028	\$ 27,964	\$ 19,915	\$ 1,799,907

Local service

Local service revenues are derived principally from the provision of network access service to residence and business customers, local data access service, telephone set rentals, enhanced service features (such as call waiting and call display), and revenues from the telecommunications industry financed and CRTC administered National Contribution Fund to support local service in high-cost serving areas. Rates for local telephone and value-added services are subject to price cap regulation by the CRTC. Aliant Telecom's overall market share for local services remains strong. For more details on how the CRTC regulations impact the Company's operations refer to the "Regulation" section.

Long distance service

Long distance service revenues are derived from toll service, data network services and long distance settlement. Toll service consists of basic message toll service, including long distance services, which are carried out by a variety of calling plans. Network services include private line voice services and business data services. Business data services are offered to customers to meet a wide variety of their needs, including public digital packet switched communications networks through such plans as DataPac, and digital private line services through such plans as DataRoute and MegaStream/MegaRoute. The large base of call-centre customers that Aliant Telecom has been able to attract to the Atlantic region continues to contribute to minute growth. Settlement revenues are generated from the per minute rates paid by other telecommunications

carriers for calls terminating in our region. At the same time, bundled service offerings, including a flat-rate long-distance component, continue to drive up calling volumes in the residential market.

Wireless

Wireless services include the cellular, paging and mobile radio services. Cellular and paging services are offered through various prepaid and postpaid plans for consumer and business customers. 2002 saw the continued expansion of Aliant Telecom's digital cellular service to 68% geographic coverage in Atlantic Canada, which combined with analogue services, brought total cellular geographic coverage in Atlantic Canada to 95%.

Other telecommunications services

Other telecommunications revenues are primarily derived from Internet services, telephone directory advertising, equipment sales and newer revenue services such as network management and e-Commerce. Internet is a growing source of revenue and has been supported by capital investment, such that Aliant Telecom's high-speed capability now passes 60% of homes in Atlantic Canada.

Trends

Aliant Telecom and its predecessor companies have been influenced over the last six years by increasing competition in businesses that were formerly regulated monopolies and changes in regulation. These are described below under the headings "Regulation", and "Competition". Also, rapidly advancing technology is evolving the business more towards Internet-based, data and wireless services. This transition creates challenges in the form of shorter asset lives for new investments and opportunities in the form of new sources of revenue and growth.

Competition

Through the decade of the 90's, the CRTC has implemented a policy of introducing competition in various aspects of the telecommunications business, which were formerly regulated monopolies. In 1992, long distance competition was introduced through the allowing of voice long distance service competition by carriers using their own network facilities. As long distance competition became entrenched in the market place the CRTC withdrew regulation from this market (see the "Regulatory" section under the heading "Forbearance"). In 1997 local competition was introduced. The CRTC continues to regulate this area as competition builds in the local market. Other aspects of the telecommunications business have been competitive for much longer or since their inception, including private line and data services, sale of telephone terminal equipment, telephone directory advertising and cellular and other wireless services. Virtually all aspects of Aliant Telecom's business are now subject to competition, however Aliant Telecom has maintained its industry leading position in all service offerings.

Estimated Market Share

For the years ended December 31

	2002	2001	2000
Local (based on number of network access subscribers)			
Residential	96.4%	97.9%	99.2%
Business	96.5%	97.0%	97.2%
Long distance (based on % revenues)			
Residential	88.0%	89.0%	88.0%
Business	88.4%	89.0%	87.5%
Wireless (based on subscribers)	74.7%	75.0%	74.7%
Internet	67.0%	67.0%	67.0%

Local

There are a number of Competitive Local Exchange Carriers ("CLECs") operating in the region with particular focus on the business market in the Halifax, Charlottetown and St. John's areas. One of these CLECs also offers residential access service in regions throughout the Maritimes, with a primary focus on Nova Scotia. Aliant Telecom expects that the degree of local competition will continue to grow.

Long-distance

Long-distance competition continued to be strong in 2002. There are competitors for long-distance services in Atlantic Canada, offering flat-rate monthly pricing packages and discounted per-minute rates in both the residential and business markets. Management expects these pressures to persist and long-distance margins will continue to narrow, although the pace at which prices are falling in Atlantic Canada has moderated. Aliant Telecom continues to focus on maintaining margins through improved efficiency and stable market share. Long-distance competition in Atlantic Canada is reflective of the rest of the country.

Wireless

In its wireless business, Aliant Telecom faces three competitors for paging services and two competitors for cellular services. A third cellular competitor has a limited presence in the region by way of offering roaming facilities to other national carriers. Although some additional cellular market share could be lost to new competitors, management is confident superior service offerings, competitive pricing and greater coverage will help the Company retain a strong market position.

Internet

Aliant Telecom is the major ISP in Atlantic Canada. Competition exists throughout the region for both Internet dial-up and high-speed services. However, Aliant Telecom's focus on quality, customer service, and its range of applications, along with the dedicated two-way access on its high-speed network, should enable the Company to maintain its strong market position into the future.

Regulation

General

As a "Canadian carrier", Aliant Telecom is regulated by the CRTC pursuant to the *Telecommunications Act*. Aliant Telecom is also a Broadcast Distribution Undertaking and is also regulated by the CRTC under the *Broadcasting Act*.

The Commission has broad powers with respect to the terms and conditions of provision of telecommunications services by Canadian carriers, subject to its power to forbear from regulation as described below under the heading "Forbearance". That is, unless the CRTC has decided to forbear from the regulation of certain services, a Canadian carrier is required to, among other things, file tariffs for approval with the CRTC for the rates, terms and conditions of the services it offers and obtain approval of all agreements it may enter into with other telecommunications carriers for the exchange of telecommunications traffic.

Price cap regulation

The CRTC first established a price cap plan for the telephone companies, for the period January 1, 1998 until 2002. On May 30, 2002, the CRTC released its second price cap decision that prescribed new rules to determine the rates charged for certain telecommunications services provided by Incumbent Local Exchange Carriers ("ILECs") for the next four years effective June 1, 2002. The main highlights of this decision include:

- An initial reduction in 2002 of about 10% in the rates the incumbent telephone companies, such as Aliant Telecom, charge their competitors for certain services. Future annual rate changes for many services provided to competitors calculated at the rate of inflation (measured by GDP-PI) less a productivity factor of 3.5%.
- On average, residential rates for local access services and for features cannot increase unless the rate of inflation exceeds the productivity factor of 3.5%.
- A restriction on the average local access service rate increases for business customers to the rate of inflation. The decision also led to the filing for a reduction in rates for certain local services for business customers.
- Certain other price capped services (largely digital network access services provided to businesses) require annual reductions of inflation less productivity in each year when inflation is less than 3.5%.
- A new mechanism, the deferral account, to mitigate the potential adverse effects on competition in the local market as a result of mandated rate reductions. Certain mandated rate reductions are accumulated in an interest bearing deferral account. The deferral account will be reduced by one, or a combination of the following:
 - Rate reductions for residential local services that are proposed as the result of competitive pressures;
 - Certain rate reductions for services provided to competitors;
 - The approval of exogenous factors for matters beyond the control of the ILEC;
 - Rate increases less than the amount by which inflation exceeds productivity;
 - Subscriber rebates; and
 - Funding initiatives that would benefit residential customers in other ways.
- The introduction of Quality of Service mechanisms which provide for rebates to customers and competitors if the ILEC fails to meet the CRTC mandated quality of service indicators.

As at December 31, 2002, Aliant Telecom has calculated its deferral account balance to be \$9.6 million. Aliant Telecom has not recognized the deferral account as a liability in its financial statements because it has made a proposal to the CRTC to approve reductions to the deferral account by means other than rebates or rate reductions. If the CRTC rejects this proposal and

requires the Company to reduce rates or issue rebates the amount in the deferral account would be charged to income and recorded as a liability.

In 2002, the price cap decision negatively impacted net revenues by \$5.3 million and is estimated to negatively impact 2003 net revenues by approximately \$19 million.

On March 18, 2003, the CRTC issued a series of decisions that provided final approval to rates that had been made interim on June 1, 2002. The final rates were not materially different from those approved on an interim basis.

Contribution and Banding

All telecommunications service providers are required to make "contribution" payments calculated as a percentage of their eligible telecommunications revenues. These contribution payments are used to fund subsidies to telecommunications carriers who provide residential basic service in areas where the cost of providing service is substantially higher than the average cost in other parts of the ILEC's territory.

In 2001 the CRTC issued its ruling on Banding which established the "high cost areas or bands". Commencing in 2002, only residential local access services in these high cost bands are eligible for subsidy. For Aliant Telecom approximately 39% of the residential access services are classified as high cost and are therefore eligible for subsidies. Also, effective January 1, 2002, the contribution decision requires that all service providers pay 1.3% (4.5% - 2001) on certain of their telecommunications revenues into the national contribution fund. These two changes in 2002 have reduced both Aliant Telecom's revenues and related cost of revenues, but the decrease in costs only partially offset decreased revenues.

Forbearance

The CRTC has the power to forbear from exercising its regulatory powers, in whole or in part and conditionally or unconditionally, where it is satisfied that to do so would be consistent with Canadian telecommunications policy objectives. With increasing competition in telecommunications, the CRTC has found it appropriate, in several circumstances and to varying degrees, to forbear from regulating the telephone companies and their competitors with respect to the services they offer.

Between 1994 and 2000 the CRTC granted forbearance for many telecommunications services including the sale of terminal equipment, packet switched data services, frame relay services, electronic messaging and information services, voice long distance services, high-speed private line services on certain major routes, mobile wireless services (including paging, cellular, PCS, mobile data and two-way radio), Internet services and wide area network services (WAN).

Costing review

In the May 2002 price cap decision, the CRTC indicated that, in order to increase the reliability and transparency of the costing approach used for rate determination purposes, it would initiate a thorough examination of the Phase II costing approach. The purpose of the review will be to develop updated Phase II manuals that set out directives and guidelines with respect to costing processes and methodologies, underlying assumptions, models, and tracking systems used by the ILECs. This review process will be conducted over a number of years starting in 2003.

Bundling Decision

In September 2002, the CRTC issued a Bundling decision that required Aliant Telecom and the other ILECs to seek CRTC approval for any service that bundles tariffed and non-tariffed

services. In response to this ruling Aliant Telecom has filed current and new bundled packages with the CRTC for approval.

Affiliate Decision

On December 12, 2002, the CRTC issued a ruling which extends to ILEC affiliates the same requirements for tariff approval for products and services (including bundles) offered in an ILEC's operating territory as currently exist for the ILEC. In response to this ruling Aliant Telecom will be winding up the operations of Aliant Advanced Communications Inc., a company that resells data services, in the second quarter of 2003.

Developments in 2003

On January 15, 2003, in response to requests made by competitors, the CRTC invited comments from interested parties on whether it should continue to approve ILEC promotions that target customers of competitors given that, on a national basis, ILECs provided 96% of the total local telephone lines. Then, on March 13, 2003, the CRTC expanded the proceeding to permit it to review all ILEC promotions, including those that target existing ILEC customers. Associated with these determinations, the CRTC suspended consideration of all ILEC applications for promotions until a decision is issued on this matter. Aliant Telecom and the other ILECs will participate in the proceeding with the goal of persuading the CRTC that ILECs should be permitted to continue to use promotions. A final determination from the CRTC is not expected until mid to late 2003.

Technology

Aliant Telecom operates in markets that are experiencing constant technological change, evolving industry standards, changing client needs, frequent introductions of new products and services and shortened product life cycles. Despite these challenges Aliant Telecom is a recognized leader in the developing pacesetting technologies and commercializing them for customers in Atlantic Canada. Aliant Telecom recognizes that it cannot be absolutely certain of what the future will hold, but is prepared to embrace new technology to deliver the most advanced and valuable services to customers.

Aliant Telecom is preparing for the future today, as continuous investments in infrastructure provide the foundation for Internet services, including high-speed Internet and enhanced media-rich broadband applications. In 2002, Aliant Telecom undertook the most aggressive DSL (Digital Subscriber Line) augmentation and expansion and maintenance plan in the organization's history. By the end of the first quarter of 2002, Aliant Telecom installed 30 per cent more DSL ports than in 2001, increasing capacity to an additional 168,841 DSL ports. Building on this network, most customers in Atlantic Canada have access to a complete broadband experience including content, applications and communication services, helping them address their business, everyday living and commerce needs.

Over the years, customers have come to depend on Aliant Telecom's consistency of service. In 2002, Aliant Telecom invested over \$131 million to improve core consumer and business infrastructure, and maintain our high standard of reliability.

A major fiber network build between St. John's and Saint John provided a significant increase in Aliant Telecom's transport capacity. This network links with the Bell network to establish the only 10Gbit/sec cross-Canada network. This network provides the infrastructure flexibility necessary to easily and cost effectively turn-up additional future capacity as demand increases.

Providing the right wireless solutions for our customers is an important focus of Aliant. The addition of 95 cellular sites including 3rd generation digital wireless technology in Halifax has enabled availability of cellular service to 69% of the Atlantic Canadian population. As well in late 2002, Aliant announced the launch of its 1xRTT network, the next evolution of existing CDMA

(Code Division Multiple Access) voice and data network. Through this launch Aliant is providing its customers with the latest in wireless technology and delivering the fastest wireless data speeds in Atlantic Canada (86Kbps). This mobile technology will provide faster access to the Internet, email, instant text-messaging, games, GPS corporate networks and data. These features will bring a new level of appeal for wireless devices among customers seeking a personalized, feature-rich mobile experience. 1xRTT was launched in the Halifax market in November 2002 and in St. John's, Halifax, Sydney, Charlottetown, Fredericton, Moncton, and Saint John in February 2003.

Alliances

Prior to 1999, Aliant Telecom was a member of Stentor, a working association of nine provincial Canadian telephone companies. In response to a changing working environment, certain functions were assumed by the member companies as of January 1, 1999. By December 31, 1999, the connecting agreement and related governance agreement under which Stentor had operated was terminated. Effective January 1, 2000, Bell Canada took over the remaining activities previously provided by Stentor, offering these services to the former member companies on a contractual cost recovery basis.

Throughout 1999 and 2000, Aliant Telecom conducted negotiations for other specific agreements necessitated by the wind-down of the Stentor alliance, and to give definition to a new alliance with Bell Canada, MTS Communications Inc. and Saskatchewan Telecommunications. These include an Operational Support Services agreement with Bell Canada for the provision of former Stentor services, a revised arrangement for revenue settlement, the final requirements for the formal windup of Stentor, and a sub-license for the exclusive provision of MCI WorldCom Inc. On-Net Services to Aliant Telecom's customers.

Under other arrangements Aliant Telecom provides network and access facilities to Bell in the Atlantic Provinces, and provides and distributes Bell services to customers in the Atlantic Provinces. Aliant Telecom obtains access to Bell intellectual property, and access to a highly advanced national broadband network over which to offer many of its innovative applications.

TELUS network usage agreement

In October 2001 a network usage agreement was reached between TELUS Mobility and Aliant Telecom and Bell Mobility to provide reciprocal roaming and resale arrangements. The agreement Aliant Telecom has made with Telus is a beneficial one for Aliant Telecom, providing the company with additional revenue from the use of its network. From a competitive perspective, Aliant's competitive rate plans, strong local presence, highly valued customer service and extensive community-based dealer channel will continue to provide an overriding competitive advantage in the region.

Employees

As of December 31, 2002, Aliant Telecom had 6,102 employees (2001 – 6308, 2000 – 6692). A significant portion of Aliant Telecom's work force is unionized. Additional "comments" concerning the contractual relationship with these unionized employees are in the "Contractual and Legal Matters" section below.

Contractual and legal matters

New Brunswick Class Action

An action was commenced against NBTel Inc. by 132 former employees who took early retirement under a 1998 early retirement incentive program. The former employees seek

damages in the amount of the difference between what they received upon retirement in 1998, and what they would have received had they retired under a 1999 early retirement incentive program. The outcome of this matter is not determinable at this time.

Union Negotiations

Approximately 68% of Aliant Telecom's employees were covered by the terms of collective agreements:

In PEI, there are collective agreements with the union locals representing clerical staff, operators, craft employees and first level managers. Contracts with the Communications, Energy and Paperworkers Union of Canada ("CEP") representing PEI operators, clerical and craft employees expired December 31, 2001. The agreement with first level managers expired June 30, 2002.

In Nova Scotia, there are collective agreements with the Atlantic Communication and Technical Workers Union representing craft and clerical workers and operators. These contracts expired December 31, 2001.

In New Brunswick, there are collective agreements with the CEP union local representing operators and technical employees. These contracts expired December 31, 2001.

In Newfoundland, there is a collective agreement with the CEP union local representing operators, clerical and craft employees. This agreement expired December 31, 2001.

In October 2000, Aliant Telecom filed an application with the Canada Industrial Relations Board seeking single employer designation and a review of the current bargaining unit structure. The position taken in the application is that a single bargaining unit and a single collective agreement is the most appropriate future structure. This application has been approved resulting in expiration of all collective agreements noted above on December 31, 2001 with the exception of the first level managers' collective agreement in PEI.

On December 31, 2001, the collective agreement with the unions representing operators, clerical and craft employees in the four Atlantic provinces expired. The bargaining unit is represented by the Council of Atlantic Telecommunication Unions. The negotiations began on March 4, 2002, and progress to date has been satisfactory and negotiations have been scheduled into May of 2003.

The collective agreement with the 65 unionized first level managers in PEI expired on June 30, 2002. Several bargaining sessions have been held, and the negotiations team is optimistic that a new agreement will be reached by April 30, 2003 with an expiry date of December 31, 2003.

Environmental matters

Aliant Telecom has adopted an environmental program based on conducting its business affairs in a manner that protects people and the environment. The costs of these environmental plans are included in the capital expenditure program and are not expected to have a material impact on future years' earnings. As well, management is not aware of any environmental matters that materially threaten the Company's future earnings or financial position.

ITEM 5 SELECTED CONSOLIDATED FINANCIAL INFORMATION

THREE YEAR SUMMARY OF ANNUAL INFORMATION

Consolidated Financial Data

For the years ended December 31

(thousands of dollars, except per share)	2002	2001	2000
Operating revenues	\$ 1,743,200	\$ 1,799,907	\$ 1,743,716
Net income	223,445	181,941	191,054
Dividends declared	\$ 162,000	\$ 143,218	\$ 157,483
Total assets	\$ 2,590,543	\$ 2,516,794	\$ 2,535,479
Total long-term debt (including current portion)	\$ 1,063,026	\$ 1,016,601	\$ 1,055,005

Factors impacting comparability

CRTC regulations

CRTC regulations significantly impact operating results and can cause significant fluctuations in year over year results. Relevant CRTC regulations are noted in greater detail under Item 4, Description of Business under the heading of "Regulation".

Specifically, in 2002 net income was \$41.0 million lower than 2001 and in 2001 net income was \$10.6 million more than in 2000 as a result of the impact of the CRTC's contribution decision.

2001 restructuring charge

In 2001, Aliant Telecom recorded a restructuring charge of \$ 76.4 million during the fourth quarter (\$43.0 million impact on net income) as the Company continued to accelerate the pace of operating efficiencies resulting from the merger. The charge was composed primarily of staff severance costs and the cost of consolidating various entities into one operating unit.

Future changes in accounting policies and management estimates

For a discussion on future changes in accounting policies and management estimates, please refer to Aliant Telecom's "Management's Discussion and Analysis for the Year Ended December 31, 2002", which is incorporated herein by reference.

ITEM 6 MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company's document entitled "Aliant Telecom Inc. Management's Discussion and Analysis for the Year Ended December 31, 2002" is incorporated herein by reference.

ITEM 7 MARKET FOR SECURITIES

The Company's common shares are 100% owned by Aliant and are not publicly traded. The Company's debentures and medium term notes, which are publicly issued, have been rated A stable by Dominion Bond Rating Service and Standard and Poor's. The Company's first

mortgage bonds, also publicly issued, have been rated A stable by Dominion Bond Rating Service and A+ stable by Standard and Poor's.

ITEM 8 DIRECTORS AND OFFICERS

8.1 NAME, ADDRESS, OCCUPATION AND SECURITY HOLDING

Directors

Aliant Telecom is a wholly owned subsidiary of Aliant. The Directors of Aliant Telecom are listed in the accompanying table. Each of the Directors of Aliant Telecom is also a Director of Aliant. All Directors hold office for one term at a time. The term of office is the time period between the annual meetings of shareholders of Aliant. The Company does not have an executive committee of its board of directors. The Company has the following committees: 1) Audit 2) Corporate governance 3) Human resources and compensation 4) Investment 5) Defined benefit pension investment 6) Defined contribution pension investment. The name, board position, committee membership, municipality of residence and principal occupation within the five preceding years for each of the Directors appears below:

Name , position and committees	Principal Occupation	Municipality of Residence	Director since
William D. Anderson ^{4,5,6}	President, BCE Ventures Inc. (Equity investments)	Westmount, Quebec	April 19, 2002
Miller H. Ayre, C.M. ^{1, 2} Corporate Governance Chair	Publisher, The Telegram (Newspapers)	St. John's, Newfoundland and Labrador	April 22, 1999
J. Charles Caty ^{3, 4} Human Resources & Compensation Chair	Corporate Director	Oakville, Ontario	April 22, 1999
Robert P. Dexter, Q.C. ^{1,4} Investment Chair	Chairman and Chief Executive Officer, Maritime Travel Inc.	Halifax, Nova Scotia	April 22, 1999
Jay Forbes, CA	President and Chief Executive Officer Aliant Inc.	Rothesay, New Brunswick	April 19, 2002
Peter J. Nicholson ²	Special Advisor to the Secretary General, Organization of Economic Co-operation & Development (International Forum)	Paris, France	April 19, 2002
Dr. Margot Northey ³	Corporate Director	North Saanich, British Columbia	April 20, 2001
Edward Reevey ^{1, 5,6} Audit Chair, Defined Benefit Pension Chair & Defined Contribution Pension Chair	Chairman and Chief Executive Officer, Addee Developments Limited and Eedda Capital Inc. (Private holding companies)	Rothesay, New Brunswick	April 22, 1999
John W. Sheridan ⁴	President and Chief Operating Officer, Bell Canada (Telecommunications)	Toronto, Ontario	April 25, 2000
Catherine Tait ^{1,2}	Entertainment executive and founder of Duoplay (Consulting)	Brooklyn, New York	April 20, 2001
Stephen G. Wetmore ³	Vice chair, Corporate, Bell Canada (Telecommunications)	Burlington, Ontario	April 22, 1999
Charles W. White Q.C. Chairman of the board and ex-officio to all committees	Partner, White Ottenheimer & Baker (Law firm)	St. John's, Newfoundland and Labrador	April 22, 1999
Victor L.Young, O.C. ^{2, 3}	Corporate Director	St. John's, Newfoundland and Labrador	April 19, 2002

With the exception of the following individuals, all of the directors have been employed in the designated principal occupation for the preceding five years or have been engaged in different executive functions with their current corporation or with one of their affiliates:

Mr. Ayre is currently publisher of The Telegram, St. John's. Prior to this he was group Publisher and Chief Executive Officer of Thompson Newfoundland, prior to which he was Chairman, President and Chief Executive Officer of Ayre & Sons Limited.

Mr. Nicholson is currently Special Advisor to the Secretary General for the Organization of Economic Co-operation & Development, prior to which he was Chief Strategic Officer at BCE Inc.

Mr. Wetmore, prior to his appointment as Vice Chairman, Corporate, Bell Canada, effective March 1, 2002, was President and Chief Executive Officer of Aliant from April 22, 1999, prior to which he was President and Chief Executive Officer of NewTel Enterprises Limited and Chief Executive Officer of NewTel Communications Inc. Prior to this he was President of Smart Capital Resources Inc. from 1997.

Mr. Young was Chairman and Chief Executive Officer of Fishery Products International Ltd. from November 1994 to May 2001.

For background information on Mr. Forbes please refer to the "Officers" section below.

Officers

The name, municipality of residence and principal occupation within the five preceding years for each of the Board appointed officers:

Name	Office	Residence
Charles W. White	Chairman	St. John's, Newfoundland and Labrador
Jay Forbes	President and CEO	Rothsay, New Brunswick
Barrie H. Black ¹	Vice President, General Counsel and Corporate Secretary	Rothsay, New Brunswick
Barry Kydd	Executive Vice President and Chief Financial Officer	Rothsay, New Brunswick
G. Reid Parker	Vice President and Treasurer	Quispamsis, New Brunswick
David Rathbun	Senior Vice President Corporate and Chief Human Resources Officer	Bedford, Nova Scotia
Frank Fagan	Executive Vice President and Chief Operating Officer	St. John's, Newfoundland and Labrador
Wendy Paquette	Senior Vice President, Customer Services and Operations	Halifax, Nova Scotia
Helena Cain	Vice President, Business Sales	Saint John, New Brunswick
Ronald Waite	Regional Vice President	Charlottetown, Prince Edward
Evan Kipnis	Assistant Corporate Secretary	St. John's, Newfoundland and Labrador
David Landrigan	Assistant Corporate Secretary	Halifax, Nova Scotia
Manon Losier	Assistant Corporate Secretary	Saint John, New Brunswick

1) Barrie Black retired effective March 31, 2003 and his position is presently unoccupied.

All of the officers have held their present position or other executive positions with Aliant, Aliant Telecom or one or more affiliated companies for the preceding five years with the exception of the following individuals:

Barry Kydd joined Aliant Telecom in his role as Executive Vice President and Chief Financial Officer on July 22, 2002. Prior to Mr. Kydd's appointment as Chief Financial Officer, he was the Vice President of Global Financial Operations for Lucent Technologies Inc. He has also held a number of senior financial positions in the aerospace, health, and resources sectors.

In October 2002, Mr. Forbes became President and Chief Executive Officer of both Aliant Inc. and Aliant Telecom. Mr. Forbes had become President and Chief Executive Officer of the Company on March 26, 2002, evolving from a brief term as Acting Chief Executive Officer that began following the departure of Stephen G. Wetmore. Prior to this appointment Mr. Forbes was the Executive Vice President and Chief Financial Officer of Aliant Inc. and Senior Vice President and Chief Financial Officer of Aliant Telecom effective February 26, 2001. Prior to joining Aliant Mr. Forbes was the Chief Financial Officer for Toronto-based Oxford Properties Group, one of the largest real estate companies in Canada. Prior to this he was Senior Vice President and Chief Financial Officer of Nova Scotia Power Holdings Incorporated and Vice President and Chief Financial Officer of Nova Scotia Power Incorporated.

Effective October 21, 2002, Frank Fagan was appointed Executive Vice President and Chief Operating Officer of Aliant Telecom, after having held various other executive positions in the Company.

ITEM 9 ADDITIONAL INFORMATION

FINANCIAL YEAR END

The financial year-end for Aliant Telecom is December 31.

AUDITORS

The auditors of Aliant Telecom are Ernst & Young LLP.

DOCUMENTS INCORPORATED BY REFERENCE

Documents	Part of Annual Information Form in which incorporated by reference
1. Aliant Telecom Inc.'s Management's Discussion and Analysis for the year ended December 31, 2002.	Items 4, 5 & 6

TRADEMARKS

Any trademarks, corporate, trade or domain names used in this Annual Information Form are properties of their respective owners. Aliant Telecom believes that its brands are very important to its success. Aliant Telecom takes appropriate measures to protect its intellectual property and to defend its brands. Aliant Telecom also spends considerable time and resources in surveillance, registration, protection and prosecution of infringers and takes great care not to infringe on the intellectual property and brands of others.

OTHER ADDITIONAL INFORMATION

The Company will provide to any person, upon request to the Corporate Secretary, One Brunswick Square, 18th Floor, P.O. Box 5030, Saint John, New Brunswick, E2L 4L4:

- a) when the securities of the Company are in the course of distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of securities, the following information:
 - i) a copy of the Annual Information Form, together with any document incorporated herein by reference,
 - ii) a copy of the comparative financial statements for the most recently completed financial year together with the accompanying report of the auditor and a copy of any interim financial statements subsequent to the financial statements for its most recently completed financial year, and
 - iii) a copy of any other documents that are incorporated by reference into the preliminary short form prospectus or short form prospectus;
- b) or at any other time, a copy of any documents referred to in (a)(i) and (ii) above.

Additional financial information is available in the Company's comparative financial statements for years ended December 31, 2002 and 2001.

ITEM 11 FORWARD LOOKING STATEMENT

Certain statements contained in this Annual Information Form and in particular the statements contained in the “Outlook”, “Risks and Uncertainties”, “Trends”, “Competition”, “Regulation”, “Technology” and “Litigation” sections, constitute forward-looking statements. These forward-looking statements relate to future financial condition and the results of operations of Aliant Telecom. These statements are based on current expectations and estimates about the markets in which Aliant Telecom 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, market or business conditions; increased competition in the markets in which Aliant Telecom 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 Telecom. 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 Annual Information Form may differ materially from actual results or events. Consequently, all of the forward-looking statements made in this report and the documents incorporated by reference herein are qualified by these cautionary statements, and there can be no assurance that the results or developments anticipated by Aliant Telecom will be realized or, even if substantially realized, that they will have the expected consequences to, or effect on Aliant Telecom. Readers should not place undue reliance on any forward-looking statements. Further, Aliant Telecom disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.