

Financial Statements

**AltaLink, L.P.**

Three and six months ended June 30, 2006 and 2005  
(Unaudited)

**AltaLink, L.P.****BALANCE SHEETS**  
(Unaudited)

(in thousands of dollars)

As at	June 30, 2006	December 31, 2005
<b>ASSETS</b>		
<b>Current</b>		
Restricted cash	\$ 64,877	\$ 29,968
Accounts receivable <i>[note 6]</i>	17,131	17,714
Materials and supplies	1,219	1,012
Prepaid expenses and deposits	4,868	2,203
	<b>88,095</b>	50,897
Property, plant and equipment	1,079,976	1,004,331
Deferred financing fees	5,067	5,516
Regulatory assets	7,707	7,582
Accrued benefit pension asset	2,611	2,755
Construction materials and supplies	10,971	9,108
Goodwill	202,066	202,066
	<b>\$ 1,396,493</b>	<b>\$ 1,282,255</b>
<b>LIABILITIES AND PARTNERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities <i>[note 6]</i>	\$ 55,505	\$ 28,775
Other liabilities <i>[note 5]</i>	66,078	30,879
Regulatory liabilities	3,255	113
Current portion of long-term debt <i>[note 3]</i>	125	122
	<b>124,963</b>	59,889
Accrued employment benefits liabilities	1,336	1,225
Other liabilities <i>[note 5]</i>	1,421	1,866
Regulatory liabilities	156,179	157,166
Asset retirement obligations <i>[note 2]</i>	57,846	56,276
Long-term debt <i>[note 3]</i>	642,071	621,711
	<b>983,816</b>	898,133
<b>Contingencies <i>[note 7]</i></b>		
<b>Partners' equity</b>		
Partners' capital	358,536	338,536
Retained earnings	54,141	45,586
	<b>412,677</b>	384,122
	<b>\$ 1,396,493</b>	<b>\$ 1,282,255</b>

*See accompanying notes to the financial statements*

**AltaLink, L.P.**

**STATEMENTS OF INCOME AND RETAINED EARNINGS**  
(Unaudited)

(in thousands of dollars)

	<b>Three months ended June 30, 2006</b>	Three months ended June 30, 2005	<b>Six months ended June 30, 2006</b>	Six months ended June 30, 2005
<b>REVENUE</b>				
Transmission tariff	\$ 47,452	\$ 50,340	\$ 95,294	\$101,773
Miscellaneous revenue	2,062	2,472	3,672	4,355
Allowance for equity funds used during construction	—	(4)	728	456
	<b>49,514</b>	52,808	<b>99,694</b>	106,584
<b>EXPENSES</b>				
Operating expenses	17,252	21,256	33,005	36,581
Depreciation	14,883	14,810	29,912	33,143
Accretion	778	760	1,555	1,519
	<b>32,913</b>	36,826	<b>64,472</b>	71,243
	<b>16,601</b>	15,982	<b>35,222</b>	35,341
Interest and amortization of deferred financing fees <i>[note 3]</i>	<b>(9,006)</b>	(8,217)	<b>(17,566)</b>	(16,249)
Allowance for debt funds used during construction	—	(5)	844	509
	<b>7,595</b>	7,760	<b>18,500</b>	19,601
Gain on sale of assets	—	100	55	136
<b>Net income for the period</b>	<b>7,595</b>	7,860	<b>18,555</b>	19,737
Retained earnings, beginning of period	51,546	32,163	45,586	24,286
Distributions	(5,000)	(4,000)	(10,000)	(8,000)
<b>Retained earnings, end of period</b>	<b>\$ 54,141</b>	\$ 36,023	<b>\$ 54,141</b>	\$ 36,023

*See accompanying notes to the financial statements*

**AltaLink, L.P.**

**STATEMENTS OF CHANGES IN PARTNERS' EQUITY**  
(Unaudited)

(in thousands)

	<b>Units</b>	<b>Limited Partner</b>	<b>General Partner</b>	<b>Total</b>
<b>Balance at April 30, 2004</b>	<b>331,904</b>	<b>\$351,094</b>	<b>\$35</b>	<b>\$351,129</b>
Net income for the period	—	20,991	2	20,993
Distributions	—	(9,299)	(1)	(9,300)
<b>Balance at December 31, 2004</b>	<b>331,904</b>	<b>\$362,786</b>	<b>\$36</b>	<b>\$362,822</b>
Net income for the period	—	37,296	4	37,300
Distributions	—	(15,998)	(2)	(16,000)
<b>Balance at December 31, 2005</b>	<b>331,904</b>	<b>\$384,084</b>	<b>\$38</b>	<b>\$384,122</b>
Net income for the period	—	18,553	2	18,555
Equity injection	—	20,000	—	20,000
Distributions	—	(9,998)	(2)	(10,000)
<b>Balance at June 30, 2006</b>	<b>331,904</b>	<b>\$412,639</b>	<b>\$38</b>	<b>\$412,677</b>

*See accompanying notes to the financial statements*

**AltaLink, L.P.**

**STATEMENTS OF CASH FLOWS**  
(Unaudited)

(in thousands of dollars)

	<b>Three months ended June 30, 2006</b>	Three months ended June 30, 2005	<b>Six months ended June 30, 2006</b>	Six months ended June 30, 2005
<b>OPERATING ACTIVITIES</b>				
Net income for the period	\$ 7,595	\$ 7,860	\$ 18,555	\$ 19,737
Items not involving cash				
Amortization of deferred financing fees and depreciation	15,263	15,228	30,667	33,988
Accretion expense	778	760	1,555	1,519
Allowance for funds used during construction	—	9	(1,572)	(965)
Gain on the sale of assets	—	(100)	(55)	(136)
Asset retirement obligations settled	10	(323)	15	(390)
Long-term regulatory accruals	(2,408)	(6,671)	(2,457)	(6,406)
Other non-cash items	(257)	(398)	(192)	(591)
Funds generated from operations	20,981	16,365	46,516	46,756
Change in non-cash working capital items	(5,950)	(10,938)	96	(14,071)
Cash provided by operating activities	15,031	5,427	46,612	32,685
<b>INVESTING ACTIVITIES</b>				
Capital expenditures	(49,502)	(25,245)	(87,196)	(58,826)
Increase (decrease) in customer contributions	14,939	183	10,195	(1,747)
Proceeds from sale of land	—	110	56	146
Cash used in investing activities	(34,563)	(24,952)	(76,945)	(60,427)
<b>FINANCING ACTIVITIES</b>				
Issuance of debt	4,724	23,830	20,423	36,495
Debt repayment	(60)	(57)	(60)	(57)
Increase in financing fees	(65)	(68)	(65)	(67)
Distributions paid	(5,000)	(4,000)	(10,000)	(8,000)
Increase in partners' equity	20,000	—	20,000	—
Decrease in lease obligation	(2)	(6)	(3)	(29)
Other liabilities, short-term	9,108	—	34,947	—
Increase in restricted cash	(9,173)	(600)	(34,909)	(600)
Cash provided by financing activities	19,532	19,099	30,333	27,742
Net increase in cash and cash equivalents	—	(426)	—	—
Cash and cash equivalents, beginning of period	—	426	—	—
<b>Cash and cash equivalents, end of period</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Cash interest paid during the period</b>	<b>\$ 14,166</b>	<b>\$ 13,265</b>	<b>\$ 16,658</b>	<b>\$ 15,359</b>

See accompanying notes to the financial statements

## AltaLink, L.P.

# NOTES TO FINANCIAL STATEMENTS

Three and six months ended June 30, 2006 and 2005  
(Unaudited)

## 1. BASIS OF ACCOUNTING

Prior to June 23, 2006, AltaLink, L.P. (AltaLink or the Partnership) indirectly had four limited partners, SNC Lavalin Transmission Ltd. (SNC) (49.995%), OTPPB TEP Inc. (24.998%), Macquarie Transmission Alberta Ltd. (Macquarie) (14.999%) and 3057246 Nova Scotia Company (9.999%). On June 13, 2006, the Alberta Energy and Utilities Board approved AltaLink's application to change its ownership structure and the transaction was completed on June 23, 2006. Under the new ownership structure, SNC-Lavalin Group Inc. indirectly owns 76.92% of AltaLink, L.P. through its subsidiaries, with Macquarie Transmission Alberta owning the remaining 23.08% limited partner interest. Financial adjustments for this change in ownership transactions were effective as of May 31, 2006.

The interim financial statements of the Partnership have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP), following the same accounting policies and methods of computation as the financial statements for the twelve months ended December 31, 2005. These interim financial statements do not include all of the disclosures required in annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the Partnership's financial statements for the twelve months ended December 31, 2005. Operating results for the six months ended June 30, 2006 are not necessarily indicative of the results that may be expected for the twelve months ending December 31, 2006.

## 2. ASSET RETIREMENT OBLIGATIONS

As of June 30, 2006, the estimated total undiscounted amount of asset retirement obligations was approximately \$153.2 million. The obligations will be settled over the useful lives of the assets, with the majority of the retirements estimated to occur between 2006 and 2040. Discount rates ranging from 4.81% to 5.67% were used to calculate the carrying value of the asset retirement obligations.

	As at June 30, 2006	As at December 31, 2005
(in thousands of dollars)		
Balance, beginning of period	\$ 56,276	\$ 54,162
Liabilities incurred in period	—	457
Liabilities settled in period	15	(1,339)
Accretion expense	1,555	2,996
<b>Balance, end of period</b>	<b>\$ 57,846</b>	<b>\$ 56,276</b>

**AltaLink, L.P.**

**NOTES TO FINANCIAL STATEMENTS [CONT'D]**

Three and six months ended June 30, 2006 and 2005  
(Unaudited)

**3. DEBT**

	Effective interest rate	Maturing	As at June 30, 2006	As at December 31, 2005
(in thousands of dollars)				
Series 3 8.00% <sup>(1)</sup>	8.01%	2012	\$ 85,000	\$ 85,000
Series 03-1 4.45%	5.07%	2008	100,000	100,000
Series 03-2 5.43%	5.70%	2013	326,026	326,086
Commercial paper	4.09%	2008	123,447	110,747
Credit facilities	6.00%	2008	7,723	—
Total debt			642,196	621,833
Less: Current portion of long-term debt			125	122
Total long-term debt			\$ 642,071	\$ 621,711

<sup>(1)</sup> due to AltaLink Investments, L.P.

Interest expense	Three months ended June 30, 2006	Three months ended June 30, 2005	Six months ended June 30, 2006	Six months ended June 30, 2005
(in thousands of dollars)				
Deferred financing fees amortized	\$ 379	\$ 418	\$ 755	\$ 845
Interest on debt	8,627	7,799	16,811	15,404
Total interest and amortization of deferred financing fees on debt	9,006	8,217	17,566	16,249
Less: short-term portion of interest on debt	(6)	(1)	(7)	(1)
Total interest and amortization of deferred financing fees on long-term debt	\$ 9,000	\$ 8,216	\$ 17,559	\$ 16,248

**AltaLink, L.P.**

**NOTES TO FINANCIAL STATEMENTS [CONT'D]**

Three and six months ended June 30, 2006 and 2005  
(Unaudited)

**3. DEBT [CONT'D]**

On May 5, 2006, the Partnership filed a final short form base shelf prospectus to facilitate the issuance of medium term notes. This shelf has a 25 month life and permits the Partnership to issue up to an aggregate of \$500 million of notes. The notes, once issued, will be senior secured obligations of the Partnership. Collateral for the secured debt obligations consists of a first floating charge security interest on the Partnership's assets.

**4. EMPLOYEE FUTURE BENEFITS**

	<b>Three months ended June 30, 2006</b>	Three months ended June 30, 2005	<b>Six months ended June 30, 2006</b>	Six months ended June 30, 2005
(in thousands of dollars)				
Pension and other post-employment benefit expense consists of:				
Other post-employment benefits	\$ 44	\$ 38	\$ 89	\$ 76
Supplemental pension expense	11	10	23	20
	<b>\$ 55</b>	<b>\$ 48</b>	<b>\$ 112</b>	<b>\$ 96</b>

**5. OTHER LIABILITIES**

Other liabilities consist of the following:	<b>As at June 30, 2006</b>	As at December 31, 2005
(in thousands of dollars)		
Other liabilities	\$ 2,914	\$ 3,107
Funds received in advance of construction	<b>64,585</b>	29,638
Total other liabilities	<b>67,499</b>	32,745
Less: short-term portion of other liabilities	<b>1,493</b>	1,241
Less: short-term portion of funds received in advance of construction	<b>64,585</b>	29,638
Total other liabilities long-term	<b>\$ 1,421</b>	\$ 1,866



**AltaLink, L.P.**

**NOTES TO FINANCIAL STATEMENTS [CONT'D]**

Three and six months ended June 30, 2006 and 2005  
(Unaudited)

**6. RELATED PARTY TRANSACTIONS**

Amounts due from (to) related parties included in accounts receivable and accounts payable are:

	<b>As at June 30, 2006</b>	<b>As at December 31, 2005</b>
<hr/>		
(in thousands of dollars)		
AltaLink Management Ltd.	\$ (1,512)	\$ (1,595)
AltaLink Investment Management Ltd.	305	305
SNC Lavalin ATP Inc.	(42,649)	(13,094)
AltaLink Investments, L.P.	(1,136)	(1,136)

In addition, there is \$85 million owing to AltaLink Investments, L.P. as at June 30, 2006 [note 3].

**7. CONTINGENCIES**

The General Partner of AltaLink, AltaLink Management Ltd., has been named as a party to an action commenced on December 5, 2005 by George and Karen Gray, alleging the improper operation of specific transmission assets owned by AltaLink. The amount of damages claimed by the plaintiffs is estimated at \$7 million. The claim alleges that the operational concerns began in 1984 and also names TransAlta as a party to the action. AltaLink acquired the transmission business from TransAlta in 2002 and intends to work with TransAlta to defend the claim. At this time, management is unable to predict the outcome of the claim, therefore a provision for the liability is not included in the financial statements as at June 30, 2006.

The General Partner of AltaLink has been named as a party to an action commenced on August 14, 2003 by the United Utility Workers Association and others, in respect of the use and control of pension funds acquired from TransAlta in connection with the purchase of the transmission business. The General Partner has not been required to file a statement of defence at this time, and does not believe that it will be required to defend. As the claim relates directly to actions taken by TransAlta prior to the acquisition of the transmission business by AltaLink, it is AltaLink's position that the claim constitutes an excluded liability under the Acquisition Agreement and AltaLink has provided notice to TransAlta of its intention to seek indemnification in respect thereof from TransAlta.

**AltaLink, L.P.**

**NOTES TO FINANCIAL STATEMENTS [CONT'D]**

Three and six months ended June 30, 2006 and 2005  
**(Unaudited)**

**8. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current period's presentation. |