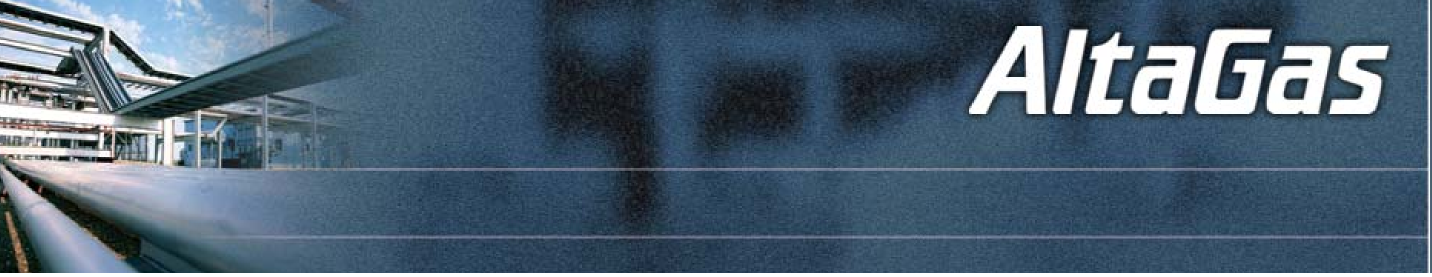

Q2
2004

STRONG OPERATIONAL PERFORMANCE LEADS TO RECORD RESULTS FOR ALTAGAS INCOME TRUST

CALGARY, Alberta, August 10, 2004 - AltaGas Income Trust (AltaGas or the Trust) (TSX: ALA.UN) today released its financial results for the second quarter and six months ended June 30, 2004. AltaGas declared a distribution of $0.15 per Trust unit and limited partnership unit (Exchangeable unit) (collectively Units) payable on September 15, 2004 to holders of record on August 25, 2004.

"Our operational performance was exceptional during the second quarter of 2004, our first quarter as an income trust, and we have posted the strongest second quarter and six month financial results in our history," said David Cornhill, AltaGas' Chairman and Chief Executive Officer. "That operational performance was so strong that we achieved record operating income, even after absorbing in the second quarter $3.5 million in costs associated with our conversion to an income trust and $1.7 million in one time turnaround costs at our Bantry field processing facility." Mr. Cornhill added "The outlook for the remainder of the year looks very positive. With the successful completion of our $88.5 million June equity offering our balance sheet is strong. We are working on several internal growth opportunities and expect to soon close our previously announced acquisitions of the Edmonton ethane extraction plant and PremStar Energy Canada Ltd."

HIGHLIGHTS

- Generated record funds from operations for the second quarter and the first six months of 2004. Funds from operations were $23.9 million for the second quarter of 2004 compared to $20.8 million for the second quarter of 2003 and $45.5 million for the first six months of 2004 compared to $42.7 million for the first six months of 2003.

- Increased second quarter net income to $11.9 million from $6.8 million for the same period of 2003. On a per Unit basis net income was $0.25 compared to $0.15 for the second quarter of 2003.

- Converted from a corporate structure to AltaGas Income Trust on May 1, 2004. The income trust structure will allow the Trust to reduce the cash tax liability of its corporate subsidiaries thereby increasing the amount of cash available for distribution to unitholders.

- Commenced monthly distributions of $0.15 per Unit on June 15, 2004 to holders of Units.

- Successfully closed on June 10, 2004, a public offering of 4,730,000 Trust units, raising gross proceeds of $88.5 million. Net proceeds of $83.8 million were applied to debt, reducing debt to total capitalization at June 30, 2004 to 39.9 percent from 52.2 percent at December 31, 2003.

- Implemented Premium Distribution™, Distribution Reinvestment, and Optional Unit Purchase Plans (DRIP) for eligible holders of Units. DRIP provides unitholders with the option to reinvest their distribution towards the purchase of new Trust units at a 5 percent discount to the average market price of AltaGas Trust units trading on the Toronto Stock Exchange or for eligible investors to elect to exchange such Trust units for a cash payment equal to 102 percent of such distribution. Complete details are available from investor relations or the Trust's website at www.altagas.ca.

- Finalized commercial arrangements regarding several strategic growth initiatives:

  - On May 26, 2004 AltaGas announced it had entered into an agreement to acquire PremStar Energy Canada Ltd. and its subsidiaries ECNG Inc. and Energistics Group Inc. for approximately $22.0 million payable by way of 993,789 AltaGas Trust Units plus approximately $1.2 million cash. The PremStar group is one of Canada's leading energy agency businesses, specialized in the procurement and supply of energy to end use customers.

  - Continued to grow through internal expansion projects in the field gathering and processing component. AltaGas has spent approximately $6.0 million on various projects including the purchase of the remaining 25 percent of the Namaka field processing facility, the installation of booster compression at Marten Creek and construction of a pipeline at the Doris facility.

- On July 21, 2004 Enbridge Inc. sold 11,650,000 Trust units of AltaGas to a group of Canadian underwriters at a price of $19.75. This sale reduced Enbridge's interest in AltaGas from approximately 36 percent to 13 percent. Commenting on the transaction Mr.Cornhill said "We are very pleased with the strong market response and successful sale of our Units by Enbridge. Since Enbridge made its initial investment in AltaGas five years ago we have tripled our asset base and grown our market capitalization by six times to over one billion dollars. Enbridge has been a good investor and received very good returns on their investment. We are supportive of their disposition and are pleased with the opportunity to realize our full growth potential and deliver substantial unitholder value to an expanded unitholder base."

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis dated August 10, 2004 is a review of the results of operations and the liquidity and capital resources the AltaGas Income Trust (AltaGas or the Trust). It should be read in conjunction with the accompanying unaudited consolidated financial statements of the Trust, formerly AltaGas Services Inc. (ASI), for the three and six month periods ended June 30, 2004 and the notes thereto and with the financial statements and Management's Discussion and Analysis contained in ASI's annual report for the year ended December 31, 2003. The discussion and analysis of operations and unaudited interim consolidated financial statements presented herein report on a continuity-of-interest accounting basis which recognizes AltaGas Income Trust as the successor to AltaGas Services Inc.

Prospective data, comments and analysis are also provided wherever appropriate to assist investors to see the business from a management viewpoint. Such disclosure is subject to the reasonable constraints of maintaining the confidentiality of certain information which, if published could have an adverse impact on the competitive position of the Trust.

Additional information relating to AltaGas Income Trust can be found on its website at www.altagas.ca. The continuous disclosure materials of the Trust, filed as AltaGas Services Inc. prior to May 1, 2004, including its annual Management's Discussion and Analysis and audited financial statements, 2003 Annual Report, Annual Information Form, Information Circular and Proxy Statement, material change reports and press releases issued by the Trust are also available through the Trust's website or directly through the SEDAR system at www.sedar.com.

ALTAGAS INCOME TRUST

On April 29, 2004 the securityholders of AltaGas Services Inc. voted in favour of a plan of arrangement to reorganize the business of AltaGas Services Inc. into an open-ended investment trust effective May 1, 2004. For each common share of AltaGas Services Inc., shareholders received either one AltaGas Income Trust unit or one Exchangeable unit of AltaGas Income Trust. As a result of implementing the reorganization, AltaGas Income Trust now indirectly holds through its partnerships and subsidiaries all of the assets, liabilities and businesses formerly owned by AltaGas Services Inc. The material businesses are operated by AltaGas Holding Limited Partnership No.1, AltaGas Ltd., AltaGas Operating Partnership, AltaGas Power Holdings Partnership, AltaGas Pipelines Partnership and AltaGas Utilities Inc. (collectively the operating subsidiaries). The cash flow of AltaGas Income Trust is solely dependent on the results of the operating subsidiaries and is derived from dividends or returns of capital from common shares held and from interest earned on loans made by AltaGas Income Trust to the operating subsidiaries.

The Trust has incurred costs and charges to implement the conversion, which are anticipated to total approximately $14.4 million. In the second quarter of 2004 approximately $7.0 million has been charged to unitholders' capital, and $3.5 million has been charged to earnings. The balance is expected to be charged to earnings in the future.

DISTRIBUTIONS

AltaGas targets to pay out substantially all of its ongoing sustainable distributable cash flow through regular monthly distributions made to unitholders. The distributions are determined giving consideration to the consolidated net income, maintenance and growth capital requirements and the debt repayment requirements of AltaGas.

On April 29, 2004, AltaGas announced that AltaGas Income Trust would commence monthly distributions of $0.15 for each Trust unit and Exchangeable unit on June 15, 2004 to holders of Trust units and holders of Exchangeable units. AltaGas pays cash distributions on the 15th day of each month to unitholders of record on the 25th day of the previous month, or the following business day if it falls on a weekend or holiday. AltaGas paid its first distribution of $0.15 per unit on June 15, 2004 to unitholders of record on May 25, 2004 and paid $0.15 per unit on July 15, 2004 to unitholders of record on June 25, 2004. During the second quarter and first six months of 2004 the Trust paid distributions to unitholders of $6.9 million. At June 30, 2004, the Trust has accrued $7.7 million of distributions payable to unitholders related to the July 15, 2004 distribution. Distribution levels will be reviewed periodically giving consideration to AltaGas' growth-related initiatives, financial position, financing requirements, cash flow and other relevant factors. The following table summarizes AltaGas' dividend and distribution history.(1)

(dollars)	2004	2003	2002	2001
First quarter	$ 0.11	$ 0.08	$ 0.06	$ 0.03
Second quarter	0.30	0.08	0.06	0.03
Third quarter	not applicable(2)	0.11	0.08	0.06
Fourth quarter	not applicable	0.11	0.08	0.06
	$ 0.41	$ 0.38	$ 0.28	$ 0.18

(1) Dividends were paid from first quarter 2001 through first quarter 2004. Prior to December 2000 no dividends were paid. Monthly distributions begin in second quarter of 2004.
(2) Monthly distributions of $0.15 per Unit have been declared for payment on both August 16, 2004 and September 15, 2004.

For income tax purposes the Trust expects that approximately 70 percent of the distributions declared in 2004 will be taxed as interest with the remaining 30 percent to be classified as a combination of dividends and return of capital. For most unitholders, the return of capital amount will reduce the cost base of their Trust units for purposes of calculating the capital gains amount upon disposition of their Units. Unitholders should seek independent tax advice in respect of the consequences to them of acquiring, holding and disposing of Units.

CONSOLIDATED FINANCIAL RESULTS

Consolidated Financial Results	Three months ended June 30		Six months ended June 30	
($ millions)	2004	2003(1)	2004	2003(1)
Revenue	175.4	168.4	368.9	372.7
Net revenue (2)	59.5	51.2	116.7	105.6
EBITDA (2)	27.8	27.4	59.0	58.1
Net income	11.9	6.8	22.9	17.0
Cash flows				
Funds generated from operations (2)	23.9	20.8	45.5	42.7
Net additions to capital assets	6.2	4.9	20.5	12.5
Distributable cash (2)	22.4	19.6	42.2	39.7
Distributions (3)	14.6	n/a	19.7	n/a
($ per unit) (4)				
EBITDA (4)	0.59	0.60	1.27	1.28
Net income (4)	0.25	0.15	0.49	0.38
Cash flows				
Funds generated from operations	0.51	0.45	0.98	0.94
Distributable cash	0.48	n/a	0.91	n/a
Distribution (3)	0.30	n/a	0.41	n/a
Units outstanding (millions)				
Basic	46.9	45.4	46.4	45.3
End of period	51.2	45.4	51.2	45.4

(1) Prior periods have been restated for the impacts of the adoption of CICA Handbook requirement for accounting for asset retirement obligations
(2) Non-GAAP financial measure. See discussion on page 5 and 6
(3) Dividends of $0.11 per share for Q1 2004, and distributions of $0.15 per unit paid in May, 2004 and accrued for in June, 2004
(4) Per Unit amounts are based on the Units outstanding during the period

AltaGas' net income for the second quarter and first half of 2004 is the highest net income AltaGas has generated in comparable periods since its formation and continues the growth trend achieved throughout its 10 year history. The driver for this performance is the exceptional operating performance from AltaGas' business components. The strong operational performance and the favorable impact of two months operation as a Trust and the associated reduced income tax expense more than offset one time costs related to AltaGas' Bantry facility turnaround in May, 2004 and the conversion to an income trust.

Revenue of $368.9 million for the first six months of 2004 is one percent lower than the same period last year due mainly to the lower average prices received for natural gas in the Natural Gas Distribution and Energy Services segments. For the three months ended June 30, 2004 revenue is up four percent to $175.4 million compared to the same period in 2003 on the strength of volume increases in all segments, and higher power prices in the power services component only partially offset by lower prices in the Natural Gas Distribution segment.

Net revenue (gross revenue less cost of sales) increased eleven percent for the first six months and sixteen percent for the second quarter 2004 compared to the same periods in 2003 due to volume increases. In the extraction component and the Natural Gas Distribution and Energy Services segments, net revenue better reflects performance than does revenue, as changes in the market price of natural gas and power purchased for resale affect both revenue and the cost of sales.

Volume increases in the Gathering and Processing segment were driven by well tie-ins, expansions, modifications at existing facilities and the Rainbow Lake and Mica Pouce Coupe field gathering and processing acquisitions in late 2003. In the Energy Services segment, power volumes sold were higher in the first half of 2004 over the same period of 2003, due to the addition on April 1, 2003 of volumes associated with the Genesee energy contract. Natural Gas Distribution sales volumes at AltaGas Utilities Inc. were up in 2004, for both the second quarter and six months, when compared to the same periods in 2003 based on an increased customer base.

Operating costs and general and administrative expense were both higher in the second quarter and first six months of 2004 compared to 2003. Operating costs increased due to the late 2003 field gathering and processing facilities acquisitions and due to a major turnaround required at the Bantry facility for $1.7 million. General and administrative expense increased due to $1.1 million cash costs related to the conversion to an income trust, an additional $2.4 million in non-cash compensation expense recorded as a result of all outstanding unvested employee trust unit options vesting effective May 1, 2004, and due to increased staffing required to support the Trust's growth. Amortization expense was up four percent for the six months of 2004 compared to the same period in the prior year and four percent for the second quarter of 2004 compared to 2003. The increases are due mainly to Gathering and Processing segment acquisitions and expansions during 2003 and the first half of 2004.

Interest expense was lower in the first six months of 2004 compared to the first six months of 2003 due to lower average debt outstanding combined with lower interest rates. Average debt outstanding is lower due to the strong cash generation experienced by AltaGas and due to the net proceeds of the June 2004 Trust unit offering being applied to debt.

AltaGas' income is subject to a variety of tax rates and rate reductions currently and in the future. Consequently there are several items which impact income tax expense and the effective tax rate from period to period. Income tax expense for the first half of 2004 was $5.3 million less than reported for the same period of 2003 even though income before tax was higher. As a result of AltaGas' conversion into an income trust, amortization expense exceeds capital cost allowance claimed, resulting in a reversal over time of the future income tax liability. AltaGas' first two months as a Trust resulted in a credit to income tax expense of $4.2 million. Also contributing to the variance from 2003 to 2004 in the effective income tax rate was a $0.7 million charge in the second quarter 2003 to future income tax liability to record the impact of federal rate and resource allowance adjustments. Income tax expense for the six months of 2004 was reduced by $0.7 million as a result of the application of a provincial rate reduction arising out of the March 19, 2004 Alberta Government's budget. The impact of recording a charge to income for compensation expense related to stock options, which has no current or future income tax implication, partially offset these rate reductions by $0.8 million.

NON-GAAP FINANCIAL MEASURES

AltaGas provides certain financial measures in this Management's Discussion and Analysis that do not have a standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP). These non-GAAP financial measures may not be comparable to similar measures presented by other Trusts.

The purpose of these financial measures and their reconciliation to GAAP financial measures is shown below. All of the measures have been calculated consistent with previous disclosures by AltaGas. All amounts are in millions of Canadian dollars unless otherwise noted.

Funds Generated From Operations	Three months ended June 30		Six months ended June 30	
($ millions)	2004	2003	2004	2003
Non-GAAP financial measure	23.9	20.8	45.5	42.7
Add (deduct): Net change in non-cash working capital	1.0	(2.2)	3.6	6.7
Cash from operations (GAAP financial measure)	24.9	18.6	49.1	49.4

Funds generated from operations is provided to assist in determining the ability of AltaGas to generate cash from operations after interest and taxes without regard to changes in the Trust's working capital in the period.

EBITDA	Three months ended June 30		Six months ended June 30	
($ millions)	2004	2003	2004	2003
Non-GAAP financial measure	27.8	27.4	59.0	58.1
Deduct: Amortization	(10.2)	(9.8)	(20.3)	(19.6)
Operating Income (GAAP financial measure)	17.6	17.6	38.7	38.5

Earnings before interest, taxes, depreciation and amortization (EBITDA) is provided to assist in understanding the ability of the organization to generate cash and its ability to cover interest payments.

Distributable Cash Flow	Three months ended June 30		Six months ended June 30	
($ millions)	2004	2003	2004	2003
Funds generated from operations	23.9	20.8	45.5	42.7
Deduct: Maintenance capital expenditures	(1.5)	(1.2)	(3.3)	(3.0)
Distributable cash flow	22.4	19.6	42.2	39.7
Distributable cash flow per trust unit, basic	0.48	n/a	0.91	n/a

The distributable cash flow of AltaGas is equal to consolidated funds generated from operations before changes in non-cash working capital, after providing for maintenance capital expenditures. Distributable cash flow is not a defined performance measure under GAAP and distributable cash flow can not be assured. The Trust's calculation of distributable cash flow may differ from similar calculations used by comparable entities. Distributable cash flow is a main performance measure used by management and investors to evaluate the performance of the Trust and its operating subsidiaries.

Net revenue	Three months ended June 30		Six months ended June 30	
($ millions)	2004	2003	2004	2003
Non-GAAP financial measure	59.5	51.2	116.7	105.6
Add: Cost of goods sold	115.9	117.2	252.2	267.1
Revenue (GAAP financial measure)	175.4	168.4	368.9	372.7

In the extraction component and the Natural Gas Distribution and Energy Services segments, net revenue better reflects performance than does revenue. As changes in the market price of natural gas and power purchased for resale affect both revenue and the cost of sales, net revenue better reflects organic growth in the business than does revenue. This table reconciles the revenue and net revenue amounts in the table for Financial and Operating Results for the Gathering and Processing segment to illustrate the relationship between these non-GAAP and GAAP measures where used throughout this Management's Discussion and Analysis.

RESULTS OF OPERATIONS BY SEGMENT

Operating Income [1]	Three months ended June 30		Six months ended June 30	
($ millions, unless otherwise noted)	2004	2003	2004	2003
Gathering and Processing	7.2	9.0	19.1	18.7
Energy Services	10.0	8.3	15.3	14.3
Natural Gas Distribution	0.4	0.3	4.3	5.5
	17.6	17.6	38.7	38.5

(1) Prior periods have been restated for the impacts of the adoption of CICA Handbook requirement for accounting for asset retirement obligations

GATHERING AND PROCESSING

The Gathering and Processing segment includes the field gathering and processing, extraction, and transmission components, and in the "other" component, AltaGas' investments in businesses ancillary to the gathering and processing business.

Financial Results	Three months ended June 30		Six months ended June 30	
($ millions)	2004	2003[1]	2004	2003[1]
Revenue	45.9	39.3	90.6	82.7
Net revenue	38.8	33.0	76.6	67.2
Operating and administrative	25.1	17.8	44.6	36.2
Amortization expense	6.5	6.2	12.9	12.3
Operating income	7.2	9.0	19.1	18.7

(1) Prior periods have been restated for the impacts of the adoption of CICA Handbook requirements on accounting for asset retirement obligations

Operating Statistics	Three months ended June 30		Six months ended June 30	
	2004	2003	2004	2003
Field gathering and processing				
Capacity (Mmcf/d)	906	838	906	838
Throughput (gross Mmcf/d)[1]	563	510	562	522
Capacity utilization (percent)[1]	62	61		
Average working interest (percent)[2]	89	88	89	88
Extraction				
Inlet capacity (Mmcf/d)	349	349	349	349
Production (Bbls/d)	9,337	7,140	9,678	7,352
Transmission volumes (Mmcf/d) [1][3]	415	321	405	320

(1) Average for the period
(2) As at June 30
(3) Excludes condensate pipeline volumes

AltaGas natural gas processing capacity ranks the Trust in the top ten Canadian processors of natural gas and one of the top four largest Canadian midstream processors. The Gathering and Processing segment includes more than 6,000 kilometers of gathering lines, 69 natural gas processing plants, interests in four ethane and natural gas liquids (NGLs) extraction facilities and six transmission pipelines. These long-life assets provide service to a diverse customer base under arrangements which include a significant portion of cost of service, fixed fee and recovery of operating cost contracts. Commodity price exposure is minimal and revenues are generally volume driven. Future opportunities derive from the requirement that all natural gas must be processed to meet downstream pipeline specifications prior to delivery to the end user. With its extensive gathering infrastructure and the mobile nature of its field gathering and processing plants, AltaGas can quickly redeploy assets in response to producer drilling activity, size facilities to meet demand while reducing operating costs and minimize the time required to bring new production on line, accelerating producer and AltaGas' cash flow.

Net revenue for AltaGas' Gathering and Processing segment was $76.6 million for the six months ended June 30, 2004, compared to $67.2 million for 2003 and $38.8 million for the second quarter of 2004 compared to $33.0 million for same period in 2003. Net revenue growth in this segment was the result of increased volumes processed in the field gathering and processing, extraction and transmission components.

In the field gathering and processing component volumes processed rose due to the December, 2003 acquisition of the Rainbow Lake facilities in northwestern Alberta and due to the record 253 well tie-ins experienced in AltaGas' operating areas during the first half of 2004. Gas drilling activity in the Western Canadian Sedimentary Basin continued to strengthen during the second quarter of 2004, resulting in 98 wells tied-in to AltaGas' field gathering and processing facilities in the second quarter compared with 62 well tie-ins during the same period in 2003. The strong tie-in activity, along with new volumes from the Rainbow Lake acquisition more than offset normal natural gas production declines and increased AltaGas' gross average throughput to 563 Mmcf/d during the second quarter of 2004 compared to 510 Mmcf/d during the second quarter of 2003. These volume increases resulted in field gathering and processing net revenue of $28.4 million in the second quarter of 2004 compared to $24.0 million during the same period in 2003 and $55.0 million and $48.3 million for the first six months of 2004 and 2003 respectively.

AltaGas continues to grow through its program of internal expansion. In the field gathering and processing component, the remaining 25 percent of the Namaka facility was purchased, booster compression was installed at the Marten Creek facility and at the Doris facility construction of a pipeline was completed that will open up access to new processing areas with the potential to double throughput by year-end. Both development projects are supported by producer commitments designed to minimize AltaGas' financial exposure to throughput declines. During the first half of 2004, AltaGas invested approximately $6.0 million in these projects for throughput increases of approximately 11 Mmcf/d, and an additional $1.0 million in maintenance capital.

In the extraction component, processed volumes for the second quarter of 2004 increased substantially reaching 9,337 Bbls/d of NGLs compared to an average of 7,140 Bbls/d for the same period in 2003. Contributing to the increase were modifications made to the Empress EnCana extraction facility that increased ethane production effective the fourth quarter of 2003 as well as increased production at the Joffre ethane extraction plant compared to last year due to NGLs that were reinjected in the second quarter of 2003 as a result of lower gas to liquids price differential. As a result of the higher volumes processed and a favourable NGL pricing environment, net revenue for the extraction component grew 59 percent during the second quarter of 2004 compared to the second quarter of 2003, reaching $3.6 million.

Late in the first quarter of 2004, AltaGas entered into a purchase and sale agreement with BP Canada Energy Resources Company (BP) for BP's 48 2/3 percent interest in the Edmonton ethane extraction plant (EEEP) located at Edmonton, Alberta. AltaGas has invested $7.1 million as a deposit on this plant in the first half of 2004. The plant has a licensed inlet capacity of 390 Mmcf/d of natural gas and gross natural gas liquids production of approximately 15,000 Bbls/d of specification ethane and 6,000 Bbls/d of propane-plus product. The acquisition will increase AltaGas' total net inlet extraction capacity to 539 Mmcf/d. AltaGas' share of plant products will be sold under long-term contracts and a long-term gas supply contract provides secure feedstock supply to EEEP. AltaGas will operate the facility and expects to close the acquisition in the third quarter of 2004 after the provincial government approval of the transfer of operator licenses to AltaGas. The $46.0 million purchase price was effective January 1, 2004 and will be reduced by EEEP's operating margin to that date to closing.

Net revenue in AltaGas' transmission component was flat for the second quarter of 2004 when compared to the same quarter of 2003 but up six percent on a year over year basis due to increased EnCana volume commitments on the Suffield transmission system.

ENERGY SERVICES

The Energy Services segment is comprised of the power services, gas services and oil and gas production components. The financial results of the power services component account for a significant portion of overall segment financial results and as such the commentary in this section will be restricted to the power services component.

Financial Results	Three months ended June 30		Six months ended June 30	
($ millions)	2004	2003	2004	2003
Revenue	124.1	120.9	257.5	270.5
Net revenue[1]	14.6	12.5	24.4	22.2
Operating income[2]	10.0	8.3	15.3	14.3

(1) Gross revenue less cost of sales
(2) Gross revenue less costs of sales less operating and general and administration expense and amortization

Operating Statistics	Three months ended June 30		Six months ended June 30	
	2004	2003	2004	2003
Volume of power sold (thousands of MWh)	862	861	1,725	1,521
Average price received on the sale of power ($/MWh)[1]	49.88	45.78	47.83	46.76
Alberta Power Pool average spot price ($/MWh)[1]	60.07	50.88	54.43	67.37

(1) Average for the period

In the second quarter of 2004 AltaGas had 453 megawatts of power capacity which represents approximately six percent of Alberta's total power capacity. AltaGas entered into the Genesee energy contract on April 1, 2003 and as a result volumes sold in the six month period ended June 30, 2004 are higher than volumes sold in the prior year's six month period. The power services component generated net revenue of $20.7 million for the first half of 2004 compared to $18.1 million for the same period in 2003 and $13.0 million for second quarter 2004 compared to $10.8 million in 2003. The result of the higher volumes sold and higher realized prices ($47.83 per MWh in 2004 compared to $46.76 per MWh in 2003) drove the increase in net revenues. The Alberta Electric System Operator (AESO) is entitled to recover or refund variances between revenues collected through transmission charges and expenses incurred by AESO through true up adjustments calculated quarterly. For 2004, the cumulative adjustment has resulted in a net charge to AltaGas' income of $0.6 million while for 2003 the amount was a credit to income of $1.6 million.

AltaGas does not engage in speculative trading of power but reduces its exposure to power price volatility by using a balanced portfolio of contracts to lock in power margins. The average price AltaGas received from power sales in the second quarter of 2004 was $49.88 per MWh compared to $45.78 per MWh in the second quarter of 2003. Average Alberta Power Pool spot prices were $60.07 per MWh and $50.88 per MWh in the second quarters of 2004 and 2003 respectively.

During the quarter AltaGas advanced an opportunity to build its low risk, fee for service, gas services component. On May 26, 2004, AltaGas announced that a subsidiary of the Trust executed a letter of intent to purchase the business of PremStar Energy Canada Ltd. for approximately $22.0 million payable by way of 993,789 Trust units issued from the Trust's treasury plus approximately $1.2 million cash. The PremStar group is one of Canada's leading energy agency businesses, specializing in the procurement and supply of energy to end use customers located primarily in Ontario. On a fee for service basis, the PremStar group provides energy supply, arranges for transportation services, and supports customers with valuable market information. The transaction is expected to close in the third quarter of 2004.

In this segment, the Trust also reports the results of the oil and gas production component and the gas services component. AltaGas is not in the business of exploration and development of natural gas reserves. However, associated with certain of its facility acquisitions, AltaGas has accumulated a portfolio of oil and natural gas reserves that it continues to hold and produce.

NATURAL GAS DISTRIBUTION

The Natural Gas Distribution segment includes AltaGas Utilities Inc. (AltaGas Utilities or AUI), AltaGas' one-third interest in Inuvik Gas Ltd. (Inuvik Gas) and its 24.9 percent interest in Heritage Gas Limited (Heritage Gas).

Financial Results	Three months ended June 30		Six months ended June 30	
($ millions)	2004	2003	2004	2003
Revenue	20.6	23.5	68.7	81.8
Net revenue[1]	6.2	5.8	15.9	16.4
Operating income[2]	0.4	0.3	4.3	5.5

(1) Gross revenue less cost of sales
(2) Gross revenue less costs of sales less operating and general and administration expense and amortization

Operating Statistics[1]	Three months ended June 30		Six months ended June 30	
	2004	2003	2004	2003
Volume of natural gas distributed				
Sales (Bcf)	2.2	2.1	7.8	8.0
Transportation (Bcf)	2.6	2.2	5.6	4.1
Degree day variance (percent)[2]	11.5	15.4	4.3	10.7
Number of customers[3]	59,266	58,671	59,266	58,671

(1) AUI only
(2) Variance from 20 year average. Positive variances are favorable
(3) At June 30

In the first half of 2004, net revenue in AltaGas' Natural Gas Distribution segment was $15.9 million compared to $16.4 million for the same period in 2003. This decrease is due partially to warmer weather in 2004 compared to the first half of 2003 and to the impact of completion of negotiations on AUI's general rate application filed with the Alberta Energy and Utilities Board (AEUB). Heritage Gas, 24.9 percent owned by AltaGas, activated its natural gas distribution system in late December 2003. Heritage Gas is in the initial stages of its planned growth and consequently has not had a material impact on AltaGas' consolidated results in the first half of 2004.

In the second quarter of 2004, net revenue in AltaGas' Natural Gas Distribution segment was $6.2 million compared to $5.8 million for the same period in 2003. This increase is due to higher sales and transportation volumes in 2004 compared to the second quarter of 2003. AUI and Heritage Gas are provincially regulated as to natural gas rates and terms and conditions of service. Customer rates are based on anticipated sales as well as the revenue required to recover estimated cost of service and an allowed return on rate base. Rate base generally consists of the aggregate of the utility's approved investment in plant, property and equipment in service, less accumulated depreciation plus an allowance for working capital. Return on rate base is comprised of regulatory allowed financing costs and return on common equity. Lower than anticipated cost rates for debt and common equity as negotiated and approved for 2003 resulted in a charge to net income of $0.5 million in the first quarter of 2004 related to previously recorded 2003 results. On July 2, 2004 the AEUB issued its Generic Cost of Capital decision. The decision established for AUI the 2004 rate of return on common equity at 9.6 percent and 2004 capital structure at 41 percent equity and 59 percent debt resulting in final allowable rates for interest expense and return on common equity.

The natural gas distribution business is highly seasonal with the majority of natural gas deliveries occurring during the winter heating season. Gas sales during the winter typically account for approximately two-thirds of annual distribution net revenue, resulting in strong first and fourth quarter results and second and third quarters that show either small profits or losses.

SUMMARY OF EIGHT MOST RECENT COMPLETED CONSOLIDATED QUARTERLY RESULTS(1)

($ millions)	Q2/04	Q1/04	Q4/03	Q3/03	Q2/03	Q1/03	Q4/02 (2)	Q3/02
Net revenue	59.5	57.2	61.0	53.3	51.2	54.4	48.8	41.4
Net income	11.9	11.0	12.0	9.3	6.8	10.2	11.2	5.7
Earnings per unit								
Basic	0.25	0.24	0.26	0.20	0.15	0.23	0.25	0.13
Diluted	0.25	0.24	0.26	0.20	0.15	0.22	0.25	0.13
Dividends/distributions (3)	0.30	0.11	0.11	0.11	0.08	0.08	0.08	0.08

(1) Prior periods have been restated for the impacts of the adoption of CICA Handbook guidance on accounting for asset retirement obligations
(2) Includes a pre-tax loss of $1.4 million
(3) The Trust pays a stable monthly distribution of $0.15 per Unit. The distributions for Q2 2004 are for the period starting May 1, 2004, the effective date of the Trust

Identifiable trends in AltaGas' business across the past eight quarters reflect the organization's growth, a favorable business environment, and seasonality in the business. The first and last quarters each year are AltaGas' most profitable on the basis of the contribution from the Natural Gas Distribution segment which, as a distributor of natural gas for heating purposes, reports higher earnings in colder periods than in warmer periods.

Excellent consolidated results for the third quarter of 2002 of $5.7 million in net income were the combined result of strong performance in the power services component with higher power prices, seasonally higher results in the Natural Gas Distribution segment and solid performance from all components in the Gathering and Processing segment. AltaGas' approach to managing fluctuations in the price of power by locking in margins through forward sales contributed to the gains in the power services component. Increased extraction production driven by stronger business fundamentals allowing AltaGas to utilize more of its available extraction capacity also had a positive impact on results. The Gathering and Processing segment continued to maintain throughput essentially at levels processed in prior periods even though producer activity slowed generally due to continued uncertainty over the strength of near term gas prices. The Board of Directors increased AltaGas' quarterly dividend to $0.08 per share from the $0.06 paid for the previous four quarters based on the strength of the business' ability to generate cash flows.

The fourth quarter of 2002 was the strongest quarter to that date for the Corporation at $11.2 million in net income on the basis of an increased customer base in the Natural Gas Distribution segment and from power sales which AltaGas commenced at the beginning of 2002. Fourth quarter 2002 net income was also higher than in the previous quarter of the year due to the higher seasonal contribution from the Natural Gas Distribution segment. The Suffield pipeline and Wabasca field gathering and processing facilities were acquired and construction of the Joffre ethane extraction plant was commissioned late in the quarter.

Net income of $10.2 million in the first quarter of 2003 set a new high for ASI for that period in a year. The projects and acquisitions undertaken in the fourth quarter of 2002 were the main drivers of this performance, along with an improved business environment in all business segments. The Wabasca facilities acquisition increased throughput in the field gathering and processing component as did sharply increased tie-in activity with a record 85 wells tied-in during the first quarter. Final commissioning of the Joffre ethane extraction plant provided volume increases in the extraction component and volumes in the transmission component were higher due to the Suffield pipelines acquisition. Unplanned outages in the power services component, combined with higher than expected transmission costs due to changes in process at the Transmission Authority, partially offset the gains made in the other segments. AltaGas commenced selling power on April 1, 2003 from the Genesee energy contract it entered into which arrangement provides for 100 megawatts of power capacity from the Genesee power plant.

Second quarter 2003 net income was $6.8 million, 39 percent higher than the same quarter 2002, a result of stronger contributions from the transmission, power services and extraction components. Increases in the transmission component related to the Suffield pipeline acquisition at the end of 2002. In the power services component, increases in net revenue were driven by higher average prices received and by the increased volumes sold resulting from the Genesee energy contract. Extraction component performance was better than the same quarter in the prior year as a result of the commissioning of the Joffre ethane extraction plant at the end of 2002. Improved operating income was offset by higher interest expense due to higher debt levels in the second quarter of 2003 when compared to the same quarter of the prior year, and as a result of a charge to income for legislative changes to the taxation of resource income.

Power services, extraction and transmission components were again the key contributors in the third quarter of 2003 to a 63 percent increase in net income to $9.3 million when compared to the third quarter of 2002, the business drivers for which are those same ones responsible for the increases in each of the previous two quarters of 2003 when compared to the appropriate prior periods.

Operating results were very strong on the basis of contributions from the transmission, power services and extraction components. Late in the quarter modifications were completed to the EnCana-operated Empress extraction facility, increasing AltaGas' net production capability by an estimated 1,400 Bbls/d. AltaGas paid a quarterly dividend of $0.11 per share, up from $0.08 per share in the second quarter of 2003 on the basis of the increased strength and sustainability of AltaGas' earnings.

Fourth quarter 2003 net income of $12.0 million, including an unfavorable income tax expense charge of $1.2 million related to announced changes in federal large corporations tax legislation, was still the highest quarterly net income reported by AltaGas since it was formed. The increase from the prior year's quarter was a result of the late 2002 gathering and processing segment acquisitions and incremental power volumes sold from the Genesee energy contract and to the completion of modifications to increase ethane production at the EnCana-operated Empress extraction plant late in the third quarter of 2003.

First quarter 2004 produced another record net income of $11.0 million for that period in a year based on increased volumes in the Gathering and Processing and Energy Services segments which were partially offset by lower margins in the Energy Services segment and warmer weather and regulatory adjustments in the Natural Gas Distribution segment.

Second quarter 2004 results are discussed in detail in an earlier section of this Management's Discussion and Analysis.

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2004, AltaGas prospectively adopted the provisions of the CICA's new Accounting Guideline "Hedging Relationships" that specifies the circumstances in which hedge accounting is appropriate, including the identification, documentation, designation and effectiveness of hedges, and the discontinuance of hedge accounting. AltaGas has determined that its hedging documentation meets the requirements of the Guideline and therefore there has been no impact on the consolidated financial statements.

Effective the first quarter of 2004, AltaGas' changed its accounting policy for stock-based compensation, now recognizing the compensation expense related to stock options in the financial statements according to the fair-value method. Prior to the change in policy, the Trust disclosed the impact of the accounting for stock options under the fair-value method on a pro-forma basis. Under the provisions set out by the CICA, AltaGas has adopted the change retroactively. The impact was to reduce retained earnings at January 1, 2004 by $332 thousand, and to reduce first quarter 2004 earnings by $136 thousand which amounts were based on the vesting status and exercise assumptions in existence at the end of the first quarter 2004. Subsequent to the conversion of AltaGas Services Inc. to an income trust all unvested options became fully vested. The charge to income in second quarter 2004 to reflect this early vesting was $2.4 million.

CRITICAL ACCOUNTING ESTIMATES

Since a determination of many assets, liabilities, revenues and expenses is dependent upon future events, the preparation of the Trust's consolidated financial statements requires the use of estimates and assumptions which have been made using careful judgment. AltaGas' critical accounting estimates continue to be amortization expense, asset retirement obligations and asset impairment assessment. For further information on these critical accounting estimates, refer to Management's Discussion and Analysis in ASI's 2003 Annual Report.

FINANCIAL INSTRUMENTS

AltaGas enters into financial derivative contracts such as swaps and collars to manage exposure to fluctuations in commodity prices and interest rates, particularly in the power services component and interest rates on debt. These contracts are designed as hedges and gains and losses relating to such contracts are deferred and recognized in the same period and financial statement category as the corresponding hedged transaction.

The most significant impact of these contracts on 2004 business has been to provide revenue stability in the power services component. Alberta Power Pool daily average spot prices ranged from $38.86 per MWh to $70.43 per MWh in the second quarter of 2004. Through the use of financial hedges on a portion of its power portfolio deemed optimal by management, AltaGas moderated the impact of this volatility.

AltaGas reduces financing costs and minimizes the effect of future interest rate movements on its cash flows through the use of interest rate swaps. At June 30, 2004 AltaGas had interest rates fixed through swap transactions with varying terms to maturity on $200.0 million of its $241.0 million drawn debt. Including AltaGas' medium term notes, the rate has been fixed on 88 percent of AltaGas' total debt. The amount of fixed rate debt was higher than AltaGas' target of 70 to 75 percent of total debt due to the proceeds of the equity offering being applied to debt.

CAPITAL EXPENDITURES

Capital expenditures by the Trust for the second quarter and first half of 2004 were $6.2 million and $20.5 million compared to $4.9 million and $12.5 million for the same respective periods of 2003 and are summarized as follows:

For the three months ended June 30, 2004	Gathering and Processing	Energy Services	Natural Gas Distribution	Total
Capital				
Maintenance	$ 0.7	$ -	$ 0.8	$ 1.5
Growth	2.8	-	1.1	3.9
Administration	0.8	-	-	0.8
	$ 4.3	-	$ 1.9	$ 6.2

For the three months ended June 30, 2003	Gathering and Processing	Energy Services	Natural Gas Distribution	Total
Capital				
Maintenance	$ 0.2	$ -	$ 1.0	$ 1.2
Growth	2.5	-	0.4	2.9
Administration	0.8	-	-	0.8
	$ 3.5	$ -	$ 1.4	$ 4.9

For the six months ended June 30, 2004	Gathering and Processing	Energy Services	Natural Gas Distribution	Total
Capital				
Maintenance	$ 1.2	$ -	$ 2.1	$ 3.3
Growth	14.1	-	1.6	15.7
Administration	1.2	0.3	-	1.5
	$ 16.5	$ 0.3	$ 3.7	20.5

For the six months ended June 30, 2003	Gathering and Processing	Energy Services	Natural Gas Distribution	Total
Capital				
Maintenance	$ 0.6	$ 0.5	$ 1.9	$ 3.0
Growth	6.6	-	0.9	7.5
Administration	1.6	0.3	-	1.9
	$ 8.8	$ 0.8	$ 2.8	$ 12.4

LIQUIDITY AND CAPITAL RESOURCES

Funds generated from operations were $45.5 million in the first six months of 2004 compared to $42.7 million for the same period in 2003.

AltaGas believes that its access to debt and equity markets, unutilized bank credit facilities, funds generated from operations and funds generated from the Trust's Distribution Reinvestment and Premium Distribution™ programs will provide it with sufficient capital resources and liquidity to fund existing operations, future distributions, and certain acquisition and expansion opportunities in 2004. A description of the AltaGas' credit facilities can be found in Notes 6 and 7 to the consolidated financial statements included in ASI's 2003 Annual Report further updated in the Trust unit offering Final Short-Form Prospectus dated July 29, 2004.

The use of debt or equity funding is determined on the basis of AltaGas' capital structure determined by considering the norms and risks associated with each of its business components and segments. AltaGas Operating Partnership has $100 million in medium term notes outstanding and AltaGas Ltd. has access to prime loans, banker's acceptances and letters of credit though bank lines of approximately $425 million. These two entities fund all operating subsidiaries. At June 30, 2004 AltaGas Ltd had drawn debt of $241.0 million and letters of credit outstanding of $29.7 million. Consolidated cash and short term investments at June 30, 2004 of $40.3 million arising largely from proceeds of the June 10, 2004 equity offering were held to repay debt instruments at their due dates. If the cash and short term investments had been applied to the debt balance at June 30, 2004, net debt for the Trust would have been $300.7 million on which basis AltaGas' net debt to total capitalization ratio decreased to 39.9 percent at June 30, 2004 from 53.3 percent at June 30, 2003 and 52.2 percent at December 31, 2003. As an income trust, AltaGas targets a debt to total capitalization ratio between 45 percent and 50 percent.

On June 10, 2004 AltaGas Income Trust closed a public offering of 4,730,000 Trust units, at a price of $18.70 per Trust unit for gross proceeds of $88.5 million. The offering included the concurrent exercise by the Underwriters of an over-allotment option granted by AltaGas to purchase an additional 10 percent of the issue or 430,000 Trust units on the same terms. The net proceeds of the offering to the Trust, after payment of fees and expenses of $4.7 million was approximately $83.8 million. The net proceeds were used to reduce bank indebtedness, which may be redrawn and used for general corporate purposes including AltaGas' ongoing capital program, funding the acquisition of the Edmonton ethane extraction plant and funding future acquisitions.

On May 20, 2004 AltaGas adopted Premium Distribution™, Distribution Reinvestment and Optional Unit Purchase Plans (DRIP) for eligible holders of Trust units and Exchangeable units of AltaGas Income Trust, AltaGas Holding Limited Partnership No. 1 and AltaGas Holding Limited Partnership No. 2. DRIP participation in the second quarter of 2004 averaged approximately 10 percent and generated $0.4 million in new equity through the issuance of 20,344 Trust units. Complete details on DRIP are available on the AltaGas website at www.altagas.ca.

Following AltaGas' announcement in March of its then proposed conversion to a trust Standard & Poor's (S&P) confirmed the rating on AltaGas' long term corporate credit at BBB- with a negative outlook and the rating on the senior unsecured debt at BBB-. The Dominion Bond Rating Service (DBRS) confirmed the rating of AltaGas Income Trust at BBB (low) with a stable trend and applied the same rating to AltaGas Operating Partnership and the medium term notes held by AltaGas Operating Partnership. AltaGas is currently seeking a trust stability rating from S&P and DBRS.

TRUST UNIT INFORMATION

Under the terms of the restructuring of AltaGas into an income trust effective May 1, 2004, ASI securityholders exchanged their shares in the company for Trust units and eligible securityholders also received Exchangeable units that are exchangeable into Trust units on a one for one basis. The Exchangeable units do not trade on the TSX.

As of July 31, 2004 the Trust has 39.1 million Trust units and 12.2 million Exchangeable units outstanding and a market capitalization of $1.0 billion based on a closing trading price on July 31, 2004 of $19.70 per Trust unit. There are 0.8 million Options exercisable under the terms of the Unit option agreement brought forward in the reorganization. All options under this plan have vested effective May 1, 2004.

OFF BALANCE SHEET ARRANGEMENTS

The Trust is not party to any contractual arrangement under which an unconsolidated entity may have any obligation under certain guarantee contracts, a retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for such assets. The Trust has no obligation under derivative instruments, nor under a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the registrant, or engages in leasing, hedging or research and development services with the registrant.

CONTRACTUAL OBLIGATIONS

There have been no material changes to AltaGas' contractual obligations, including payments due for each of the next five years and thereafter, since December 31, 2003. For further information on these contractual obligations, refer to Management's Discussion and Analysis in ASI's 2003 Annual Report.

RELATED PARTIES

On March 19, 2004 AltaGas purchased 320,000 units of Taylor NGL Limited Partnership (Taylor) at a cost of $2.2 million. AltaGas' interest in Taylor after this purchase is 18.5 percent. Taylor's business is the ownership and operatorship of facilities in the midstream sector of the Western Canadian natural gas industry including the Joffre ethane extraction plant in which AltaGas has a 50 percent ownership interest.

On July 21, 2004 AltaGas announced that Enbridge Inc. sold 11,650,000 Trust units of AltaGas to a group of Canadian underwriters at a price of $19.75. This sale reduced Enbridge's interest in AltaGas from approximately 36 percent to 13 percent. In addition, the underwriters have been granted an over-allotment option to purchase an additional 1,747,500 Trust units at the issue price of $19.75 per unit at any time up to 30 days after closing of the offering anticipated on or about August 10, 2004. Should the over-allotment option be taken up Enbridge's interest in AltaGas would be reduced to under 10 percent.

OUTLOOK

The outlook for the balance of 2004 is expected to be very positive particularly due to the increased drilling activity in the Gathering and Processing segment. Drilling activity in the majority of AltaGas' operating areas is expected to remain strong given the favorable commodity pricing environment. In addition, exploitation of opportunities in existing businesses and processes are expected to increase processed volumes. In the Energy Services segment, power prices are expected to be higher providing improved earnings on the unhedged portion of the AltaGas' power portfolio.

UNITHOLDER LIMITED LIABILITY LEGISLATION

Legislation came into effect in Alberta on July 1, 2004 to provide limited liability for holders of trust units, similar to protection afforded to investors of corporations. The legislation covers events that occur on or after July 1, 2004 and extends to all unitholders of AltaGas Income Trust, which is registered in Alberta, including non-residents. The legislation does not remove the issue of unlimited liability for any acts or omissions that occurred prior to July 1, 2004.

Prior to the July 1 amendments, the legislation governing the creation of trusts did not contain explicit language which limited the liability of unitholders of the Trust to their equity investment in the Trust. As a result, there has existed a possibility that unitholders of the Trust may not be protected from liabilities of the Trust to the same extent as a shareholder of a publicly traded corporation and that potentially, unitholders could be liable for tort claims such as environmental claims. The AltaGas Income Trust indenture itself provides that no unitholder will be subject to any liability in connection with the Trust or its obligations and affairs or for any act or omission of the Trustee, provided that in the event that a court determines that unitholders are subject to such liabilities, the liabilities will be enforceable only against and will be satisfied out of the Trust's assets. The trust indenture also provides that contracts to which the Trust is a party should contain language restricting the liability of unitholders.

($ thousands)	June 30 2004 (unaudited)	December 31 2003
ASSETS		
Current assets		
Cash and short term investments	$ 40,261	$ -
Accounts receivable	86,652	88,463
Inventory	387	1,879
Other	2,430	5,806
	129,730	96,148
Capital assets	681,468	677,911
Energy services arrangements and contracts	98,029	101,035
Goodwill	18,860	18,860
Future income taxes	207	208
Investments and other assets	24,350	25,098
	$ 952,644	$ 919,260
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 67,711	$ 74,726
Distributions payable to unitholders	7,672	-
Short-term debt	2	4,493
Other	6,451	7,857
	81,836	87,076
Long-term debt	341,006	392,358
Asset retirement obligations	14,489	13,962
Future income taxes	62,622	62,537
	418,117	468,857
Unitholders' equity (note 3)	452,691	363,327
	$ 952,644	$ 919,260

See accompanying notes to the consolidated financial statements

Unaudited ($ thousands except per Unit amounts)	Three months ended June 30 2004	2003	Six months ended June 30 2004	2003
REVENUE				
Operating	$ 175,069	$ 168,076	$ 368,198	$ 372,359
Other	332	296	722	318
	175,401	168,372	368,920	372,677
EXPENSES				
Cost of sales	115,924	117,161	252,253	267,100
Operating and administrative	31,668	23,790	57,716	47,517
Amortization	10,219	9,835	20,209	19,597
	157,811	150,786	330,178	334,214
Operating income	17,590	17,586	38,742	38,463
Interest expense				
Short-term debt	140	679	247	1,376
Long-term debt	5,195	4,970	10,623	9,823
Income before income taxes	12,255	11,937	27,872	27,264
Income taxes	366	5,129	4,944	10,216
Net income	11,889	6,808	22,928	17,048
Unitholders' equity, beginning of period	371,237	345,833	363,327	338,546
Change in accounting policy (note 2)	-	-	(332)	-
Dividends	-	(3,626)	(5,051)	(7,253)
Distributions	(14,604)	-	(14,604)	-
Net issuance of shares and trust units	81,814	483	83,600	1,157
Addition to contributed surplus	2,355	-	2,823	-
Unitholders' equity, end of period	$ 452,691	$ 349,498	$ 452,691	$ 349,498
Net income per Unit (note 3)				
Basic	$ 0.25	$ 0.15	$ 0.49	$ 0.38
Diluted	$ 0.25	$ 0.15	$ 0.48	$ 0.38

See accompanying notes to the consolidated financial statements

	Three months ended June 30		Six months ended June 30	
Unaudited ($ thousands)	2004	2003	2004	2003
Cash from operations				
Net income	$ 11,889	$ 6,808	$ 22,928	$ 17,048
Items not involving cash:				
Amortization	10,219	9,835	20,209	19,597
Accretion of asset retirement obligations	378	364	561	583
Stock option compensation (note 2)	2,355	-	2,491	-
Future income taxes	(438)	3,708	84	5,311
(Gain) loss on sale of assets and investments	(37)	(48)	40	(46)
Equity income	(502)	(268)	(955)	(292)
Other	110	335	174	471
Funds generated from operations	23,974	20,734	45,532	42,672
Decrease in deferred revenue and other	-	(44)	-	(37)
Net change in non-cash working capital	972	(2,074)	3,587	6,718
	24,946	18,616	49,119	49,353
Investing Activities				
Acquisition of capital assets	(9,341)	(5,642)	(25,824)	(14,716)
Disposition of capital assets	-	83	-	279
Acquisition of investments and other assets	(64)	(9,886)	(2,249)	(10,325)
Disposition of investments and other assets	3,140	-	3,440	1,480
	(6,265)	(15,445)	(24,633)	(23,282)
Financing Activities				
Decrease in operating loans	(53,303)	(28)	(55,843)	(19,973)
Dividends	-	(3,626)	(5,051)	(7,253)
Distributions to unitholders	(6,931)	-	(6,931)	-
Net proceeds from issuance of shares and units (note 3)	81,814	483	83,600	1,155
	21,580	(3,171)	(15,775)	(26,071)
Change in cash and short term investments	40,261	-	40,261	-
Cash and short term investments, beginning of period	-	-	-	-
Cash and short term investments, end of period	$ 40,261	$ -	$ 40,261	$ -

See accompanying notes to the consolidated financial statements

($ thousands except per share amounts or where otherwise noted)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

AltaGas Income Trust (the Trust) is an unincorporated open-ended trust established under the laws of Canada, pursuant to a Declaration of Trust dated March 26, 2004. The Trust commenced operations on May 1, 2004 as successor to AltaGas Services Inc. (ASI) when it acquired all of the shares of ASI for consideration of Trust units or Exchangeable units on a one for one basis. As a result, these unaudited interim consolidated financial statements follow the continuity of interest basis of accounting as if the Trust had always existed. As a result, the comparative figures are those of ASI while the results of operations include ASI's results for the period up to and including April 30, 2004 and the Trust's results of operations from May 1, 2004 to June 30, 2004.

The Trust makes monthly cash distributions to unitholders of Trust units and Exchangeable units (Unitholders) based on the Trust's distribution policy.

The interim consolidated financial statements of the Trust have been prepared by management in accordance with Canadian generally accepted accounting principles. The accounting policies applied are consistent with those outlined in ASI's annual consolidated financial statements for the fiscal year ended December 31, 2003, except as noted below in note 2. These interim consolidated financial statements for the quarter ending June 30, 2004 do not include all of the disclosures required in the annual financial statements, and should be read in conjunction with the audited consolidated financial statements included in ASI's 2003 Annual Report.

2. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2004, the Trust adopted the new Canadian Institute of Chartered Accountants standard for accounting for stock-based compensation (Section 3870), which requires the use of the fair value method to account for stock options. Based on the Black-Scholes option valuation model, stock options are valued at the date of the grant and recognized as compensation expense over their expected life.

This change in accounting policy has been adopted retroactively without restatement of individual prior periods. In accordance with Section 3870, only stock options issued on, or after, the initial adoption date of the section are recognized in the financial statements. No compensation expense is recorded for stock options issued and outstanding prior to January 1, 2002. This change in accounting policy resulted in a reduction of opening retained earnings for 2004 of $332 thousand with an offset to contributed surplus within unitholders' equity. Stock option compensation expense for the three months ended June 30, 2004 was $2.4 million (six months ended June 30, 2004 was $2.5 million) with corresponding offsets to contributed surplus.

3. UNITHOLDERS' EQUITY

Authorized:

- an unlimited number of Trust units
- 12,260,225 Exchangeable units

Unitholder's Equity	June 30 2004	December 31 2003
Unitholders' / shareholders' capital	351,640	268,040
Contributed surplus (note 2)	2,823	-
Accumulated earnings	112,832	95,287
Accumulated unitholders' distributions	(14,604)	-
Unitholders' equity	452,691	363,327

Trust units issued:	Number of Units / Shares		Amount
Common shares December 31, 2003	36,716,844	$	179,076
Common shares issued for cash on exercise of options	209,449		1,752
Common shares issued for compensation	2,000		39
Common shares issued on conversion of preferred shares	9,000,000		88,964
Common shares repurchased and cancelled on trust conversion	(45,928,293)		(269,831)
Units issued on conversion (net of conversion costs)	33,668,068		192,690
Units issued on public unit offering (net of issuance costs)	4,730,000		83,760
Units issued for cash on exercise of options	504,727		4,652
Units issued under distribution reinvestment program	20,344		370
Units issued for exchangeable units	14,480		83
June 30, 2004	**38,937,619**	**$**	**281,555**

Exchangeable units issued:	Number of Units		Amount
December 31, 2003	-	$	-
Issued (net of conversion costs)	12,260,225		70,168
Exchanged for Trust units	(14,480)		(83)
June 30, 2004	**12,245,745**	**$**	**70,085**

Preferred shares issued:	Number of Shares		Amount
December 31, 2003	9,000,000	$	88,964
Converted to common shares	(9,000,000)		(88,964)
June 30, 2004	-		-
Issued and outstanding - June 30, 2004	**51,183,364**	**$**	**351,640**

Accumulated unitholders' distributions:	June 30 2004	June 30 2003
Accumulated unitholders' distributions December 31, 2003	-	-
Unitholders' distributions	(14,604)	-
June 30, 2004	**(14,604)**	**-**

The Trust has an employee unit option plan under which both employees and directors are eligible to receive grants. At June 30, 2004 3,800,000 units were reserved for issuance under the plan. To June 30, 2004 options granted under the plan generally had a term of ten years to expiry and vested no longer than over a four year period. Options outstanding under the plan have a weighted average exercise price of $9.61 and a weighted average remaining contractual life of 7.73 years.

As at May 1, 2004 all unvested options of ASI vested and all options were converted to options of the Trust. This accelerated vesting resulted in a stock option compensation expense of $2.4 million in the three month period ended June 30, 2004.

	Number of Options	Weighted Average Exercise Price
Stock options outstanding, December 31, 2003	1,506,362	$ 8.74
Granted	107,000	15.07
Exercised	(714,176)	8.97
Cancelled	(32,375)	7.24
Unit options outstanding June 30, 2004	866,811	$ 9.61
Exercisable at June 30, 2004	866,811	$ 9.61

The basic number of Units outstanding for the six months ended June 30, 2004 was 46.6 million (June 30, 2003 - 45.3 million ASI shares) and the diluted number of Units outstanding for the six months ended June 30, 2004 was 47.4 million (June 30, 2003 - 45.7 million ASI shares).

4. RELATED PARTY TRANSACTIONS

On March 18, 2004, the Trust purchased an additional 320,000 limited partnership units of Taylor NGL Limited Partnership (Taylor) for $2.2 million. The purchase resulted in a dilution of the Trust's ownership in Taylor from 19.2 to 18.5 percent and an unrealized dilution gain of $192 thousand.

5. SEGMENTED INFORMATION

AltaGas is a midstream energy trust with a portfolio of assets and services used to move energy from the source to the end-user. The Trust has three reportable segments:

Gathering and Processing - natural gas gathering and processing, natural gas transmission, and ethane and natural gas liquids extraction.

Energy Services - power services, gas services and oil and natural gas production.

Natural Gas Distribution - natural gas distribution to end users and related services.

SEGMENTED INFORMATION *continued*

For the three months ended June 30, 2004	Gathering and Processing	Energy Services	Natural Gas Distribution	Intersegment Elimination	Total
Revenue	$ 45,952	$ 124,092	$ 20,519	$ (15,162)	$ 175,401
Cost of sales	(7,185)	(109,432)	(14,339)	15,032	(115,924)
Operating and administrative expenses	(25,063)	(2,581)	(4,154)	130	(31,668)
Amortization	(6,506)	(2,105)	(1,608)	–	(10,219)
Operating income	$ 7,198	$ 9,974	$ 418	$ –	$ 17,590
Net additions to capital assets	$ 4,347	$ (40)	$ 1,904		$ 6,211
Segment assets	$ 655,842	$ 166,801	$ 130,001		$ 952,644

For the three months ended June 30, 2003	Gathering and Processing	Energy Services	Natural Gas Distribution	Intersegment Elimination	Total
Revenue	$ 39,298	$ 120,867	$ 23,557	$ (15,350)	$ 168,372
Cost of sales	(6,340)	(108,372)	(17,688)	15,239	(117,161)
Operating and administrative expenses	(17,718)	(2,072)	(4,111)	111	(23,790)
Amortization	(6,197)	(2,097)	(1,541)	–	(9,835)
Operating income	$ 9,043	$ 8,326	$ 217	$ –	$ 17,586
Net additions to capital assets	$ 3,588	$ (42)	$ 1,421		$ 4,967
Segment assets	$ 584,748	$ 171,664	$ 125,189		$ 881,601

For the six months ended June 30, 2004	Gathering and Processing	Energy Services	Natural Gas Distribution	Intersegment Elimination	Total
Revenue	$ 90,644	$ 257,501	$ 68,648	$ (47,873)	$ 368,920
Cost of sales	(14,085)	(233,081)	(52,726)	47,639	(252,253)
Operating and administrative expenses	(44,608)	(4,913)	(8,429)	234	(57,716)
Amortization	(12,782)	(4,237)	(3,190)	–	(20,209)
Operating income	$ 19,169	$ 15,270	$ 4,303	$ –	$ 38,742
Net additions to capital assets	$ 16,453	$ 262	$ 3,749		$ 20,464
Segment assets	$ 655,842	$ 166,801	$ 130,001		$ 952,644

For the six months ended June 30, 2003	Gathering and Processing	Energy Services	Natural Gas Distribution	Intersegment Elimination	Total
Revenue	$ 82,665	$ 270,497	$ 81,831	$ (62,316)	$ 372,677
Cost of sales	(15,473)	(248,320)	(65,398)	62,091	(267,100)
Operating and administrative expenses	(36,233)	(3,623)	(7,886)	225	(47,517)
Amortization	(12,249)	(4,265)	(3,083)	–	(19,597)
Operating income	$ 18,710	$ 14,289	$ 5,464	$ –	$ 38,463
Net additions to capital assets	$ 8,858	$ 817	$ 2,816		$ 12,491
Segment assets	$ 584,748	$ 171,664	$ 125,189		$ 881,601

6. EMPLOYEE FUTURE BENEFITS

Substantially all full-time employees of the Company's natural gas distribution subsidiary, AltaGas Utilities Inc., are members of one of two defined benefit non-contributory pension plans. AltaGas Utilities Inc. also has plans that provide other post-retirement benefits such as life insurance and health care.

The total benefit cost expensed for the three and six months ended June 30, 2004 is $0.3 million (2003 - $0.2 million) and $0.6 million (2003 - $0.5 million).

7. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current financial statement presentation. Prior periods have been restated for the impacts of the December 31, 2003 adoption of CICA Handbook Section on accounting for asset retirement obligations.

8. SEASONALITY

The natural gas distribution business is highly seasonal with the majority of natural gas deliveries occurring during the winter heating season. Gas sales during the winter typically account for approximately two-thirds of annual gas distribution revenue, resulting in strong first and fourth quarter results and second and third quarters that show either small profits or losses.

9. SUBSEQUENT EVENTS

Consolidated cash and short term investments at June 30, 2004 of $40.3 million arising largely from proceeds of the June 10, 2004 equity offering were held to repay debt instruments at their due dates. The debt of $341.0 million at June 30, 2004 would have been $300.7 million had the cash and short term investments been used to pay down debt on June 30, 2004. However, the application of the short term investments to debt balances occurred as debt instruments matured during July 2004, with the amount fully applied to debt by July 27, 2004.

On March 18, 2004, the Trust announced that it entered into a purchase and sale agreement with BP Canada Energy Resources Company (BP) to acquire BP's 48 2/3 percent interest in the Edmonton ethane extraction plant located at Edmonton, Alberta for approximately $46 million. The transaction is expected to close in third quarter 2004 after the provincial government approval of the transfer of operator licenses to AltaGas.

On May 26, 2004, the Trust announced that it executed a letter of intent to purchase the business of PremStar Energy Canada Ltd. and its subsidiaries ECNG Inc. and Energistics Group Inc. for approximately $22 million payable by way of 993,789 Trust units issued from the Trust's treasury plus $1.2 million cash. The transaction is conditional on the execution of a purchase and sale agreement, which is expected to occur in the third quarter of 2004.

On August 4, 2004 AltaGas Income Trust committed to purchase 20 percent of a public offering of 8,025,000 Taylor NGL Limited Partnership units at a price of $6.60 per unit or $10.6 million. As a result, AltaGas' ownership in Taylor will increase from 18.5 percent to approximately 18.9 percent of the outstanding limited partnership units of Taylor on closing of the offering anticipated to occur on or about August 19, 2004. This purchase is for investment purposes only and not for the purpose of influencing the control or direction of Taylor.

FINANCIAL SUMMARY BY BUSINESS SEGMENT

($ millions)	Q2/04	Q1/04	Q4/03	Q3/03	Q2/03
Revenue					
Gathering and Processing					
Field gathering and processing	29.2	27.8	29.0	26.5	24.8
Extraction	10.8	10.4	10.3	8.8	8.6
Transmission	6.4	7.0	6.7	6.7	6.4
Intercomponent elimination	(0.5)	(0.5)	(0.5)	(0.9)	(0.5)
Energy Services	124.1	133.4	125.2	115.1	120.9
Natural Gas Distribution(1)	20.6	48.1	34.7	12.9	23.5
Intersegment elimination	(15.2)	(32.7)	(26.3)	(10.2)	(15.3)
	175.4	193.5	179.1	158.9	168.4
Net revenue					
Gathering and Processing					
Field gathering and processing	29.3	27.8	29.0	26.5	24.8
Extraction	3.6	3.5	3.6	2.2	2.3
Transmission	6.4	7.0	6.7	6.7	6.4
Intercomponent elimination	(0.5)	(0.5)	(0.5)	(0.9)	(0.5)
Energy Services	14.6	9.8	13.1	14.0	12.5
Natural Gas Distribution(1)	6.2	9.7	9.2	4.9	5.8
Intersegment elimination	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
	59.5	57.2	61.0	53.3	51.2
Operating income					
Gathering and Processing	7.2	12.0	13.5	10.2	9.0
Energy Services	10.0	5.3	8.7	9.5	8.3
Natural Gas Distribution(1)	0.4	3.9	3.7	(0.5)	0.3
	17.6	21.2	25.9	19.2	17.6

(1) Q2 and Q3 financial results reflect the normal lower seasonal demand for natural gas in the Natural Gas Distribution segment

Notes: Certain comparative figures have been reclassified to conform to the current financial statement presentation.
AltaGas adopted CICA Handbook guidelines on asset retirement obligations in 2003. Prior year information has been restated for the effect of this adoption.

OPERATING SUMMARY BY BUSINESS SEGMENT

	Q2/04	Q1/04	Q4/03	Q3/03	Q2/03
Gathering and Processing					
Field gathering and processing					
Processing capacity (gross Mmcf/d) (1)	906	901	861	835	838
Processed throughput (gross Mmcf/d) (2)	563	560	523	514	510
Capacity utilization (percent) (1)	62	62	61	62	61
Average working interest (percent) (1)	89	87	90	88	88
Extraction					
Inlet capacity (Mmcf/d) (1)	349	349	349	349	349
Production (Bbls/d) (2)	9,337	10,020	9,159	6,428	7,140
Transmission volumes (Mmcf/d) (2) (4)	415	396	403	347	321
Energy Services					
Volume of power sold (thousands of MWh)	862	863	873	872	861
Price received on the sale of power ($/MWh) (2)	49.88	45.78	47.10	49.41	46.33
Average Alberta Power Pool prices ($/MWh) (2)	60.07	48.78	54.78	62.39	50.88
Natural Gas Distribution(5)					
Customers	59,266	59,528	59,543	58,941	58,671
Volume of natural gas distributed					
Sales (Bcf) (6)	2.2	5.5	4.5	1.3	2.1
Transportation (Bcf)	2.6	3.0	3.0	2.6	2.2
Degree day variance (percent) (3)	11.5	2.0	3.4	(5.9)	15.4

(1) At period end
(2) Quarter average
(3) Variance from 20-year average. Positive variances are favourable
(4) Excludes condensate transmission volumes
(5) Excludes Inuvik Gas Ltd. and Heritage Gas Limited operating statistics
(6) Q2 and Q3 2003 financial results and natural gas distributed (Bcf) reflect the normal lower seasonal demand for natural gas in the Natural Gas Distribution segment

DEFINITIONS

Bbls/d	barrels per day
Bcf	billion cubic feet
Mmcf/d	million cubic feet per day
MW	megawatt
MWh	megawatt-hour
Net revenue	gross revenue less the costs of the purchase of natural gas for resale and the costs to purchase power under power purchase arrangements

ABOUT ALTAGAS

AltaGas moves energy from its source to the end user, adding value through the process. The Trust has consolidated assets totalling over $900 million and a market capitalization of approximately $1 billion. Its steadily expanding asset base today includes natural gas gathering and processing facilities, interests in ethane and natural gas liquids extraction plants, and transmission pipelines. AltaGas distributes natural gas to Alberta customers through AltaGas Utilities Inc., to customers in the Northwest Territories through the Ikhil Gas Project and distributes gas in Nova Scotia through its interest in Heritage Gas Limited. The Trust provides energy services to customers, including marketing of natural gas and natural gas liquids and sale of power from its power purchase based arrangements.

AltaGas' Trust units are listed on the Toronto Stock Exchange under the symbol ALA.UN. The Trust is included in the S&P/TSX Capped Income Trust Index and the S&P/TSX Capped Energy Trust Index.

For further information contact:

Media
Dennis Dawson (403) 691-7534
dennis.dawson@altagas.ca

Investment Community
Marilyn Pfaefflin (403) 691-7540
marilyn.pfaefflin@altagas.ca

Website: www.altagas.ca

When used in this report, the words "anticipate," "estimate," and similar expressions are intended to identify forward looking statements. Such statements are subject to certain risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated in the forward looking statements. These risks and uncertainties include operating performance, regulatory and environmental issues, weather and economic conditions, competition and financing availability. For additional information on these and other factors see the reports filed by AltaGas with Canadian securities regulators. AltaGas disclaims any intention or obligation to update or revise any forward looking information whether as a result of new information or future event.

AltaGas Income Trust
#1700, 355 - 4th Ave S.W.
Calgary, Alberta, Canada
T2P 0J1

Ph: (403) 691-7575
Fax: (403) 691-7576
www.altagas.ca