AltaGas - **News Release**

ALTAGAS DELIVERS ITS 11TH CONSECUTIVE YEAR OF RECORD RESULTS FOR 2004 AND THE STRONGEST QUARTER IN ITS HISTORY.

CALGARY, Alberta, March 2, 2005: AltaGas Income Trust (AltaGas or the Trust) (TSX: ALA.UN) today released its financial results for the fourth quarter and twelve months ended December 31, 2004. AltaGas declared a distribution of $0.15 per trust unit and exchangeable unit payable on April 15, 2005 to holders of record on March 28, 2005.

"The 2004 year and fourth quarter were exceptional for AltaGas," said David Cornhill, Chairman and Chief Executive Officer. "The talented AltaGas team delivered the 11th successive year of record net income and funds from operations. The fourth quarter was the strongest quarter in our history. We continued to grow with a disciplined focus on premium assets closing the acquisitions of the businesses of PremStar Energy Canada Ltd. (PremStar) and a 48 $^{2/3}$ percent interest in the Edmonton ethane extraction plant. During 2004 we also added 25 megawatts of power capacity and expanded facilities in our existing portfolio. Our asset base now exceeds $1.0 billion. Our transition to a trust was effected without any ripples. Our assets are well suited to a trust structure and our operating model has remained the same. Unitholders were rewarded with a 54 percent total return from unit price and distributions in 2004, which outpaced the TSX by 41.5 percent and the S&P/TSX Capped Income Trust Index and the S&P/TSX Capped Energy Trust Index by 39 percent and 37 percent respectively." Mr. Cornhill added "Over the year ahead we remain committed to the disciplined execution of the strategies that have contributed to AltaGas' outstanding financial and operational performance to date, and that will drive our future success."

HIGHLIGHTS

- Record net income for 2004 was $65.8 million or $1.33 per unit, an increase of 72 percent from $38.3 million or $0.84 per unit recorded for the same period of 2003. The increase is due to the strong financial performance in the Gathering and Processing and Energy Services segments and the favorable income tax impacts associated with converting to an income trust on May 1, 2004.

- Generated the highest quarterly net income in our history at $25.8 million, an increase from $12.0 million for the same period of 2003. On a per unit basis, net income was $0.49 compared to $0.26 for the fourth quarter of 2003. The increase was driven by the Energy Services segment which benefited from higher power prices on hedged volumes and the acquisition of PremStar. The Gathering and Processing segment also contributed due to increased volumes from the acquisition of the Edmonton ethane extraction plant, higher natural gas liquids prices (NGLs) and stronger transmission performance. The income tax benefit of the trust structure also contributes to the growth in net income.

- Generated record funds from operations for the twelve months of 2004 and the fourth quarter. Funds from operations were $108.6 million for the twelve months of 2004 compared to $90.2 million for the 2003, an increase of 20 percent. For the fourth quarter of 2004, funds from operations were $33.9 million, an increase of 27 percent, compared to $26.6 million for the same period of 2003. Funds from operations for the twelve months of 2004 are after $7.8 million in costs incurred in 2004 associated with the conversion to an income trust and costs associated with major turnarounds at key field processing facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) of operations and unaudited interim consolidated financial statements presented herein report on a continuity-of-interest accounting basis which recognizes AltaGas Income Trust (AltaGas or the Trust) as the successor to AltaGas Services Inc.(ASI). This MD&A dated March 2, 2005 is a review of the results of operations and the liquidity and capital resources of the Trust. It should be read in conjunction with the accompanying unaudited consolidated financial statements of the Trust, formerly ASI, for the three and twelve month periods ended December 31, 2004 and the notes thereto and with the financial statements and MD&A contained in ASI's annual report for the year ended December 31, 2003.

This MD&A contains forward-looking statements. When used in this MD&A the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions, as they relate to the Trust or an affiliate of the Trust, are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect the Trust's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Trust's actual results, performance or achievements to vary from those described in this MD&A. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated or expected, and such forward-looking statements included in this MD&A herein should not be unduly relied upon. These statements speak only as of the date of this short MD&A. The Trust does not intend, and does not assume any obligation, to update these forward-looking statements.

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 MD&A and audited financial statements, 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 ASI voted in favor 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 unit of the Trust (Trust unit) or one Exchangeable unit of AltaGas Holding Limited Partnership No. 1 or AltaGas Holding Limited Partnership No. 2. (Trust unit and Exchangeable units being collectively units). As a result of implementing the reorganization, the Trust now indirectly holds through its subsidiaries and partnerships all of the assets, liabilities and businesses formerly owned by AltaGas Services Inc. The material businesses are operated by AltaGas Ltd., AltaGas Operating Partnership, AltaGas Limited Partnership, AltaGas Power Holdings Partnership, AltaGas Pipelines Partnership and AltaGas Utilities Inc. (collectively the operating subsidiaries). The cash flow of the Trust is solely dependent on the results of the operating subsidiaries and is derived from interest earned on loans to the operating subsidiaries and from dividends or returns of capital from equity interests held.

AltaGas General Partner Inc., through its Board of Directors, who are elected by the Trust at the direction of the holders of the units, manages or supervises the management of the business and affairs of the Trust. AltaGas Ltd. provides all the management, administrative and operating services to the Trust and its subsidiaries. At December 31, 2004 AltaGas Ltd. and its subsidiaries employed a total of 588 people.

The Trust has incurred costs and charges to implement the plan of arrangement, which are anticipated to total approximately $17.0 million. In the fourth quarter of 2004 approximately $0.3 million was charged to unitholders' capital, and $1.3 million was charged to income, resulting in total charges for 2004 of $8.6 million and $5.7 million to unitholders' capital and income respectively. The balance is expected to be charged to income in future periods.

DISTRIBUTIONS

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

On April 29, 2004, the Trust announced it 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. The Trust pays cash distributions on the 15th day of each month, to unitholders of record on the 25th day of the previous month or in each case the following business day if the payment date or record date falls on a weekend or holiday.

Fourth quarter distributions declared were $0.45 per unit or $23.9 million. From the date of conversion to an income trust on May 1, 2004, through to December 31, 2004, AltaGas had declared cash distributions of $61.7 million or $1.20 per unit. The following table summarizes AltaGas' dividend and distribution declaration history.(1)

(dollars per unit)		**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		**0.45**		0.11		0.08		0.06
Fourth quarter		**0.45**		0.11		0.08		0.06
	$	**1.31**	$	0.38	$	0.28	$	0.18

(1) Dividends were paid to shareholders from first quarter 2001 through first quarter 2004. Prior to December 2000 no dividends were paid. Monthly distributions to unitholders began in second quarter of 2004.

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 fourth quarter of 2004 generated $5.7 million in new equity through the issuance of 280,897 Trust units, and $10.3 million in new equity and 521,326 Trust units on a year to date basis. Complete details on DRIP are available on the AltaGas website at www.altagas.ca.

For income tax purposes the Trust expects that approximately 75 percent of the distributions declared in 2004 will be taxed as interest with the remaining 25 percent to be classified as 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 Trust units. Unitholders should seek independent tax advice in respect of the consequences to them of acquiring, holding and disposing of Trust units.

CONSOLIDATED RESULTS

Consolidated Financial Results ($ millions)	Three months ended December 31 **2004**	2003	Year ended December 31 **2004**	2003
Revenue	**311.8**	179.0	**859.2**	710.6
Net revenue[1]	**71.6**	61.0	**249.8**	219.9
EBITDA[1]	**40.6**	34.7	**133.4**	121.9
Net income	**25.8**	12.0	**65.8**	38.3
Net additions to capital assets	**25.8**	33.7	**101.6**	52.6
Total assets	**1,108.6**	919.3	**1,108.6**	919.3
Long-term liabilities	**323.7**	468.9	**323.7**	468.9
Cash flows				
Funds generated from operations[1]	**33.9**	26.6	**108.6**	90.2
Distributable cash[1]	**31.8**	21.0	**102.2**	79.6
Distributions/dividends[2]	**23.9**	5.0	**66.7**	17.3
($ per unit)				
EBITDA	**0.77**	0.76	**2.70**	2.68
Net income	**0.49**	0.26	**1.33**	0.84
Cash flows				
Funds generated from operations	**0.64**	0.58	**2.20**	1.98
Distributable cash	**0.60**	0.46	**2.07**	1.75
Distributions/dividends[2]	**0.45**	0.11	**1.31**	0.38
Units outstanding (millions)				
Basic	**52.9**	45.7	**49.4**	45.5
End of period	**53.2**	45.7	**53.2**	45.7

(1) Non-GAAP financial measure. See discussion in the following section of this MD&A

(2) Distributions of $0.15 per unit paid commencing May, 2004, dividends of $0.11 per share paid in Q3, Q4 2003 and Q1 2004, dividends of $0.08 per unit paid in Q1, Q2 2003

AltaGas' net income for the twelve months and the fourth quarter of 2004 increased 72 percent and 115 percent compared to the same periods of 2003, establishing new records since AltaGas' formation. Net income for the year ended December 31, 2004 was $65.8 million or $1.33 per unit compared to $38.3 million or $0.84 per unit for the year ended December 31, 2003. Acquisitions and expansions in AltaGas' Energy Services and Gathering and Processing segments drove the improvement in operating results. In addition, reduced income tax expense in the current year associated with converting to an income trust had a significant favorable impact. One time costs related to the conversion to an income trust and costs associated with regularly scheduled major maintenance turnarounds at two of AltaGas' facilities partially offset the increases on both year over year and quarter over quarter results.

Revenue for the year ended December 31, 2004 rose 21 percent to $859.2 million compared to the same period in 2003. For the three months ended December 31, 2004, revenue increased 74 percent to $311.8 million compared to $179.0 million for the three months ended December 31, 2003. The increases in revenue are primarily due to volume increases related to the acquisitions in the gas services and extraction components. Also contributing to the increases were higher NGL prices in the extraction component and higher average prices received on hedged power volumes sold in the power component.

Net revenue increased 14 percent for full year 2004 to $249.8 million and 17 percent to $71.6 million for the fourth quarter of 2004 when compared to the same periods of 2003. 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 affect both revenue and the cost of goods sold.

The net revenue increases for the fourth quarter were driven by increased volumes in the extraction component from the acquisition of a $48^{2/3}$ percent interest in Edmonton ethane extraction plant (EEEP) which closed in late August 2004, very high NGL fractionation spreads at the JEEP and Empress ATCO extraction plants, volume increases in the field gathering and processing component and increased gas volumes supplied in the gas services component resulting from the acquisition of PremStar which closed in the fourth quarter of 2004. Higher spot prices received on volumes sold in the power component also contributed to the increase.

Operating and administrative expenses were 19 percent higher for the full year and 18 percent higher in the fourth quarter of 2004 compared to the same periods of 2003. Operating costs increased year over year due to the full year impact of 2003 and 2004 acquisitions as well as the completion of major maintenance turnarounds at AltaGas' Bantry and Rainbow Lake facilities in 2004 Administrative expense increased in 2004 due to payments of $3.3 million related to the conversion to an income trust, and a further non-cash charge of $2.4 million in compensation expense as a result of the vesting of all employee trust unit options on May 1, 2004. Increased staffing required to support the Trust's growth also contributed to higher administrative costs.

Earnings before interest, taxes, depreciation and amortization (EBITDA) for the year and three months ended December 31, 2004 rose nine percent to $133.4 million and 17 percent to $40.6 million respectively compared to the same periods of 2003.

Amortization expense of $41.8 million was up nine percent for the twelve months of 2004 and up 27 percent to $11.2 million for the fourth quarter of 2004 compared to the same periods in 2003. The higher charges are due mainly to increases in the capital base related to acquisitions and internal expansion projects.

Interest expense of $21.2 million for the twelve months of 2004 was four percent lower than $22.1 million for the same period in 2003 and for the fourth quarter of 2004 interest expense of $5.4 million was comparable to $5.3 million for the fourth quarter of 2003. The decrease in interest expense year over year was primarily due to lower average debt balances during the year, partially offset by higher blended average interest rates. Debt was reduced by the net proceeds of AltaGas' June 2004 Trust unit offering.

Income tax expense for 2004 was $18.6 million less than that reported for 2003 even though income before taxes was higher. This variance is driven by AltaGas' conversion to an income trust. AltaGas' consolidated income from corporations was taxable in 2003 and for the period January 1 through April 30, 2004. Once restructured as an income trust, corporate subsidiaries' taxable income is generally reduced to zero by interest payments to the Trust. Payments received by the Trust in the form of interest distributions or other income from its subsidiaries are taxable income to the Trust. As the Trust is entitled to deduct its administrative costs and distributions to unitholders and since in accordance with its Trust indenture it distributes all of its income to unitholders, the Trust is not expected to be liable for income taxes either currently or in the foreseeable future. The impact of the restructuring from a corporation to a trust contributed $15.5 million of the reduction in income tax expense on a full year basis and $9.0 million reduction for the fourth quarter of 2004 compared to the fourth quarter of 2003. Amortization expense now exceeds capital cost allowance claimed, resulting in a reversal of the future income tax liability. AltaGas' first eight months as a trust resulted in the reversal driving a credit to income tax expense of $3.1 million.

The income of AltaGas' operating entities are 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. Contributing to the variance from 2003 to 2004 in the effective tax rate was a $0.7 million charge in the second quarter of 2003 to the future income tax liability to record the impact of federal rate and resource allowance adjustments. Income tax expense for 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 budget. The impact of recording a charge to income for compensation expense related to stock options in 2004, 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 MD&A 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.

Funds Generated from Operations	**Three months ended December 31**		**Year ended December 31**	
($ millions)	**2004**	2003	**2004**	2003
Funds generated from operations	**33.9**	26.6	**108.6**	90.2
Add (deduct): Net change in non-cash working capital and other	**34.5**	(11.7)	**39.1**	6.3
Cash from operations (GAAP financial measure)	**68.4**	14.9	**147.7**	96.5

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 non-cash working capital in the period.

EBITDA	**Three months ended December 31**		**Year ended December 31**	
($ millions)	**2004**	2003	**2004**	2003
EBITDA	**40.6**	34.7	**133.4**	121.9
Add (deduct): Amortization	**(11.2)**	(8.8)	**(41.8)**	(38.3)
Interest	**(5.4)**	(5.3)	**(21.2)**	(22.1)
Income taxes	**1.8**	(8.6)	**(4.6)**	(23.2)
Net income (GAAP financial measure)	**25.8**	12.0	**65.8**	38.3

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.

Operating Income	**Three months ended December 31**		**Year ended December 31**	
($ millions)	**2004**	2003	**2004**	2003
Operating income	**29.4**	25.9	**91.6**	83.6
Add (deduct): Interest	**(5.4)**	(5.3)	**(21.2)**	(22.1)
Income taxes	**1.8**	(8.6)	**(4.6)**	(23.2)
Net income (GAAP financial measure)	**25.8**	12.0	**65.8**	38.3

AltaGas reports segmented operating income in the Notes to the Consolidated Financial Statements since interest and income taxes are not allocated to business segments. Operating income is used to measure operating performance without reference to financing decisions and income tax impacts which are not controlled at the operating management level.

Distributable Cash Flow	**Three months ended December 31**		**Year ended December 31**	
($ millions)	**2004**	2003	**2004**	2003
Distributable cash flow	**31.8**	21.0	**102.2**	79.6
Add (deduct): Maintenance capital expenditures	**2.1**	5.6	**6.4**	10.6
Net change in non-cash working capital	**34.5**	(11.7)	**39.1**	6.3
Cash from operations (GAAP financial measure)	**68.4**	14.9	**147.7**	96.5

The Trust's distributable cash flow 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 December 31**		**Year ended December 31**	
($ millions)	**2004**	2003	**2004**	2003
Net revenue	**71.6**	61.0	**249.8**	219.9
Add cost of sales	**240.2**	118.0	**609.4**	490.7
Revenue (GAAP financial measure)	**311.8**	179.0	**859.2**	710.6

In 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. This table reconciles the revenue and net revenue amounts to illustrate the relationship between these non-GAAP and GAAP measures where used throughout this MD&A.

RESULTS OF OPERATIONS BY SEGMENT

AltaGas reports consolidated financial and operating results to the operating income level on the basis of three business segments: Gathering and Processing, Energy Services and Natural Gas Distribution.

Operating Income	**Three months ended December 31**		**Year ended December 31**	
($ millions)	**2004**	2003[(1)]	**2004**	2003[(1)]
Gathering and Processing	**14.1**	13.4	**45.4**	42.3
Energy Services	**11.4**	8.8	**38.3**	32.6
Natural Gas Distribution	**3.9**	3.7	**7.9**	8.7
	29.4	25.9	**91.6**	83.6

(1) Restated for certain NGL operations reported in the Gathering and Processing segment previously managed and reported in Energy Services

GATHERING AND PROCESSING

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

Financial Results	**Three months ended December 31**		**Year ended December 31**	
($ millions)	**2004**	2003[(1)]	**2004**	2003[(1)]
Revenue	**76.2**	45.4	**218.9**	169.2
Net revenue	**47.6**	38.7	**164.9**	140.4
Operating and administrative expense	**26.7**	20.3	**93.3**	74.5
Amortization expense	**6.8**	5.0	**26.2**	23.6
Operating income	**14.1**	13.4	**45.4**	42.3

(1) Restated for certain NGL operations in the Gathering and Processing segment previously managed and reported in Energy Services now being reported in Gathering and Processing

	Three months ended December 31		**Year ended December 31**	
Operating Statistics	**2004**	2003	**2004**	2003
Field gathering and processing				
Capacity (Mmcf/d)[(1)]	**913**	861	**913**	861
Throughput (gross Mmcf/d)[(2)]	**558**	523	**558**	523
Throughput (gross average annual Mmcf/d)[(3)]			**560**	520
Capacity utilization (percent)[(1)]	**61**	61	**61**	61
Average working interest (percent)[(1)]	**90**	90	**90**	90
Extraction				
Inlet capacity (Mmcf/d)[(1)]	**539**	349	**539**	349
Production (Bbls/d)[(3)]	**21,244**	9,159	**13,436**	7,575
Transmission volumes (Mmcf/d)[(2)(4)]	**432**	403	**432**	403

(1) As at December 31
(2) Fourth quarter average
(3) Average for the period
(4) Excludes condensate pipeline volumes

The Gathering and Processing segment generated revenue of $218.9 million for the year and $76.2 million for the three months ended December 31, 2004, increases of 29 percent and 68 percent respectively compared to the same periods in 2003. Net revenue, increased to $164.9 million, an increase of 17 percent for the year ended December 31, 2004 and to $47.6 million for the fourth quarter of 2004 up 23 percent compared to the same period of 2003.

Growth in operating income in this segment for 2004 compared to 2003 was due to higher volumes processed at extraction facilities, processing fee increases and higher throughput volumes at field gathering and processing facilities achieved through acquisitions, internal expansions and producer drilling activity. Favorable extraction fractionation spreads throughout 2004 compared to 2003 also contributed to the improved results.

Net revenue in the field gathering and processing component increased 13 percent over 2003 to $115.5 million. Increased producer volumes due to a 32 percent increase over full year 2003 in well tie-ins to AltaGas facilities along with facility expansions and a full year's operations at AltaGas' Rainbow Lake facility contributed to net revenue increases.

Average field gathering and processing capacity and throughput volumes increased by six percent and seven percent respectively to 913 Mmcf/d and 558 Mmcf/d in the fourth quarter of 2004 compared to the fourth quarter of 2003.

Capacity increased due to the acquisition of the 43 Mmcf/d Mica Pouce Coupe gas plant and gathering system in the first quarter 2004 and the seven Mmcf/d expansion of the Kirkpatrick lake facility in December 2004. Strong producer drilling and tie-in activity generated the need to expand throughput capability at AltaGas' Marten Creek and Windfall facilities with the addition of booster compression during 2004. Throughput volumes were higher in 2004 due to the combined impact of the late 2003 Rainbow Lake plant acquisition, well tie-ins and plant expansions which more than offset the impact of normal natural gas production declines and maintenance turnarounds. Drilling activity in the Western Canadian Sedimentary Basin continued to be strong during the fourth quarter of 2004, resulting in 93 wells tied-in to AltaGas' field gathering and processing facilities compared with 97 well tie-ins during the same period in 2003. During 2004, AltaGas invested approximately $16.4 million on internal expansion projects in the field gathering and processing component. These projects are supported by producer commitments designed to control AltaGas' financial exposure to throughput declines. The fees generated by these projects and the renegotiation of existing processing contracts have increased the average fee earned per unit processed when comparing 2004 to 2003.

Field gathering and processing capacity utilization was 61 percent. Capacity utilization is negatively affected by the low cost acquisition of Mica Pouce Coupe where AltaGas acquired 43 Mmcf/d of capacity with minimal throughput to date. AltaGas expects to increase Mica Pouce Coupe capacity utilization through application of engineering optimization. Without the dampening effect of Mica Pouce Coupe, AltaGas' utilization rate would be 64 percent. Similarily, 2003 utilization numbers were low due to the late December acquisition of Rainbow Lake which added capacity but little associated throughput in the fourth quarter. In 2003 AltaGas' utilization without Rainbow Lake was 63 percent.

In the extraction component higher volumes processed and the favourable NGL pricing environment resulted in growth in net revenue of 129 percent to $8.3 million during the fourth quarter of 2004 compared to the fourth quarter of 2003. Average NGL volumes processed for the fourth quarter of 2004 more than doubled reaching 21,244 Bbls/d compared to 9,159 Bbls/d for the same period in 2003. On full year basis average NGL volumes processed increased to 13,436 Bbls/d compared to 7,575 Bbls/d in 2003. Volume increases for the year and fourth quarter were primarily due to the late August 2004 closing of its interest in EEEP. The plant has a gross 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 increased AltaGas' total net licensed inlet extraction capacity to 539 Mmcf/d. AltaGas' share of plant products are sold under long-term contracts and feedstock supply is provided by a long-term gas supply contract to EEEP. Production at the Empress Encana facility and the Joffre ethane extraction plant were also higher during the year.

Transmission volumes increased during the full year and three months ended December 31, 2004 compared to the full year and three months ended December 31, 2003 primarily due to well tie-ins and increased EnCana Corporation volumes on the Suffield system.

Operating and administrative expenses in the Gathering and Processing segment increased 25 percent to $93.3 million in 2004 and 32 percent to $26.7 million for the fourth quarter of 2004 compared to the same periods of 2003. The increases were primarily due to operating costs associated with the 2004 EEEP acquisition and acquisitions and expansions in the field gathering and processing component. Turnarounds at two major facilities in the current year and higher administrative costs as a result of growth in the business also contributed to the increase.

Amortization expense for the Gathering and Processing segment was higher for the year ended and three months ended December 31, 2004 compared to the same periods of 2003 primarily due to the Rainbow Lake and EEEP acquisitions and the capital invested in gathering and processing facility expansions.

ENERGY SERVICES

The Energy Services segment is comprised of the power services and gas services components. In this segment, the Trust also reports the results of the oil and gas production 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.

Financial Results	**Three months ended December 31**		**Year ended December 31**	
($ millions)	**2004**	2003	**2004**	2003
Revenue	**248.3**	125.2	**630.4**	510.8
Net revenue[1]	**18.9**	13.1	**59.9**	49.3
Operating income[2]	**11.4**	8.8	**38.3**	32.6

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

	Three months ended December 31		**Year ended December 31**	
Operating Statistics	**2004**	2003	**2004**	2003
Power services				
Volume of power sold (thousands of MWh)	**879**	873	**3,481**	3,266
Average price received on the sale of power ($/MWh)[1]	**50.17**	47.10	**48.77**	47.56
Alberta Power Pool average spot price ($/MWh)[1]	**54.95**	54.78	**54.54**	62.98

(1) Average for the period

AltaGas has provided energy services since 1994. This low risk, fee for service business component was significantly expanded. The Trust completed two acquisitions in the Energy Services segment. On September 1, 2004 AltaGas entered into a ten year capital lease with Maxim Energy Group Ltd. for 25 megawatts of capacity generated by four gas fired peaking plants located in southern Alberta. The capital lease requires AltaGas to pay monthly variable operating and maintenance charges plus a capacity fee. AltaGas retains all of the ancillary service and peaking sales revenues. On October 6, 2004 when AltaGas acquired substantially all of the assets, including the company names, and liabilities of PremStar Energy Canada Ltd. and its subsidiaries ECNG Inc. and Energistics Group Inc (collectively PremStar). The purchase price of $20.5 million, before acquisition costs, was paid primarily by way of the issuance of 993,789 Trust units. PremStar is one of Canada's leading energy agency businesses, specializing in the procurement and supply of energy to end use customers across Canada. On a fee for service basis, PremStar provides energy supply, arranges for transportation services, and supports customers with valuable market information.

Revenue in the Energy Services segment increased 98 percent to $248.3 million in the fourth quarter of 2004 and 23 percent to $630.4 million for the full year 2004 when compared to the same periods of 2003. On a quarter over quarter basis key drivers for the increases were higher prices on hedged power volumes sold and the PremStar business acquired at the beginning of the quarter. On a year over year basis, volumes in the power component were higher primarily as a result of a full year of power sales from the Genesee energy contract which was entered into April 1, 2003.

The power services component generated net revenue of $47.9 million for the full year of 2004 compared to $41.0 million for 2003 and $13.2 million for the fourth quarter of 2004 compared to $11.2 for the same period in 2003. The drivers, similar to those for revenue, were higher prices on hedged volumes in the power component on a quarter over quarter basis and higher volumes sold on a year over year basis.

AltaGas manages its acquired power capacity to provide stable, predictable earnings and cash flows over time and does not engage in the speculative trading of power. AltaGas reduces its exposure to floating power prices by supplying its own operating electrical demand requirements and by using a balanced portfolio of contracts to lock in power margins to reduce pricing risk. The average price AltaGas received from power sales in the fourth quarter of 2004 was $50.17 per MWh compared to $47.10 per MWh in the fourth quarter of 2003 and $48.77 per MWh for the twelve months of 2004 compared to $47.56 per MWh for the same period in 2003. Average Alberta Power Pool spot prices were $54.95 per MWh and $54.78 per MWh in the fourth quarters of 2004 and 2003 respectively, and $54.54 per MWh and $62.98 per MWh in the twelve months of 2004 and 2003 respectively.

The gas services component contributed net revenue of $5.3 million for the full year 2004 compared to $0.7 million in 2003 and $4.0 million for the fourth quarter compared to $0.4 million in 2003. The significant increase in the fourth quarter resulted from the addition of PremStar. The PremStar energy supply and agency business is a people based business and carries a relatively high proportion of administrative expense which tempers its net revenue's impact on operating income. The increase in amortization expense in the segment for 2004 compared to 2003 is due to amortization of the PremStar contracts and relationships purchased.

Net additions to capital assets in the Energy Services segment were $15.1 million during 2004 compared to $2.5 million during 2003. The growth in capital assets relates mainly to the addition of the peaking plant capital lease.

NATURAL GAS DISTRIBUTION

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

Financial Results	**Three months ended December 31**		**Year ended December 31**	
($ millions)	**2004**	2003	**2004**	2003
Revenue	**41.9**	34.7	**124.6**	129.4
Net revenue[(1)]	**9.7**	9.3	**30.7**	30.6
Operating income[(2)]	**3.9**	3.7	**7.9**	8.7

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

Operating Statistics[(1)]	**Three months ended December 31**		**Year ended December 31**	
	2004	2003	**2004**	2003
Volume of natural gas distributed				
Sales (Bcf)	**4.5**	4.5	**13.6**	13.8
Transportation (Bcf)	**2.8**	3.0	**11.0**	9.7
Degree day variance (percent)[(2)]	**(4.4)**	3.4	**2.6**	6.9
Number of customers[(3)]	**60,430**	59,543	**60,430**	59,543

(1) AUI only
(2) Variance from 20 year average. Positive variances are favorable
(3) At December 31

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 results that show either small profits or losses.

For the full year 2004, net revenue in AltaGas' Natural Gas Distribution segment was $30.7 million compared to $30.6 million for the same period in 2003. AUI generates the majority of net revenue for the segment. AUI's net revenue is unaffected by changes in the cost of gas as the actual cost is permitted, subject to approval by the Alberta Energy and Utilities Board (AEUB), to be passed through to supply customers. Net revenue growth from an increase in customers for the twelve months of 2004 was largely offset by the impact of the completion of negotiations on AUI's 2003 and 2004 general rate application. Lower than anticipated allowed rates of return on rate base and interest and operating expenses for 2003 resulted in a charge to net income of $0.5 million in 2004 related to previously recorded 2003 results.

In the fourth quarter of 2004, net revenue in AltaGas' Natural Gas Distribution segment was $9.7 million compared to $9.3 million for the same period in 2003. Increases from growth in the customer base were partially offset by weather in the AUI operating area for the fourth quarter 2004, as measured by heating degree days, that was 7.8 percent warmer than the fourth quarter of 2003,.

Higher operating and administrative expenses in this segment in 2004 were due to increases in the cost of insurance, pension costs and routine operating and maintenance activities.

In July 2004, the AEUB issued its Generic Cost of Capital decision confirming for AUI a capital structure at 41 percent equity and 59 percent debt and establishing the 2004 rate of return on common equity at 9.6 percent. In August 2004, the AEUB confirmed the AUI revenue requirements negotiated for 2003 and 2004. AUI filed an application to allocate costs of service to rate classes and the hearing on resulting rate design concluded on January 14, 2005. A decision is expected early in the second quarter of 2005. AUI filed a General Rate Application for 2005 and 2006 in the fourth quarter of 2004, and expects a hearing in mid 2005.

Heritage received approval of a final Schedule of Rates, Tolls and Charges by the Nova Scotia Utility and Review Board in June of 2004. This decision approved the requested 13.25 percent return on equity, a 45 percent equity and 55 percent debt capital structure, an 8.75 percent cost of debt, the capital expenditure and revenue requirements, and resultant tariff to 2008.

Heritage activated its Nova Scotia natural gas distribution system in late December 2003 and is in the initial stages of its planned growth. During 2004 Heritage had installed services to 180 customers and had activated service to approximately 140 customers increasing its rate base to $14.7 million. Heritage is focused on building momentum behind a consumer movement to switch heating fuel sources in Nova Scotia's market place. The company has achieved the 150 customer commitments which meet the economic feasibility and revenue requirement tests for expansion of natural gas service to the town of Amherst and expects that natural gas service will be available to Amherst in the fourth quarter of 2005.

Net additions to capital assets in the Natural Gas Distribution segment were $9.6 million during the year ended December 31, 2004 compared to $16.8 million for the same period in 2003. Included in 2003 net capital additions is an amount of $10.2 million related to the retirement of AUI's prior years' capital contributions in aid of construction. There is an equal and offsetting amount charged to accumulated amortization.

SUMMARY OF EIGHT MOST RECENT QUARTERS

($ millions)	**Q4 04**	Q3 04	Q2 04	Q1 04	Q4 03	Q3 03[1]	Q2 03[1]	Q1 03[1]
Net revenue	**71.6**	61.5	59.5	57.2	61.0	53.3	51.2	54.4
Net income	**25.8**	17.1	11.9	11.0	12.0	9.3	6.8	10.2
($ per unit)								
Earnings								
Basic	**0.49**	0.33	0.25	0.24	0.26	0.20	0.15	0.23
Diluted	**0.48**	0.33	0.25	0.24	0.26	0.20	0.15	0.22
Dividends/distributions[2]	**0.45**	0.45	0.30	0.11	0.11	0.11	0.08	0.08

(1) Restated for the impacts of the adoption of CICA Handbook guidance on accounting for asset retirement obligations

(2) The Trust pays a 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. Prior to May 1, 2004 ASI paid dividends quarterly

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 the Trust's most profitable on the basis of the contribution from the Natural Gas Distribution segment which reports higher earnings in colder periods than in warmer periods.

Net income of $10.2 million in the first quarter of 2003 set a new high for AltaGas 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 2002 Suffield pipelines acquisition. Unplanned outages in the power services component, combined with higher than expected transmission costs, partially offset the gains made in the other segments. On April 1, 2003 AltaGas commenced selling power from the Genesee energy contract which 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 in 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 for power and by the increased volumes sold under the newly acquired 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 fourth 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 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. Higher NGL fractionation spreads at the Empress ATCO extraction plant contributed to the increase. In addition, power prices improved over the same quarter in the prior year. 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, incremental power volumes sold from the Genesee energy contract and to the completion of modifications to increase AltaGas' share of ethane production by 1400 Bbls/d at the EnCana-operated Empress extraction plant late in the quarter of 2003.

First quarter 2004 produced 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.

The second quarter of 2004 saw AltaGas convert from a corporate structure to an income trust. Very strong operational performance in the second quarter of 2004 was driven by volume increases in the Gathering and Processing segment from acquisitions and expansions and from higher power volumes sold. Net income of $11.9 million and income per unit of $0.25 both improved substantially compared to the same quarter of the prior year. During the quarter the Trust made its first public offering of units as an income trust and raised $88.5 million with net proceeds used to reduce the Trust's debt. This quarter also saw AltaGas commence monthly distributions to unitholders of $0.15 per unit.

The third quarter of 2004 was the first full quarter as an income trust. The Trust generated record funds from operations of $28.6 million and increased net income to $17.1 million or $0.33 per unit. Highlights for the quarter included the closing of EEEP, high NGLs fractionation spreads and the acquisition of the Alberta power peaking capacity.

Fourth quarter 2004 results are discussed in detail in an earlier section of this MD&A.

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' hedging relationships are effective and appropriately designated and documented and therefore gains and losses relating to hedges are deferred and recognized in the same period and financial statement category as the hedged transaction.

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 did not record compensation expense but 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 $0.3 million, and to reduce first quarter 2004 earnings by $0.1 million 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.

CRITICAL ACCOUNTING ESTIMATES

AltaGas' financial statements have been prepared in accordance with generally accepted accounting principles. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. AltaGas' critical accounting estimates continue to be amortization expense, asset retirement obligations and asset impairment assessment. For a full discussion of 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 with respect to 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 $7.13 per MWh to $165.47 per

MWh in the fourth quarter of 2004. Through the use of financial hedges on a portion of its 2004 power portfolio deemed optimal by management, AltaGas moderated the impact of this volatility on its business.

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 December 31, 2004 the Trust had interest rates fixed through swap transactions with varying terms to maturity on $200.0 million of its $239.2 million total drawn bank debt. Including AltaGas' medium term notes, the rate has been fixed on 85 percent of AltaGas' total debt, including capital leases. The amount of fixed rate debt was higher than the Trust's target of 70 to 75 percent of total debt due to the proceeds of the June 2004 equity offering being applied to floating rate debt.

INVESTED CAPITAL

During 2004, AltaGas acquired $130.2 million in capital assets, energy services arrangements, contracts and relationships and long term investments compared to $70.8 million in the previous year.

Growth capital accounted for $119.0 million of 2004 investment, and included gathering and processing facility acquisitions and expansions, investments in limited partnership units of Taylor, the acquisition of PremStar and the Alberta peaking plants capital lease. Maintenance capital projects amounting to $6.4 million in 2004 and $10.6 million in 2003 were undertaken mainly in the Gathering and Processing and Natural Gas Distribution segments. Also spent in 2004 was $4.8 million (2003 - $4.3 million) on administrative capital including computer hardware and software projects expected to increase the effectiveness of the operating and administrative functions of the Trust.

Invested capital by segment

For the three months ended December 31, 2004		**Gathering and Processing**		**Energy Services**		**Natural Gas Distribution**		**Total**
Net additions:								
Capital assets	**$**	**22.7**	**$**	**0.2**	**$**	**2.9**	**$**	**25.8**
Energy services arrangements, contracts and relationships		**-**		**18.4**		**-**		**18.4**
	$	**22.7**	**$**	**18.6**	**$**	**2.9**	**$**	**44.2**

For the three months ended December 31, 2003		Gathering and Processing		Energy Services		Natural Gas Distribution		Total
Net additions:								
Capital assets	$	21.8	$	1.0	$	11.0	$	33.8
Long-term investments and other assets		8.6		-		-		8.6
	$	30.4	$	1.0	$	11.0	$	42.4

For the year ended December 31, 2004	**Gathering and Processing**	**Energy Services**	**Natural Gas Distribution**	**Total**
Net additions:				
Capital assets	**$ 76.9**	**$ 15.1**	**$ 9.6**	**$ 101.6**
Energy services arrangements, contracts and relationships	**-**	**18.4**	**-**	**18.4**
Long-term investments and other assets	**9.4**	**-**	**0.8**	**10.2**
	$ 86.3	**$ 33.5**	**$ 10.4**	**$ 130.2**

For the year ended December 31, 2003	Gathering and Processing	Energy Services	Natural Gas Distribution	Total
Net additions:				
Capital assets	$ 33.3	$ 2.5	$ 16.8	$ 52.6
Long-term investments and other assets	18.2	-	-	18.2
	$ 51.5	$ 2.5	$ 16.8	$ 70.8

AltaGas categorizes its invested capital into maintenance, growth and administrative. The breakdown for 2004 and 2003 periods are:

Invested capital by activity

For the three months ended December 31, 2004	**Gathering and Processing**	**Energy Services**	**Natural Gas Distribution**	**Total**
Capital				
Maintenance	**$ 1.5**	**$ 0.2**	**$ 0.4**	**$ 2.1**
Growth	**19.9**	**18.4**	**2.0**	**40.3**
Administrative	**1.3**	**-**	**0.5**	**1.8**
	$ 22.7	**$ 18.6**	**$ 2.9**	**$ 44.2**

For the three months ended December 31, 2003	Gathering and Processing	Energy Services	Natural Gas Distribution	Total
Capital				
Maintenance	$ 4.2	$ 0.8	$ 0.6	$ 5.6
Growth	26.2	-	-	26.2
Administrative	-	0.2	0.2	0.4
Regulatory adjustment	-	-	10.2	10.2
	$ 30.4	$ 1.0	$ 11.0	$ 42.4

For the year ended December 31, 2004		**Gathering and Processing**		**Energy Services**		**Natural Gas Distribution**		**Total**
Capital								
Maintenance	**$**	**3.4**	**$**	**0.2**	**$**	**2.8**	**$**	**6.4**
Growth		**79.5**		**33.0**		**6.5**		**119.0**
Administrative		**3.4**		**0.3**		**1.1**		**4.8**
	$	**86.3**	**$**	**33.5**	**$**	**10.4**	**$**	**130.2**

For the year ended December 31, 2003		Gathering and Processing		Energy Services		Natural Gas Distribution		Total
Capital								
Maintenance	$	6.3	$	1.9	$	2.4	$	10.6
Growth		44.4		-		3.3		45.7
Administrative		2.8		0.6		0.9		4.3
Regulatory adjustment		-		-		10.2		10.2
	$	51.5	$	2.5	$	16.8	$	70.8

LIQUIDITY AND CAPITAL RESOURCES

Funds generated from operations for the year ended December 31, 2004 increased to $108.6 million from $90.2 million for the year ended December 31, 2003.

The Trust 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 2005. A description of the Trust's credit facilities can be found in Notes 7 and 8 to the consolidated financial statements included in ASI's 2003 Annual Report.

On June 10, 2004 the 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 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 and for general corporate purposes including AltaGas' ongoing capital program, the acquisition of EEEP and funding future acquisitions.

The use of debt or equity funding is based on AltaGas' capital structure determined by considering the norms and risks associated with each of its business components and segments. At December 31, 2004 AltaGas had total debt outstanding of $359.5 million compared to $396.9 million at December 31, 2003. AltaGas Operating Partnership had $100.0 million in medium term notes outstanding and AltaGas Holding Limited Partnership No.1 had access to prime loans, banker's acceptances and letters of credit though bank lines of approximately $425.0 million. At December 31, 2004 AltaGas Holding Limited Partnership No.1 had drawn bank debt of $239.2 million and letters of credit outstanding of $28.7 million. These two entities fund all operating subsidiaries. As an income trust, the Trust targets a debt to total capitalization ratio between 45 percent and 50 percent. The Trust's debt to total capitalization ratio as at December 31, 2004 decreased to 43 percent from 52 percent at December 31, 2003.

AltaGas had a working capital deficiency of $106.5 million at December 31, 2004 compared to working capital surplus of $9.1 million at December 31, 2003. The primary driver for this change in working capital is related to the classification of AltaGas' $100 million MTN balance to current portion of long term debt.

Following AltaGas' announcement in March 2004 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. The Trust has a stability rating of SR-3 (stable outlook) from S&P and STA-3 (mid) from 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 are not listed for trading on an exchange.

As of January 31, 2005 the Trust had 51.2 million trust units and 2.2 million exchangeable units outstanding and a market capitalization of $1.2 billion based on a closing trading price on January 31, 2005 of $23.36 per trust unit. There are 0.2 million options exercisable under the terms of the unit option agreement brought forward in the reorganization. All options currently issued 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

AltaGas entered into a capital lease with Maxim Energy Group Ltd. for the right to 25 megawatts of gas fired power peaking capacity in Alberta. AltaGas retains 100 percent of the ancillary service and peaking sales revenues. The contract has a 10 year term which commenced September 1, 2004 and includes an option at the end of the initial term to extend the term for a further 15 years or purchase the assets. The cost of the lease to AltaGas is $13.8 million which has been paid for with a cash prepayment of $0.8 million and a charge recorded to long term debt of $13.0 million, of which $1.0 million is due over the next twelve months.

There have been no other material changes to AltaGas' contractual obligations, since December 31, 2003. For further information on these contractual obligations, refer to the MD&A in ASI's 2003 Annual Report.

RELATED PARTIES

On each of October 17, 2003 and August 19, 2004 the Trust purchased 1.6 million units of Taylor NGL Limited Partnership (Taylor) from Taylor's treasury. AltaGas paid $8.7 million and $10.6 million respectively for the investments.

The Trust pays rent under a lease for office space to 2013761 Ontario Inc. which is owned by an employee. Payments of $21 thousand were made in 2004. The five year lease expires in 2007 and is renewable at the option of AltaGas for another five years.

OUTLOOK

The outlook for the Gathering and Processing segment for 2005 is positive as a result of the late August 2004 acquisition of EEEP and due to the expectation that drilling activity in the majority of AltaGas' operating areas is expected to remain strong given the favorable commodity pricing environment. In the Energy Services segment, spot power prices are anticipated to weaken however prices on hedges volumes are improved from 2004 levels. The full year impact of the addition of the 25 MW of power peaking capacity and the fourth quarter 2004 close of the PremStar acquisition in the gas services component are expected to contribute additional volumes in the power services and the gas services components.

SUBSEQUENT EVENTS

On February 7, 2005 the Trust sold 1.4 million units of its investment in Taylor for net proceeds of $12.8 million realizing a pre-tax gain of approximately $5.0 million. The sale reduces AltaGas' ownership in Taylor to 4.0 million units or 14.0 percent.

UNITHOLDER LIMITED LIABILITY LEGISLATION

On July 1, 2004, the Income Trusts Liability Act (Alberta) came into force which provides that a unitholder will not be, as a beneficiary, liable for any act, defaults, obligation or liability of the Trustee that arises after the particular provision of such legislation comes into force.

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 of the Trust, 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.

ALTAGAS INCOME TRUST
CONSOLIDATED BALANCE SHEETS

($ thousands)

	December 31, 2004 (unaudited)	December 31 2003
ASSETS		
Current assets		
Cash and cash equivalents	**$ 2,669**	$ -
Customer deposits	**26,550**	-
Accounts receivable	**160,507**	88,463
Inventory	**250**	1,879
Other	**4,845**	5,806
	194,821	96,148
Capital assets	**746,729**	677,911
Energy services arrangements, contracts and relationships	**113,102**	101,035
Goodwill	**18,860**	18,860
Future income taxes	**208**	208
Long-term investments and other assets	**34,876**	25,098
	$1,108,596	$ 919,260
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**$ 144,594**	$ 74,726
Distributions payable to unitholders	**7,979**	-
Short-term debt	**7,016**	4,493
Current portion of long-term debt	**101,001**	-
Customer deposits	**26,550**	-
Other	**14,193**	7,857
	301,333	87,076
Long-term debt	**251,462**	392,358
Asset retirement obligations	**16,122**	13,962
Future income taxes	**56,164**	62,537
	323,748	468,857
Unitholders' equity (notes 5 and 6)	**483,515**	363,327
	$1,108,596	$ 919,260

See accompanying notes to the consolidated financial statements

ALTAGAS INCOME TRUST
CONSOLIDATED STATEMENTS OF INCOME AND ACCUMULATED EARNINGS
(unaudited)

($ thousands except per unit amounts)

	Three months ended December 31		Year ended December 31	
	2004	2003	**2004**	2003
REVENUE				
Operating	**$ 311,179**	$ 178,818	**$ 857,419**	$ 709,766
Other	**580**	240	**1,800**	838
	311,759	179,058	**859,219**	710,604
EXPENSES				
Cost of sales	**240,204**	118,062	**609,449**	490,747
Operating and administrative	**30,964**	26,138	**116,393**	97,991
Amortization	**11,251**	8,917	**41,826**	38,312
	282,419	153,117	**767,668**	627,050
Operating income	**29,340**	25,941	**91,551**	83,554
Interest expense				
Short-term debt	**297**	27	**563**	1,406
Long-term debt	**5,051**	5,324	**20,576**	20,666
Income before income taxes	**23,992**	20,590	**70,412**	61,482
Income taxes	**(1,782)**	8,562	**4,611**	23,159
Net income	**25,774**	12,028	**65,801**	38,323
Accumulated earnings, beginning of period	**171,045**	119,322	**131,350**	93,027
Adjustment for change in accounting policy (note 3)	**-**	-	**(332)**	-
Accumulated earnings, end of period	**$ 196,819**	$ 131,350	**$ 196,819**	$ 131,350
Net income per unit (note 6)				
Basic	**$ 0.49**	$ 0.26	**$ 1.33**	$ 0.84
Diluted	**$ 0.48**	$ 0.26	**$ 1.31**	$ 0.84

See accompanying notes to the consolidated financial statements

ALTAGAS INCOME TRUST
CONSOLIDATED STATEMENTS OF CASH FLOW
(unaudited)

($ thousands)

	Three months ended December 31 2004	Three months ended December 31 2003	Year ended December 31 2004	Year ended December 31 2003
Cash from operations				
Net income	**$ 25,774**	$ 12,028	**$ 65,801**	$ 38,323
Items not involving cash:				
Amortization	**11,251**	8,917	**41,826**	38,312
Accretion of asset retirement obligations	**224**	134	**1,094**	920
Stock option compensation (note 3)	**-**	-	**2,490**	-
Future income taxes (recovery)	**(3,681)**	5,709	**(3,104)**	12,572
Loss (gain) on sale of assets and investments	**-**	(295)	**53**	(371)
Equity income	**(561)**	(227)	**(1,930)**	(719)
Distributions from equity investments	**808**	416	**1,976**	903
Other	**113**	(126)	**378**	236
Funds generated from operations	**33,928**	26,556	**108,584**	90,176
Decrease in deferred revenue and other	**-**	(336)	**-**	-
Net change in non-cash working capital	**34,473**	(11,370)	**39,122**	6,292
	68,401	14,850	**147,706**	96,468
Investing activities				
Increase in customer deposits	**(26,550)**	-	**(26,550)**	-
Acquisition of capital assets	**(27,348)**	(23,749)	**(94,786)**	(44,245)
Disposition of capital assets	**157**	684	**157**	1,370
Acquisition of energy services arrangements and contracts	**(12)**	(25)	**(12)**	(25)
Repayment of loan from related party (note 7)	**-**	29,000	-	-
Acquisition of long-term investments and other assets	**(844)**	(6,923)	**(13,693)**	(18,612)
Disposition of long-term investments and other assets	-	(179)	**3,444**	1,331
	(54,597)	(1,192)	**(131,440)**	(60,181)
Financing activities				
Increase (decrease) in operating loans and long-term debt	**4,103**	(9,140)	**(51,479)**	(22,647)
Dividends	**-**	(5,027)	**(5,051)**	(17,292)
Distributions to unitholders	**(23,650)**	-	**(53,672)**	-
Costs of issuing units on conversion (note 6)	**(272)**	-	**(8,620)**	-
Net proceeds from issuance of units and common shares (note 6)	**8,458**	509	**105,225**	3,652
	(11,361)	(13,658)	**(13,597)**	(36,287)
Change in cash and cash equivalents	**2,443**	-	**2,669**	-
Cash and cash equivalents, beginning of period	**226**	-	**-**	-
Cash and cash equivalents, end of period	**$ 2,669**	$ -	**$ 2,669**	$ -

See accompanying notes to the consolidated financial statements

ALTAGAS INCOME TRUST

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(tabular amounts in thousands of dollars)

1. STRUCTURE OF 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. These unaudited interim consolidated financial statements follow the continuity of interest basis of accounting whereby the Trust is considered a continuation of ASI. As a result, the comparative period 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 December 31, 2004.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 described in note 3. These interim consolidated financial statements for the quarter ending December 31, 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.

3. 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 or unit options. Based on the Black-Scholes option valuation model, stock or unit options are valued at the date of the grant and recognized as compensation expense over the vesting period. This change in accounting policy resulted in a reduction of opening retained earnings for 2004 of $0.3 million and an increase to equity contributed surplus.

Stock option compensation expense charged for the year ended December 31, 2004 is $2.5 million with an increase in contributed surplus. No compensation expense is recorded for stock options issued prior to January 1, 2002.

Prior to January 1, 2004 AltaGas accounted for stock based compensation using the intrinsic value method of accounting, whereby no compensation expense was recognized for stock options granted to employees or directors unless the market value of the stock exceeded the option’s exercise price at the date of grant. Consideration paid by employees or directors on the exercise of stock options was credited to unit capital. Options were issued at current market value, consequently no compensation was recorded.

4. ACQUISITIONS

On October 6, 2004 AltaGas acquired substantially all of the assets and liabilities of PremStar Energy Canada Ltd. and its subsidiaries ECNG Inc. and Energistics Group Inc. for $21.9 million including acquisition costs. Consideration paid was $1.5 million cash and Trust units with an ascribed value of $19.0 million. The acquisition was accounted for using the purchase method, whereby assets acquired are recorded at fair value and the results are included in these consolidated financial statements from the date of acquisition. The final allocation of the purchase price has not been finalized and may be subject to adjustments.

Net assets acquired	
Working capital	$ 2,568
Capital assets	905
Energy service arrangements and contracts	1,839
Energy service relationships	16,548
	21,860
Net acquisition costs	(1,341)
	$ 20,519

5. UNITHOLDERS' EQUITY

	December 31 2004	December 31 2003
Unitholders'/shareholders' capital (note 6)	**$ 386,638**	$ 268,040
Contributed surplus (note 3)	**2,823**	-
Accumulated earnings	**196,819**	131,350
Accumulated dividends	**(41,114)**	(36,063)
Accumulated unitholders' distributions	**(61,651)**	-
	$ 483,515	$ 363,327

For the year ended December 31, 2004 $5.1 million (2003 - $17.3 million) of dividends and $53.7 million (2003 - nil) of distributions were paid by the Trust.

6. UNITHOLDERS' CAPITAL

Authorized December 31, 2003

- an unlimited number of common shares without nominal or par value
- an unlimited number of preferred shares without nominal or par value

Authorized December 31, 2004

- an unlimited number of trust units redeemable for cash at the option of the holder
- an unlimited number of AltaGas Holding Limited Partnership No. 1 (LP1) class B limited partnership units (Exchangeable units) which are exchangeable into trust units on a one for one basis. Prior to May 1, 2014 the exchange is at the option of the unitholder at any time, and at the option of the Trust should the number of LP1 units outstanding fall below 750,000. After May 1, 2014 the exchange is at the option of either the Trust or unitholder
- an unlimited number of AltaGas Holding Limited Partnership No. 2 (LP2) class B limited partnership units (Exchangeable units) which are exchangeable into trust units on a one for one basis. Prior to May 1, 2009 the exchange is at the option of the unitholder at anytime, and at the option of the Trust should the number of LP2 units outstanding fall below 1,000,000. After May 1, 2009 the exchange is at the option of either the Trust or unitholder

Common shares issued and outstanding:	Number of shares	Amount
December 31, 2002	36,237,092	$ 175,326
Issued for cash on exercise of options	471,752	3,652
Issued for compensation	8,000	98
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)**
December 31, 2004	**-**	**-**
Preferred shares issued and outstanding:		
December 31, 2002	9,000,000	88,964
December 31, 2003	**9,000,000**	**88,964**
Converted to common shares	**(9,000,000)**	**(88,964)**
December 31, 2004	**-**	**-**
Trust units issued and outstanding:		
December 31, 2003	**-**	**-**
Units issued on conversion (net of $5.6 million of after tax conversion costs)	**33,668,068**	**194,073**
Units issued on public unit offering (net of $4.7 million of issuance costs)	**4,730,000**	**83,760**
Units issued on purchase of assets	**993,789**	**18,961**
Units issued for cash on exercise of options	**1,022,127**	**9,638**
Units issued under distribution reinvestment program	**521,326**	**10,038**
Units issued for exchangeable units	**8,889,931**	**50,879**
December 31, 2004	**49,825,241**	**367,349**
Exchangeable units issued and outstanding:		
December 31, 2003	**-**	**-**
Issued by LP1 (net of conversion costs)	**3,394,216**	**19,426**
Issued by LP2 (net of conversion costs)	**8,866,009**	**50,742**
LP1 units redeemed for Trust units	**(23,922)**	**(137)**
LP2 units redeemed for Trust units	**(8,866,009)**	**(50,742)**
December 31, 2004	**3,370,294**	**19,289**
Issued and outstanding December 31, 2004	**53,195,535**	**$ 386,638**

The Trust has an employee unit option plan under which both employees and directors are eligible to receive grants. At December 31, 2004 3,800,000 units were reserved for issuance under the plan. To December 31, 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. On May 1, 2004 subsequent to the establishment of the Trust all options granted were vested. There have been no options granted since May 1, 2004.

At December 31, 2004 outstanding options are exercisable at various dates to the year 2014 (2003 – 2013). Options outstanding under the plan have a weighted average exercise price of $9.02 (2003 - $8.74) and a weighted average remaining term of 7.44 years (2003 – 7.21 years). As at December 31, 2004 the unexpensed fair value of unit option compensation cost associated with future periods was nil (2003 - $2.3 million).

Expiry date	**Number of options**	**Exercise price**
2009	10,900	$7.00
2010	8,000	$5.20
2011	146,075	$6.09 - $7.25
2012	92,250	$6.50 - $9.75
2013	61,386	$9.48 - $15.05
2014	30,800	$15.14 - $15.87
	349,411	

	2004		2003	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Stock options outstanding, beginning of year	**1,506,362**	**$ 8.74**	1,670,676	$ 7.66
Granted	**107,000**	**15.07**	400,638	11.76
Exercised	**(1,231,576)**	**9.25**	(471,752)	7.74
Cancelled	**(32,375)**	**7.24**	(93,200)	7.47
Unit options outstanding, end of year	**349,411**	**$ 9.02**	1,506,362	8.74
Exercisable at end of year	**349,411**	**$ 9.02**	622,974	$ 7.75

The basic number of units outstanding for the year ended December 31, 2004 was 49.4 million (December 31, 2003 – 45.5 million ASI shares) and the diluted number of units outstanding for the year ended December 31, 2004 was 50.2 million (December 31, 2003 – 45.9 million ASI shares).

7. RELATED PARTY TRANSACTIONS

On September 4, 2003, the Trust loaned $29.0 million to Taylor NGL Limited Partnership (Taylor). The loan was interest bearing at prime plus one percent and was repaid on October 17, 2003. Interest earned by AltaGas on the loan was $0.2 million with fees of $0.4 million. On each of the October 17, 2003 and August 19, 2004 the Trust purchased 1.6 million units of Taylor from Taylor's treasury. AltaGas paid $8.7 million and $10.6 million for the respective investments.

The Trust pays rent under a lease for office space to 2013761 Ontario Inc. which is owned by an employee. Payments of $21 thousand were made in 2004. The five year lease expires in 2007 and is renewable at the option of AltaGas for another five years.

8. 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.

For the three months ended December 31, 2004	**Gathering and Processing**	**Energy Services**	**Natural Gas Distribution**	**Intersegment elimination**	**Total**
Revenue	**$ 76,119**	**$ 248,294**	**$ 41,988**	**$ (54,642)**	**$ 311,759**
Cost of sales	**(28,522)**	**(229,356)**	**(32,340)**	**50,014**	**(240,204)**
Operating and administrative expenses	**(26,687)**	**(4,725)**	**(4,180)**	**4,628**	**(30,964)**
Amortization	**(6,848)**	**(2,857)**	**(1,546)**	**-**	**(11,251)**
Operating income	**$ 14,062**	**$ 11,356**	**$ 3,922**	**$ -**	**$ 29,340**
Net additions:					
Capital assets	**$ 22,672**	**$ 210**	**$ 2,941**	**$ -**	**$ 25,823**
Energy Services arrangements, contracts and relationships	**$ -**	**$ 18,398**	**$ -**	**$ -**	**$ 18,398**
Long-term investments and other assets	**$ 7**	**$ -**	**$ -**	**$ -**	**$ 7**
Goodwill	**$ 18,860**	**$ -**	**$ -**	**$ -**	**$ 18,860**
Segment assets	**$ 784,837**	**$ 165,998**	**$ 157,761**	**$ -**	**$ 1,108,596**

For the three months ended December 31, 2003	**Gathering and Processing**	**Energy Services**	**Natural Gas Distribution**	**Intersegment elimination**	**Total**
Revenue	$ 45,456	$ 125,176	$ 34,744	$ (26,318)	$ 179,058
Cost of sales	(6,701)	(112,148)	(25,431)	26,218	(118,062)
Operating and administrative expenses	(20,227)	(1,998)	(4,013)	100	(26,138)
Amortization	(5,078)	(2,215)	(1,624)	-	(8,917)
Operating income	$ 13,450	$ 8,815	$ 3,676	$ -	$ 25,941
Net additions:					
Capital assets	$ 21,761	$ 987	$ 11,011	$ -	$ 33,759
Energy Services arrangements, contracts and relationships	$ -	$ 25	$ -	$ -	$ 25
Long-term investments and other assets	$ 8,599	$ -	$ -	$ -	$ 8,599
Goodwill	$ 18,860	$ -	$ -	$ -	$ 18,860
Segment assets	$ 614,401	$ 165,759	$ 139,100	$ -	$ 919,260

For the year ended December 31, 2004	**Gathering and Processing**	**Energy Services**	**Natural Gas Distribution**	**Intersegment elimination**	**Total**
Revenue	**$ 218,862**	**$ 630,412**	**$ 124,645**	**$ (114,700)**	**$ 859,219**
Cost of sales	**(53,985)**	**(570,485)**	**(93,991)**	**109,012**	**(609,449)**
Operating and administrative expenses	**(93,273)**	**(12,359)**	**(16,449)**	**5,688**	**(116,393)**
Amortization	**(26,195)**	**(9,294)**	**(6,337)**	**-**	**(41,826)**
Operating income	**$ 45,409**	**$ 38,274**	**$ 7,868**	**$ -**	**$ 91,551**
Net additions:					
Capital assts	**$ 76,894**	**$ 15,117**	**$ 9,605**	**$ -**	**$ 101,616**
Energy Services arrangements, contracts and relationships	**$ -**	**$ 18,398**	**$ -**	**$ -**	**$ 18,398**
Long-term investments and other assets	**$ 9,401**	**$ -**	**$ 848**	**$ -**	**$ 10,249**
Goodwill	**$ 18,860**	**$ -**	**$ -**	**$ -**	**$ 18,860**
Segment assets	**$ 784,837**	**$ 165,998**	**$ 157,761**	**$ -**	**$ 1,108,596**

For the year ended December 31, 2003	**Gathering and Processing**	**Energy Services**	**Natural Gas Distribution**	**Intersegment elimination**	**Total**
Revenue	$ 169,224	$ 510,797	$ 129,434	$ (98,851)	$ 710,604
Cost of sales	(28,807)	(461,492)	(98,866)	98,418	(490,747)
Operating and administrative expenses	(74,598)	(8,189)	(15,637)	433	(97,991)
Amortization	(23,555)	(8,513)	(6,244)	-	(38,312)
Operating income	$ 42,264	$ 32,603	$ 8,687	$ -	$ 83,554
Net additions:					
Capital assets	$ 33,316	$ 2,514	$ 16,796	$ -	$ 52,626
Energy Services arrangements, contracts and relationships	$ -	$ 25	$ -	$ -	$ 25
Long-term investments and other assets	$ 18,185	$ -	$ 56	$ -	$ 18,241
Goodwill	$ 18,860	$ -	$ -	$ -	$ 18,860
Segment assets	$ 614,401	$ 165,759	$ 139,100	$ -	$ 919,260

9. EMPLOYEE FUTURE BENEFITS

Substantially all full-time employees of the Trust'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 post retirement benefit cost recorded in the statement of income for the three and twelve months ended December 31, 2004 is $0.3 million (2003 - $0.3 million) and $1.1 million (2003 - $0.9 million) respectively.

10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current financial statement presentation.

11. 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.

12. SUBSEQUENT EVENTS

On February 7, 2005, the Trust sold 1.4 million units of its investment in Taylor for net proceeds of $12.8 million and pre-tax gain of $5.0 million. The sale reduces AltaGas' ownership in Taylor to 4.0 million units or 14.0 percent.

OTHER INFORMATION

FINANCIAL SUMMARY BY BUSINESS SEGMENT

($ millions)	**Q4/04**	Q3/04	Q2/04	Q1/04	Q4/03
Revenue					
Gathering and Processing					
Field gathering and processing	**33.3**	29.3	29.2	27.8	29.0
Extraction	**36.8**	16.9	10.8	10.4	10.2
Transmission	**6.6**	6.5	6.4	7.0	6.7
Intercomponent elimination	**(0.5)**	(0.6)	(0.5)	(0.5)	(0.5)
Energy Services	**248.3**	124.6	124.1	133.4	125.2
Natural Gas Distribution(1)	**41.9**	14.0	20.6	48.1	34.7
Intersegment elimination	**(54.6)**	(12.2)	(15.2)	(32.7)	(26.3)
	311.8	178.5	175.4	193.5	179.0
Net revenue					
Gathering and Processing					
Field gathering and processing	**33.3**	29.3	29.3	27.8	29.0
Extraction	**8.2**	5.5	3.6	3.5	3.5
Transmission	**6.6**	6.5	6.4	7.0	6.7
Intercomponent elimination	**(0.5)**	(0.6)	(0.5)	(0.5)	(0.5)
Energy Services	**18.9**	16.6	14.6	9.8	13.1
Natural Gas Distribution(1)	**9.7**	5.1	6.2	9.7	9.3
Intersegment elimination	**(4.6)**	(0.9)	(0.1)	(0.1)	(0.1)
	71.6	61.5	59.5	57.2	61.0
Operating income					
Gathering and Processing	**14.1**	12.1	7.2	12.0	13.4
Energy Services	**11.4**	11.6	10.0	5.3	8.8
Natural Gas Distribution(1)	**3.9**	(0.3)	0.4	3.9	3.7
	29.4	23.4	17.6	21.2	25.9

(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

	Q4/04	Q3/04	Q2/04	Q1/04	Q4/03
Gathering and Processing					
Field gathering and processing					
Processing capacity (gross Mmcf/d) (1)	**913**	906	906	901	861
Processed throughput (gross Mmcf/d) (2)	**558**	552	563	560	523
Capacity utilization (percent) (1)	**61**	61	62	62	61
Average working interest (percent) (1)	**90**	89	89	87	90
Extraction					
Licensed inlet capacity (Mmcf/d) (1)	**539**	539	349	349	349
Production (Bbls/d) (2)	**21,244**	13,054	9,337	10,020	9,159
Transmission volumes (Mmcf/d) (2) (4)	**432**	417	415	396	403
Energy Services					
Volume of power sold (thousands of MWh)	**879**	877	862	863	873
Price received on the sale of power ($/MWh) (2)	**50.17**	49.22	49.88	45.78	47.10
Average Alberta Power Pool prices ($/MWh) (2)	**54.95**	54.35	60.07	48.78	54.78
Natural Gas Distribution(5)					
Customers	**60,430**	60,048	59,266	59,528	59,543
Volume of natural gas distributed					
Sales (Bcf) (6)	**4.5**	1.5	2.2	5.5	4.5
Transportation (Bcf)	**2.8**	2.6	2.6	3.0	3.0
Degree day variance (percent) (3)	**(4.4)**	24.8	11.5	2.0	3.4

(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 and Heritage Gas operating statistics
(6) Q2 and Q3 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

CONFERENCE CALL

The Trust will hold a conference call on March 2, 2005 at 3:30 p.m. (ET) to comment on its 2004 fourth quarter and year end results. The discussion will be followed by a question and answer period.

To participate in the conference call, you may dial 416-640-4127 or 800-814-4857 toll-free. Shortly after the conclusion of the live call, a replay will be available by dialing 416-640-1917 or 877-289-8525. The pass code is 21111354 followed by the pound key. The replay will expire at midnight (ET) on March 9, 2005.

ABOUT ALTAGAS INCOME TRUST

The Trust moves energy from its source to the end user, adding value through the process. The Trust has consolidated assets totaling over $1 billion and a market capitalization of over $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' Income Trust nits 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.

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