ALTAGAS REPORTS 25 PERCENT INCREASE IN YEAR-TO-DATE NET INCOME AND INCREASES MONTHLY DISTRIBUTION BY 3 PERCENT

CALGARY, August 9, 2006 (TSX: ALA.UN) AltaGas Income Trust (AltaGas or the Trust) today announced net income of $29.9 million ($0.54 per unit) for the three months ended June 30, 2006, up from $19.1 million ($0.35 per unit) in the same period of 2005. Net income for the six months ended June 30, 2006 was $58.5 million ($1.06 per unit) compared to $46.7 million ($0.87 per unit) in the same period in 2005 - an increase of 25 percent.

AltaGas also announced that the Board of Directors of AltaGas General Partner Inc., delegate of the Trustee, increased its monthly cash distribution to $0.17 per trust and exchangeable unit ($2.04 per unit annualized) from $0.165 per unit ($1.98 per unit annualized). Payable on September 15, 2006 to unitholders of record on August 25, 2006, the distribution represents a 3 percent increase over the previous monthly distribution. AltaGas' total distributions declared in second quarter 2006 were $0.495 per unit.

"We are pleased with our results so far this year. Our Power Generation and Extraction and Transmission businesses have contributed to our solid earnings growth and we are on track for another successful year," said David Cornhill, Chairman, President and CEO of the Trust. He added, "Today our Board approved our second distribution increase this year. We are proud of our strong track record of enhancing unitholder value."

Net income in second quarter 2006 was higher than in 2005 due to higher power prices received and lower transmission costs in the Power Generation segment, a $6.6 million non-cash future income tax benefit as a result of a reduction in federal and Alberta corporate income tax rates, lower interest expense due to lower debt balances and interest rates, and higher natural gas liquids fractionation spreads. These increases were partially offset by higher administrative and compensation expenses and a lower contribution from the Field Gathering and Processing (FG&P) segment as a result of operational issues that have since been resolved.

Year-to-date net income was impacted by the same factors as the quarter. Results in first half of 2005 included a one-time after-tax gain of $7.9 million on the sale of Taylor NGL Partnership (Taylor) units and a non-recurring loss from the Taylor investment of $0.4 million. Results in the second quarter and first half of 2005 also included contributions from the Natural Gas Distribution (NGD) segment, which was spun-out into a separate publicly traded entity in November 2005.

FINANCIAL HIGHLIGHTS [1]

- Funds generated from operations were $35.3 million ($0.64 per unit) for second quarter 2006, compared to $30.4 million ($0.56 per unit) for the same period in 2005. Funds generated from operations for the first half of 2006 were $76.9 million ($1.40 per unit), up from $61.5 million ($1.15 per unit) in the first half of 2005. In 2005, funds generated from operations included the NGD business, and excluded proceeds from the Taylor unit disposition.

- Earnings before interest, taxes, depreciation and amortization were $37.4 million ($0.68 per unit) this quarter, compared to $34.1 million ($0.63 per unit) in the same quarter in 2005. EBITDA for the first half of 2006 was $83.5 million ($1.52 per unit), up from $80.4 million ($1.50 per unit) in the first half of 2005. EBITDA in the first half of 2005 included $9.2

million related to the gain on disposition of Taylor units and $2.3 million and $9.5 million in the second quarter and first half of 2005, respectively, related to the NGD business.

- Total debt was $277.2 million, compared to $269.0 million at December 31, 2005. The Trust's debt-to-total capitalization ratio was 35.5 percent, versus 36.0 percent at the end of 2005.

(1) *Includes non-GAAP financial measures. Please see discussion in Non-GAAP Financial Measures section of the Trust's second quarter Management's Discussion and Analysis.*

IN THE SECOND QUARTER, ALTAGAS:

- Formed the GreenWing Energy Development Limited Partnership to develop a portfolio of power projects in North America with potential to develop approximately 800 MW of generation capacity.

- Signed a Memorandum of Agreement with Aeolis Wind Power Corporation (Aeolis) to jointly pursue the development of an additional 300 MW of wind power in British Columbia. At the same time, AltaGas signed a financial commitment letter with Bear Mountain Wind Limited Partnership (BMWLP), a partnership in which AltaGas has 50 percent interest, to fund a portion of the proposed Bear Mountain Wind Farm in northeast British Columbia, near Dawson Creek.

- Announced it had committed approximately $16 million of capital expenditures to April 2006 in response to continued high levels of drilling activity in many of AltaGas' field gathering and processing locations. Of this capital, $9 million is expected to increase throughput at the Prairie River gas plant by up to 10 Mmcf/d beginning in the third quarter of 2006.

SUBSEQUENT TO THE SECOND QUARTER, ALTAGAS:

- Announced it will acquire a 93 percent interest in the new 10 Mmcf/d Clear Hills sour gas processing facility and a 100 percent interest in an associated 16 kilometre sour gas gathering line in Northwest Alberta. The acquisition is currently expected to cost approximately $14 million and expected to be fully commissioned in the third quarter.

- On July 27, 2006 the Trust and Aeolis announced that BMWLP was one of the winning bidders in the BC Hydro Fiscal 2006 Open Call for Power. The proposed 120 MW Bear Mountain Wind Park is located in northeast British Columbia, near Dawson Creek. BC Hydro has issued the energy purchase contracts with a requirement for winning bidders to sign by the end of August. Conditions precedent must be satisfied before the project proceeds.

AltaGas will hold a teleconference today at 2:00 p.m. Mountain time (4:00 p.m. Eastern) to discuss the second quarter 2006 financial and operating results and other general issues and developments concerning the Trust. Members of the media, investment community and other interested parties may dial 416-695-5259 or call toll free at 1-877-888-4210. No passcode is required. Please note that the conference call will also be webcast. To listen, please connect here: http://events.onlinebroadcasting.com/altagas/080906/index.php.

Shortly after the conclusion of the call, a replay will be available by dialing 416-695-5275 or 1-888-509-0081. The passcode is 627634. The replay will expire at midnight (Eastern) on August 15, 2006. The webcast will be archived for one year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The 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 August 9, 2006 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 interim Consolidated Financial Statements of the Trust as at and for the three and six-month periods ended June 30, 2006 and the Notes thereto and with the audited Consolidated Financial Statements and MD&A contained in the Trust's annual report for the year ended December 31, 2005.

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. In particular, this MD&A contains forward-looking statements with respect to, among others things, business objectives, expected growth, results of operations, performance, business projects and opportunities and financial results. 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 based on certain material factors and assumptions and are subject to certain risks and uncertainties including without limitation, changes in market competition, governmental or regulatory developments, general economic conditions and other factors set out in the Trust's public disclosure documents. Many factors could cause the Trust's actual results, performance or achievements to vary from those described in this MD&A, including without limitation those listed above. These factors should not be construed as exhaustive. 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, sought, proposed, 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 MD&A. The Trust does not intend, and does not assume any obligation, to update these forward-looking statements. The forward-looking statements contained in this MD&A are expressly qualified as cautionary statements.

Additional information relating to AltaGas 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 favour of a plan of arrangement to reorganize the business of ASI into an open-ended investment trust effective May 1, 2004. For each common share of ASI, shareholders received either one unit of the Trust (trust unit) or one exchangeable unit of AltaGas Holding Limited Partnership No. 1 (AltaGas LP#1) or AltaGas Holding Limited Partnership No. 2 (AltaGas LP#2) (trust units and exchangeable units being collectively units). As a result of implementing the reorganization, the Trust indirectly held through its subsidiaries and partnerships all of the assets, liabilities and businesses formerly owned by ASI. The material businesses of the Trust are operated by AltaGas Ltd., AltaGas Operating Partnership, AltaGas Limited Partnership, AltaGas Pipelines Partnership, as well as PremStar Energy Canada Limited Partnership and ECNG Limited Partnership (collectively the operating subsidiaries). AltaGas Utilities Inc. was owned by the Trust until the November 17, 2005 spin-out of the Natural Gas Distribution segment. The cash flow of the Trust is solely dependent on the results of the operating subsidiaries and is derived from operating income earned from partnership interests held by AltaGas LP#1, from interest earned on loans to the operating subsidiaries and from dividends or returns of capital from equity interests held within the trust structure.

AltaGas General Partner Inc., through its Board of Directors, the members of which are elected by the Trust at the direction of the holders of the units, has been delegated by the trustee of the Trust to manage or supervise the management of the business and affairs of the Trust. AltaGas Ltd. provides all management, administrative and operating services to the Trust and its subsidiaries.

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 and debt repayment requirements of the Trust. The Trust targets to pay substantially all of its ongoing sustainable distributable cash through regular monthly distributions made to unitholders.

The Trust commenced monthly distributions of $0.15 for each trust unit and exchangeable unit on June 15, 2004. AltaGas 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.

The Trust's monthly cash distribution was increased to $0.16 per unit, an increase of 7 percent from $0.15 per unit, payable to unitholders of record on August 25, 2005.

On March 1, 2006, the Trust's monthly cash distribution was increased to $0.165 per unit payable to unitholders of record on March 27, 2006. During second quarter 2006, AltaGas declared cash distributions of $0.495 per unit compared to $0.45 per unit in second quarter 2005.

On August 9, 2006 the Trust's monthly cash distribution was increased to $0.17 per unit payable to unitholders of record on August 25, 2006.

On November 17, 2005 the Trust completed the spin-out of its 100 percent owned subsidiary AltaGas Utility Group Inc. (Utility Group), as a separate, publicly traded corporation. As part of the spin-out, the Trust distributed one common share of Utility Group (valued at $7.50 per share) for every 13.9592 trust units held on November 14, 2005.

The following table summarizes AltaGas' dividend and distribution declaration history since 2003(1):

($ per unit)	**2006**	2005	2004	2003
First quarter	**$ 0.485**	$ 0.45	$ 0.11	$ 0.08
Second quarter	**0.495**	0.45	0.30	0.08
Third quarter		0.47	0.45	0.11
Fourth quarter		0.48	0.45	0.11
Distribution of shares(2)		0.54	-	-
	$ 0.98	$ 2.39	$ 1.31	$ 0.38

(1) Dividends were paid to shareholders from first quarter 2001 through first quarter 2004 prior to the reorganization of AltaGas Services Inc. into AltaGas Income Trust. The trust conversion occurred in May 2004 and monthly distributions were declared to unitholders beginning May 2004.

(2) One share of Utility Group was issued for every 13.9592 trust units held on November 14, 2005.

On May 20, 2004, AltaGas adopted a Premium Distribution™, Distribution Reinvestment and Optional Unit Purchase Plan (DRIP) for eligible holders of trust units and exchangeable units of AltaGas Income Trust, AltaGas LP#1, and AltaGas LP#2. DRIP participation generated $11.6 million in new equity through the issuance of 0.4 million trust units for the quarter ended June 30, 2006. By June 30, 2006, the DRIP had contributed a total of $58.8 million of new equity and 2.4 million new units. Complete details on the DRIP are available on the AltaGas website at www.altagas.ca.

CONSOLIDATED RESULTS

Consolidated Financial Results ($ millions)	**2006**	Three months ended June 30 2005	**2006**	Six months ended June 30 2005
Revenue	**299.6**	325.6	**677.4**	678.5
Net revenue(1)	**72.8**	67.5	**151.9**	146.9
EBITDA(1)	**37.4**	34.1	**83.5**	80.4
Operating income(1)	**26.0**	22.0	**61.0**	56.2
Net income	**29.9**	19.1	**58.5**	46.7
Total assets	**1,000.6**	1,069.6	**1,000.6**	1,069.6
Total long-term liabilities	**341.9**	303.4	**341.9**	303.4
Net additions to capital assets	**15.0**	8.5	**33.2**	3.6
Cash flows				
Funds generated from operations(1)	**35.3**	30.4	**76.9**	61.5
Distributable cash(1)	**33.7**	27.9	**73.7**	57.6
Distributions paid(2)	**27.3**	24.2	**53.6**	48.2
($ per unit)				
EBITDA(1)	**0.68**	0.63	**1.52**	1.50
Net income	**0.54**	0.35	**1.06**	0.87
Cash flows				
Funds generated from operations(1)	**0.64**	0.56	**1.40**	1.15
Distributable cash(1)	**0.61**	0.52	**1.34**	1.07
Distributions paid(2)	**0.495**	0.45	**0.975**	0.90
Units outstanding (millions)				
Weighted average number of units outstanding for the period (basic)	**55.2**	53.8	**55.0**	53.6
End of period	**55.4**	54.0	**55.4**	54.0

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

(2) Distributions paid of $0.165 per unit per month commencing in April 2006. From September 2005 to March 2006 distributions of $0.16 per unit per month were paid. From June 2004 to August 2005 distributions of $0.15 per unit per month were paid.

CONSOLIDATED FINANCIAL REVIEW

Net income for the three and six months ended June 30, 2006 was $29.9 million ($0.54 per unit) and $58.5 million ($1.06 per unit) respectively, compared to $19.1 million ($0.35 per unit) and $46.7 million ($0.87 per unit) for the same periods in 2005. The increase in net income for second quarter 2006 was due to higher prices received on power volumes sold, lower power transmission costs, $6.6 million in lower taxes related to future income tax recoveries, which reflected substantively enacted reductions to both federal and Alberta corporate tax rates, lower interest expense and higher natural gas liquids fractionation spreads (frac spreads). The growth in the FG&P segment was partially offset by the negative impact of planned and unplanned downtime at the Bantry and Rainbow Lake facilities.

The increase in net income for the six months ended June 30, 2006 was due to higher prices received on power volumes sold, lower power transmission costs, $6.6 million in lower taxes related to future income tax recoveries, lower interest expense, growth in the FG&P segment and higher frac spreads, partially offset by the negative impact of planned and unplanned downtime at the Bantry and Rainbow Lake facilities. Net income in the first half of 2006 was also reduced by the spin-out of the NGD segment which occurred in November 2005, while an after-tax gain of $7.9 million on the sale of Taylor units in first quarter 2005 contributed to net income in the first half of 2005.

Funds generated from operations for the second quarter and first half of 2006 were $35.3 million and $76.9 million respectively, compared to $30.4 million and $61.5 million in the same periods last year. The increases were due to stronger operating results in second quarter and first half of 2006 compared to the same periods last year.

On a consolidated basis net revenue for the three months ended June 30, 2006 was $72.8 million compared to $67.5 million in the same quarter last year. The increase was due to higher power prices received on power sold and lower transmission costs in the Power Generation segment, higher operating cost recoveries, expansions and acquisitions in the FG&P segment, higher frac spreads and the acquisition of iQ2, partially offset by the spin-out of the NGD business in November 2005. Net revenue reported by the NGD segment in second quarter 2005 was $6.9 million. Second quarter 2005 included a one-time negative adjustment of $0.6 million related to the Trust's investment in Taylor.

Net revenue for the six months ended June 30, 2006 was $151.9 million compared to $146.9 million in the same period in 2005. The increase was due to the same factors as described for the second quarter. The first half of 2005 net revenue included $9.2 million from the gain on the sale of the Taylor units as well as a one-time negative adjustment of $0.6 million for the management reorganization related to Taylor, and $18.7 million from the NGD business which was spun-out in late 2005. Excluding the impact of the Taylor gain and the NGD segment, net revenue in the first half of 2006 increased 27 percent compared to the same period last year.

In the Power Generation, Energy Services and Extraction and Transmission segments, net revenue, which is revenue less the cost of commodities purchased for sale and shrinkage, better reflects performance than does revenue, as changes in the market price of natural gas and power affect both revenue and cost of goods sold.

Operating and administrative expenses for the three and six months ended June 30, 2006 were $35.4 million and $68.4 million respectively, compared to $33.4 million and $66.5 million for the same periods in 2005. The increases were due to higher overall operating and administrative costs, additional costs from new FG&P facilities and higher costs due to the acquisition of iQ2. These increases were offset by the spin-out of the NGD segment in fourth quarter 2005, which reported operating and administrative costs of $4.6 million and $9.2 million in the three and six months ended June 30, 2005 respectively. Increased costs of $0.4 million and $1.2 million in second quarter and first half of 2006 respectively were incurred to meet new certification requirements for reporting issuers mandated by the Canadian Securities Administrators.

Amortization expense for the three and six months ended June 30, 2006 decreased to $11.4 million and $22.5 million respectively, from $12.1 million and $24.2 million in the same periods last year. The decreases were due to the spin-out of the NGD segment, partially offset by increases related to the growth in capital assets resulting from acquisitions and internal expansion projects, higher depletion expense related to the Trust's oil and gas properties and to amortization related to the acquisition of Energy Services contracts.

Interest expense for the three and six months ended June 30, 2006 was $3.4 million and $6.7 million respectively, compared to $5.0 million and $10.1 million for the same periods last year. The decreases in both periods were due to lower average debt balances as a result of using the proceeds of the November 17, 2005 spin-out of the NGD segment to repay $85.4 million of debt, and higher funds generated from operations. Also contributing to the lower interest expense was a lower average borrowing rate of 4.93 percent in second quarter 2006 (first half 2006 – 4.92 percent), compared to 5.92 percent in second quarter 2005 (first half 2005 – 5.89 percent), driven by the 2005 refinancing of term debt at lower rates.

Income taxes for the three and six months ended June 30, 2006 were recoveries of $7.3 million and $4.2 million, respectively, compared to recoveries of $2.1 million and $0.6 million for the same periods in 2005. During the second quarter of 2006, the federal and Alberta governments substantially enacted income tax rate reductions, resulting in a non-recurring reduction in income tax expense of $6.6 million. Before the non-recurring reductions, income taxes for the three and six months ended June 30, 2006 were a recovery of $0.7 million and an expense of $2.2 million, respectively. The increased income tax expense was due to higher net income in 2006, as well as the 2005 effective tax rates being reduced by the Taylor capital gain reported in first quarter 2005. Income taxes reported for first half of 2005 also included an expense of $1.0 million related to the NGD segment.

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 entities.

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.

Net Revenue		Three months ended June 30		Six months ended June 30	
($ millions)		**2006**	2005	**2006**	2005
Net revenue		**72.8**	67.5	**151.9**	146.9
Add:	Cost of sales	**226.8**	258.1	**525.5**	531.6
Revenue (GAAP financial measure)		**299.6**	325.6	**677.4**	678.5

In the Power Generation, Energy Services and Extraction and Transmission segments, net revenue is a better measure of business performance than revenue, as changes in the market price of power and natural gas purchased for resale and shrinkage affect both revenue and cost of sales.

Operating Income		Three months ended June 30		Six months ended June 30	
($ millions)		**2006**	2005	**2006**	2005
Operating income		**26.0**	22.0	**61.0**	56.2
Add (deduct):	Interest	**(3.4)**	(5.0)	**(6.7)**	(10.1)
	Income taxes	**7.3**	2.1	**4.2**	0.6
Net income (GAAP financial measure)		**29.9**	19.1	**58.5**	46.7

AltaGas reports segmented operating income in the Notes to the Consolidated Financial Statements.

EBITDA		Three months ended June 30		Six months ended June 30	
($ millions)		**2006**	2005	**2006**	2005
EBITDA		**37.4**	34.1	**83.5**	80.4
Add (deduct):	Amortization	**(11.4)**	(12.1)	**(22.5)**	(24.2)
	Interest	**(3.4)**	(5.0)	**(6.7)**	(10.1)
	Income taxes	**7.3**	2.1	**4.2**	0.6
Net income (GAAP financial measure)		**29.9**	19.1	**58.5**	46.7

EBITDA is provided to assist in understanding the Trust's ability to generate cash and cover interest payments.

Funds Generated From Operations		Three months ended June 30		Six months ended June 30	
($ millions)		**2006**	2005	**2006**	2005
Funds generated from operations		**35.3**	30.4	**76.9**	61.5
Add (deduct):	Net change in non-cash working capital and ARO and other costs incurred	**8.5**	1.5	**(7.4)**	(13.4)
Cash from operations (GAAP financial measure)		**43.8**	31.9	**69.5**	48.1

Funds generated from operations is provided to assist in determining the Trust's ability to generate cash from operations, after interest and taxes, without regard to changes in the Trust's non-cash working capital and asset retirement and other expenditures in the period.

Distributable Cash	Three months ended	June 30	Six months ended	June 30
($ millions)	**2006**	2005	**2006**	2005
Distributable cash flow	**33.7**	27.9	**73.7**	57.6
Add (deduct): Maintenance capital expenditures	**1.6**	2.5	**3.2**	3.9
Net change in non-cash working capital and ARO and other costs incurred	**8.5**	1.5	**(7.4)**	(13.4)
Cash from operations (GAAP financial measure)	**43.8**	31.9	**69.5**	48.1

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

RESULTS OF OPERATIONS BY SEGMENT

Operating Income	Three months ended	June 30	Six months ended	June 30
($ millions)	**2006**	2005	**2006**	2005
Field Gathering and Processing	**4.0**	5.7	**10.9**	11.3
Extraction and Transmission	**9.4**	7.6	**17.7**	15.7
Power Generation	**18.5**	12.0	**41.3**	20.1
Energy Services	**0.4**	0.7	**1.0**	2.5
Natural Gas Distribution	**-**	0.3	**-**	5.5
Corporate	**(6.3)**	(4.3)	**(9.9)**	1.1
	26.0	22.0	**61.0**	56.2

FIELD GATHERING AND PROCESSING

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

Financial Results	Three months ended	June 30	Six months ended	June 30
($ millions)	**2006**	2005	**2006**	2005
Revenue	**33.5**	31.0	**68.0**	61.6
Net revenue	**31.0**	28.6	**62.9**	56.6
Operating and administrative expense	**21.2**	17.9	**40.4**	35.2
Amortization expense	**5.8**	5.0	**11.6**	10.1
Operating income	**4.0**	5.7	**10.9**	11.3

Operating Statistics	Three months ended June 30		Six months ended June 30	
	2006	2005	**2006**	2005
Capacity (Mmcf/d)[1]	**1,002**	916	**1,002**	916
Throughput (gross Mmcf/d)[2]	**565**	561	**568**	560
Capacity utilization (percent)[2]	**56**	62	**57**	61
Average working interest (percent)[1]	**90**	89	**90**	89

(1) As at June 30.

(2) Average for the period.

Results of Operations

Operating income in the FG&P segment in second quarter and first half of 2006 was $4.0 million and $10.9 million respectively compared to $5.7 million and $11.3 million in the same periods last year. The decreases were mainly due to planned and unplanned downtime at AltaGas' Bantry facility and upstream disruptions at the Rainbow Lake plant. The decreases were partially offset by increased earnings from new and expanded facilities added in late 2005 and early 2006, including Blair Creek, Clear Prairie, Princess, Marten Creek and Iron Creek and the receipt in first quarter 2006 of approximately $1.0 million from take-or-pay contractual provisions.

Utilization reported in second quarter 2006 was 56 percent, compared to the 62 percent reported in the same quarter last year and 57 percent in the first half of this year. The first quarter 2006 start-up of Princess and Clear Prairie increased the June 30, 2006 period-end capacity, but the facilities were not operating at normal levels by June 30, lowering utilization by 3 percentage points in the second quarter. Volumes at these facilities are expected to ramp up throughout the remainder of the year. Also contributing to the utilization decline in the first half of 2006 were planned and unplanned downtime at Bantry and third-party disruptions at Rainbow Lake, reducing utilization by a further 1 percentage point. Both facilities resumed normal operations by the end of the second quarter. The second quarter is historically when volumes are impacted by lower producer activity associated with spring breakup, producer maintenance activity and AltaGas maintenance activity. This activity has been offset this year by new volumes processed at Princess, Blair Creek and Clear Prairie.

Revenue in the FG&P segment in second quarter and first half of 2006 was $33.5 million and $68.0 million respectively compared to $31.0 million and $61.6 million in the same periods last year. Net revenue increased to $31.0 million from $28.6 million in the second quarter and to $62.9 million from $56.6 million for the first half of the year. The increase of $2.5 million in second quarter 2006 was mainly due to increased throughput from expansions and additions, higher gathering and processing fees and higher operating cost recoveries, partially offset by downtime at the Bantry facility and upstream disruptions at Rainbow Lake. The increase of $6.4 million in the first half of 2006 was due to the same factors as the second quarter increase as well as a take-or-pay receipt resulting from a contractual arrangement in first quarter 2006.

Operating and administrative expense in the FG&P segment in second quarter and first half of 2006 was $21.2 million and $40.4 million respectively, compared to $17.9 million and $35.2 million in the same periods last year. New facilities and expansions of existing facilities, higher repair and maintenance costs, higher power costs, and higher overall operating costs contributed to the increases in the quarter and the first half of 2006. A positive equalization adjustment of $0.7 million recorded in the first quarter last year also contributed to the year-over-year increase in operating and administrative expense.

Amortization expense in the FG&P segment in second quarter and first half of 2006 was $5.8 million and $11.6 million respectively, compared to $5.0 million and $10.1 million in the same periods last year due to amortization of new plants including Blair Creek, Princess, Clear Prairie, and other capital additions in 2005 and early 2006.

Operating income as a percentage of net revenue in the FG&P segment in second quarter and first half of 2006 was 13 percent and 17 percent respectively, compared to 20 percent in the same periods in 2005. The decreases were mainly due to operational upsets at the Bantry and Rainbow Lake facilities, which reduced operating income while higher operating cost recoveries and take-or-pay receipts in the first half of the year contributed to increases in net revenue.

Outlook

AltaGas expects that full-year 2006 FG&P results will continue to benefit from the 2005 and early 2006 acquisitions and expansions. With return to normal operations at Bantry and Rainbow Lake and contribution of new facilities, utilization rates are expected to increase to levels closer to AltaGas' historical norms over the course of the year. While the natural gas industry has been experiencing some contraction in drilling activity, AltaGas continues to experience strong well tie-ins and does not anticipate any significant impact to its FG&P segment as a result of the contraction over the remainder of the year.

The expansion at Prairie River and equipment modifications resulting in throughput increases at Iron Creek and Rainbow Lake announced in second quarter 2006 are expected to begin contributing to earnings during third quarter 2006. The Clear Hills acquisition announced on July 6, 2006 is expected to begin contributing to operating income upon commissioning of the facility at the end of August 2006. A turnaround is planned at Rainbow Lake for early September to coincide with planned downstream pipeline outages. AltaGas expects that the third quarter will strengthen as operational issues at Bantry and Rainbow Lake have been resolved.

EXTRACTION AND TRANSMISSION

The Extraction and Transmission segment includes ethane and natural gas liquids (NGL) extraction plant interests and transmission pipelines.

Financial Results	Three months ended June 30		Six months ended June 30	
($ millions)	**2006**	2005	**2006**	2005
Revenue	**37.4**	43.3	**73.5**	86.2
Net revenue	**15.3**	13.4	**29.7**	27.1
Operating and administrative expense	**4.0**	3.9	**8.2**	7.7
Amortization expense	**1.9**	1.9	**3.8**	3.7
Operating income	**9.4**	7.6	**17.7**	15.7

Operating Statistics	Three months ended June 30		Six months ended June 30	
	2006	2005	**2006**	2005
Extraction				
Inlet capacity (mmcf/d)(1)	**539**	539	**539**	539
Production (Bbls/d)(2)	**18,976**	18,883	**19,188**	19,987
Transmission volumes (Mmcf/d)(2) (3)	**399**	434	**399**	432

(1) As at June 30.

(2) Average for the period.

(3) Excludes condensate pipeline volumes.

Results of Operations

Operating income in the Extraction and Transmission (E&T) segment in second quarter 2006 and first half of the year was $9.4 million and $17.7 million respectively, compared to $7.6 million and $15.7 million for the same periods last year. The increases were mainly due to higher NGL frac spreads in the extraction business. Frac spreads in second quarter and first half of 2006 were in excess of $22.00/Bbl and $18.00/Bbl respectively compared to about $10.00/Bbl in the same periods in 2005. Operating income for the transmission business for the quarter and the first six months of 2006 was essentially flat compared to 2005.

Average ethane and NGL volumes extracted increased to 18,976 Bbls/d in second quarter 2006, from 18,883 Bbls/d in the same quarter last year. While yields were slightly lower than in 2005, a plant turnaround at Joffre and a severe wind storm in June 2005 at Empress resulted in a temporary shutdown reducing production in second quarter 2005. The volume changes had minimal impact on financial results due to contractual arrangements in place. Transmission volumes declined in second quarter 2006 compared to the second quarter last year. These decreases have minimal impact on financial results due to cost of service and take-or-pay contractual arrangements in place.

Revenue in the E&T segment in second quarter and first half of 2006 was $37.4 million and $73.5 million respectively, compared to $43.3 million and $86.2 million in the same periods last year. The decreases were mainly due to purchasing arrangements associated with the replacement of shrinkage gas in the extraction business

Net revenue in second quarter and first half of 2006 was $15.3 million and $29.7 million respectively, compared to $13.4 million and $27.1 million in the same periods last year. The increases in net revenue were mainly due to higher NGL frac spreads and higher operating cost recoveries.

Operating and administrative expense in the E&T segment in second quarter 2006 and first half of the year was $4.0 million and $8.2 million respectively, compared to $3.9 million and $7.7 million in the same periods last year. The increase in second quarter 2006 was mainly due to general increases in operating and administrative expenses, and to increases in power costs. The year-to-date increase was also impacted by higher power usage due to a gear box malfunction at the Provident-operated Empress extraction plant in first quarter 2005 that resulted in lower power consumption.

Amortization in the E&T segment in second quarter 2006 and first half of the year was relatively flat at $1.9 million and $3.8 million respectively, compared to $1.9 million and $3.7 million in the same periods last year.

Operating income as a percentage of net revenue in the E&T segment in second quarter 2006 and first half of the year was 61 percent and 60 percent respectively, compared to 57 percent and 58 percent in the same periods last year. The increases were mainly due to higher NGL frac spreads in the extraction business.

Outlook

The E&T segment is expected to continue to deliver strong performance and predictable and stable returns in 2006 due to contractual arrangements in place. While AltaGas benefited from strong NGL frac spreads in the first half of 2006, AltaGas' expectation is that average NGL frac spreads will be lower for the remainder of the year as gas prices are expected to increase as we enter the winter heating season.

POWER GENERATION

The Power Generation segment comprises the Sundance power purchase arrangement and gas-fired peaking plants.

Financial Results	Three months ended June 30		Six months ended June 30	
($ millions)	**2006**	2005	**2006**	2005
Revenue	**39.5**	43.4	**91.2**	83.7
Net revenue	**20.7**	14.2	**45.6**	24.6
Operating and administrative expense	**0.4**	0.4	**0.7**	0.9
Amortization expense	**1.8**	1.8	**3.6**	3.6
Operating income	**18.5**	12.0	**41.3**	20.1

Operating Statistics	Three months ended June 30		Six months ended June 30	
	2006	2005	**2006**	2005
Volume of power sold (thousands of MWh)	**656**	862	**1,498**	1,715
Average price received on the sale of power ($/MWh)[1]	**60.26**	50.37	**60.91**	48.81
Alberta Power Pool average spot price ($/MWh)[1]	**53.59**	51.46	**55.17**	48.68

(1) Average for the period.

Results of Operations

Operating income in the Power Generation segment in second quarter and first half of 2006 was $18.5 million and $41.3 million respectively, compared to $12.0 million and $20.1 million in the same periods last year. The increases were primarily due to higher power prices received and lower transmission costs incurred. The Genesee power contract which represented 100 MW from the Genesee facility expired March 31, 2006. However, the decline in second quarter 2006 operating income due to the expiration of the Genesee power contract was more than offset by higher operating income from the Sundance power purchase arrangement.

Net revenue for the Power Generation segment in second quarter and first half of 2006 was $20.7 million and $45.6 million respectively, compared to $14.2 million and $24.6 million in the same periods last year due to higher average prices received on the sale of power and lower transmission costs.

The average price received reflected the impact of entering into forward financial sales contracts at higher contracted prices than in 2005, as well as the effect of higher prices on spot market sales for the unhedged portion of AltaGas' power sales. These price impacts increased net revenue by $5.9 million in the quarter and $16.9 million year-to-date.

Lower transmission costs contributed $3.1 million to the increase in net revenue in the quarter and $6.5 million year-to-date. Lower transmission costs are the result of a shift in responsibility for interconnection and operating reserve charges from power generators to power purchasers effective January 1, 2006.

The expiration of the Genesee power strip contract reduced net revenue by approximately $4 million in second quarter 2006 compared to second quarter 2005. Other favourable impacts on net revenue for both the second quarter and the first half of 2006 included lower line losses and higher ancillary service sales.

Operating income as a percentage of net revenue increased to 89 percent in second quarter 2006 from 85 percent in the same quarter in 2005 and year-to-date increased to 91 percent in 2006 compared to 82 percent in 2005 as a result of higher power prices and lower transmission costs.

Operating, administrative and amortization expenses were similar in the second quarter and first half of 2006 compared to the same periods last year.

Volume of power sold in the three and six months ended June 30, 2006 were lower than the same periods last year as a result of the expiration of the Genesee power contract on March 31, 2006.

Outlook

Management expects results in the Power Generation segment to continue to benefit from strong power prices on hedged volumes for the remainder of the year. Operating income from the Power Generation segment for the year are expected to be higher than 2005 despite the expiration of the Genesee power strip contract on March 31, 2006.

ENERGY SERVICES

The Energy Services segment includes the energy management, gas services and oil and gas production businesses. 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		Six months ended	
		June 30		June 30
($ millions)	**2006**	2005	**2006**	2005
Revenue	**209.7**	226.9	**482.7**	470.2
Net revenue	**6.4**	5.4	**12.5**	11.5
Operating and administrative expense	**4.7**	3.8	**9.1**	7.2
Amortization expense	**1.3**	0.9	**2.4**	1.8
Operating income	**0.4**	0.7	**1.0**	2.5

Operating Statistics	Three months ended		Six months ended	
		June 30		June 30
	2006	2005	**2006**	2005
Energy management service contracts(1)	**1,289**	446	**1,289**	446
Average wholesale volumes marketed (GJ/d)(2)	**322,420**	301,416	**316,626**	321,732

(1) Active energy management service contracts at the end of the reporting period.

(2) Average for the period.

Results of Operations

Operating income in the Energy Services segment in second quarter and first half of 2006 was $0.4 million and $1.0 million respectively compared to $0.7 million and $2.5 million in the same periods last year. The decreases were primarily due to lower activity in the gas services business, higher operating and administrative costs, lower production volumes and higher depletion rates in oil and gas production. The increase in energy management service contracts was due to the acquisition of iQ2 in November 2005 and growth in the energy management business.

Net revenue for the Energy Services segment in second quarter and first half of 2006 was $6.4 million and $12.5 million respectively, compared to $5.4 million and $11.5 million in the same periods last year. Net revenue increased as a result of the acquisition of iQ2 in fourth quarter 2005, partially offset by lower production volumes due to reserve depletions.

Operating and administrative expense for the Energy Services segment in second quarter and first half of 2006 was $4.7 million and $9.1 million respectively compared to $3.8 million and $7.2 million in the same periods last year. The increases were due to the iQ2 acquisition, higher expenses for shared services as a result of a change in the method used to allocate such costs, and a credit received in second quarter 2005 related to a gas marketing contract.

Amortization expense in second quarter and first half of 2006 was $1.3 million and $2.4 million respectively, compared to $0.9 million and $1.8 million in the same periods last year. The increases were primarily due to higher depletion and depreciation rates in oil and gas production and to amortization related to the acquisition of Energy Services contracts.

Operating income as a percentage of net revenue declined to 6 percent and 8 percent in second quarter and first half of 2006 from 13 percent and 22 percent in the same periods in 2005. These declines were due to higher costs and to non-recurring credits in first half of 2005, reduced activity in gas services and to a decline in production volumes in 2006.

Outlook

The Energy Services segment is expected to deliver improving operating income over the remainder of the year, driven by growth in energy management fees, and margins on locked-in fixed-price purchase and sale contracts.

NATURAL GAS DISTRIBUTION

The NGD segment included AltaGas Utilities Inc., AltaGas' one-third interest in Inuvik Gas Ltd. and its 24.9 percent interest in Heritage Gas Limited. On November 17, 2005, the Trust spun out its NGD business into a separate, publicly traded company.

Financial Results	Three months ended June 30		Six months ended June 30	
($ millions)	**2006**	2005	**2006**	2005
Revenue	**-**	22.0	**-**	68.4
Net revenue	**-**	6.9	**-**	18.7
Operating and administrative expense	**-**	4.6	**-**	9.2
Amortization expense	**-**	2.0	**-**	4.0
Operating income	**-**	0.3	**-**	5.5

Operating Statistics(1)	Three months ended June 30		Six months ended June 30	
	2006	2005	**2006**	2005
Volume of natural gas distributed				
Sales (Bcf)	**-**	2.0	**-**	7.4
Transportation (Bcf)	**-**	2.4	**-**	4.9
Degree day variance (percent)(2)	**-**	(4.2)	**-**	(2.4)
Number of customers(3)	**-**	60,866	**-**	60,866

(1) AltaGas Utilities Inc. only.

(2) Variance from 20-year average. Positive variances are favourable.

(3) At June 30.

Through a series of transactions, the Trust's ownership interest in Utility Group, the holding company of the former NGD segment, was reduced to 26.7 percent. Prior to these transactions, the operations and financial results of the NGD segment were consolidated by the Trust. Subsequent to November 17, 2005, the Trust accounts for its ownership interest in Utility Group as an equity investment, recognizing its share of net income or loss in the Corporate segment using the equity method of accounting.

CORPORATE

The Corporate segment includes the cost of providing corporate services and general corporate overhead and investments in public and private entities.

Financial Results	Three months ended June 30		Six months ended June 30	
($ millions)	**2006**	2005	**2006**	2005
Revenue	**0.2**	(0.4)	**2.3**	9.5
Operating and administrative expense	**6.0**	3.4	**11.1**	7.4
Amortization expense	**0.5**	0.5	**1.1**	1.0
Operating income (loss)	**(6.3)**	(4.3)	**(9.9)**	1.1

Results of Operations

The net cost of the Corporate segment for the three months ended June 30, 2006 was $6.3 million compared to $4.3 million for the same period last year. The increased cost was due to higher general and administrative costs, primarily as a result of general cost escalations and costs incurred to meet new certification requirements for reporting issuers by the Canadian Securities Administrators.

In first half 2006 the segment reported a loss of $9.9 million compared to operating income of $1.1 million for the same period last year. In first quarter 2005, AltaGas reported a pre-tax gain of $9.2 million due to the reduction in its ownership interest in Taylor.

Revenue in second quarter 2006 was $0.2 million compared to a loss of $0.4 million in the second quarter last year. The loss reported last year included a one-time charge of $0.6 million resulting from AltaGas' ownership interest in Taylor.

Operating and administrative expenses for the three and six months ended June 30, 2006 were $6.0 million and $11.1 million respectively, compared to $3.4 million and $7.4 million for the same periods last year. The increase in Corporate administrative costs reflected higher costs to support the growth of the Trust and costs incurred to meet new certification requirements for reporting issuers by the Canadian Securities Administrators. Costs to meet certification requirements were $0.4 million and $1.2 million in the three and six months ended June 30, 2006.

Amortization expense was $0.5 million and $1.1 million in the three and six months ended June 30, 2006 compared to $0.5 million and $1.0 million for the same periods last year.

SUMMARY OF CONSOLIDATED RESULTS FOR THE EIGHT MOST RECENTLY COMPLETED QUARTERS

($ millions)	**Q2-06**	Q1-06	Q4-05	Q3-05	Q2-05	Q1-05	Q4-04	Q3-04
Net revenue[1]	**72.8**	79.1	78.7	71.3	67.5	79.4	74.2	60.6
Operating income[1]	**26.0**	35.0	29.0	22.9	22.0	34.2	29.4	23.4
Net income	**29.9**	28.6	26.4	17.2	19.1	27.6	25.8	17.1

($ per unit)	**Q2-06**	Q1-06	Q4-05	Q3-05	Q2-05	Q1-05	Q4-04	Q3-04
Net income								
Basic	**0.54**	0.52	0.48	0.32	0.35	0.52	0.49	0.33
Diluted	**0.54**	0.52	0.48	0.32	0.35	0.52	0.48	0.33
Dividends/distributions declared[2]	**0.495**	0.485	0.48	0.47	0.45	0.45	0.45	0.45

(1) Non-GAAP financial measure. See "Non-GAAP Financial Measures".

(2) Excludes share distribution as a result of the spin-out of the NGD segment. The Trust issued one common share of Utility Group (valued at $7.50 per share) for every 13.9592 trust units held on November 14, 2005, providing additional value of $0.54 per unit.

Identifiable trends in AltaGas' business in the past eight quarters reflect: the organization's internal growth; acquisitions; a favourable business environment including generally increasing power prices in Alberta; seasonality in the NGD business up to the time of its spin-out in November 2005; and asset dispositions.
Significant items that impacted individual quarterly earnings were as follows:

- Net income in the third quarter of 2004 reflected continuing trust conversion costs, with AltaGas recording $0.9 million of trust conversion expenses for the quarter. During the quarter AltaGas also closed the acquisition of a 48 2/3 percent interest in EEEP from BP Canada Energy Resources Company;
- Fourth quarter 2004 net income included the results of the PremStar businesses, acquired on October 6, 2004, which increased net income by $1.4 million;

- Net income for the first quarter of 2005 included a $7.9 million after-tax gain related to the change in the Trust's ownership interest in Taylor;
- Second quarter 2005 net income included an after-tax loss of $0.4 million related to the Trust's ownership interest in Taylor;
- Results in fourth quarter 2005 were impacted by the spin-out of the NGD segment, the net after-tax impact of which was $0.1 million. In addition, operating income was approximately $2 million lower due to owning 100 percent of the NGD segment for only 6 weeks in the quarter. Results were also impacted by higher prices received for power sold and lower interest expense;
- Results in the FG&P segment are typically lower in the first quarter compared to the fourth quarter; and
- Strong power prices and lower interest expense in first quarter 2006 resulted in strong financial results in the quarter, partially offset by the contribution from the NGD segment in first quarter 2005 which was spun out in November 2005.

SIGNIFICANT ACCOUNTING POLICIES

AltaGas' significant accounting polices remain unchanged from December 31, 2005. For further information on these policies refer to the Notes to the Consolidated Financial Statements in AltaGas' 2005 Annual Report.

CRITICAL ACCOUNTING ESTIMATES

Since a determination of the value 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' significant accounting policies are described in the Notes to the Consolidated Financial Statements for the year ended December 31, 2005. Certain of these policies involve critical accounting estimates as a result of the requirement to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions.

AltaGas' critical accounting estimates continue to be amortization expense, asset retirement obligations and asset impairment assessment. For a full discussion of these accounting estimates, refer to the MD&A in AltaGas' 2005 Annual Report.

FINANCIAL INSTRUMENTS

The Trust is exposed to market risk and potential loss from changes in the value of 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 Generation segment and with respect to interest rates on debt.

Commodity Risk

The Power Generation segment results are significantly affected by the price of electricity in Alberta. AltaGas employs derivative commodity instruments for the purpose of managing the Trust's exposure to power price volatility. Alberta Power Pool settles power prices on an hourly basis and whereas prices ranged from $5.42/MWh to $998.78/MWh in second quarter 2006, the average spot price for the quarter was $53.59/MWh.

Through the use of financial hedges on a portion of its 2006 power portfolio that management deemed optimal, AltaGas moderated the impact of this volatility on its business.

Interest Rate Risk

AltaGas reduces the effect of future interest rate movements on its cash flows through the use of interest rate swaps. At June 30, 2006 the Trust had interest rates fixed through swap transactions with varying terms to maturity on drawn bank debt of $163.0 million. Including AltaGas' medium-term notes (MTNs) and capital leases, the rate has been fixed on 94 percent of AltaGas' debt. 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 from the November 2005 NGD spin-out being applied to floating-rate debt.

INVESTED CAPITAL

During second quarter 2006, AltaGas reported net invested capital of $15.0 million, compared to $8.5 million in the previous year. Growth capital accounted for $13.0 million and included FG&P growth and expansion projects mainly at the Clear Prairie, Prairie River and Princess gas plants as well as the investment in GreenWing in the Power Generation segment.

AltaGas categorizes its invested capital into maintenance, growth and administrative.

Maintenance capital projects totaling $1.6 million in second quarter 2006 ($2.5 million in 2005) were undertaken mainly in the FG&P segment. An additional $0.6 million ($0.8 million in 2005) was spent in the quarter on administrative capital, including computer hardware and software projects expected to increase the effectiveness of the operating and administrative functions of the Trust.

For the three months ended June 30, 2006 ($ millions)	Field Gathering and Processing	Extraction and Transmission	Power Generation	Energy Services	Corporate	Total
Invested capital:						
Capital assets	**13.1**	**0.3**	**0.1**	**0.2**	**(0.1)**	**13.6**
Long-term investments and other assets	**-**	**-**	**2.1**	**-**	**(0.5)**	**1.6**
	13.1	**0.3**	**2.2**	**0.2**	**(0.6)**	**15.2**
Disposals:						
Capital assets	**(0.2)**	**-**	**-**	**-**	**-**	**(0.2)**
Net invested capital	**12.9**	**0.3**	**2.2**	**0.2**	**(0.6)**	**15.0**

For the three months ended June 30, 2006 ($ millions)	Field Gathering and Processing	Extraction and Transmission	Power Generation	Energy Services	Corporate	Total
Invested capital:						
Maintenance	**1.3**	**0.3**	**-**	**-**	**-**	**1.6**
Growth	**11.8**	**0.1**	**2.2**	**0.2**	**(1.3)**	**13.0**
Administrative	**-**	**(0.1)**	**-**	**-**	**0.7**	**0.6**
	13.1	**0.3**	**2.2**	**0.2**	**(0.6)**	**15.2**
Disposals	**(0.2)**	**-**	**-**	**-**	**-**	**(0.2)**
Net invested capital	**12.9**	**0.3**	**2.2**	**0.2**	**(0.6)**	**15.0**

For the six months ended June 30, 2006 ($ millions)	Field Gathering and Processing	Extraction and Transmission	Power Generation	Energy Services	Corporate	Total
Invested capital:						
Capital assets	**28.1**	**0.7**	**1.3**	**0.4**	**0.4**	**30.9**
Long-term investments and other assets	**-**	**-**	**2.1**	**-**	**0.7**	**2.8**
	28.1	**0.7**	**3.4**	**0.4**	**1.1**	**33.7**
Disposals:						
Capital assets	**(0.5)**	**-**	**-**	**-**	**-**	**(0.5)**
Net invested capital	**27.6**	**0.7**	**3.4**	**0.4**	**1.1**	**33.2**

For the six months ended June 30, 2006 ($ millions)	Field Gathering and Processing	Extraction and Transmission	Power Generation	Energy Services	Corporate	Total
Invested capital:						
Maintenance	**2.6**	**0.5**	**-**	**0.1**	**-**	**3.2**
Growth	**25.5**	**0.2**	**3.4**	**0.2**	**-**	**29.3**
Administrative	**-**	**-**	**-**	**0.1**	**1.1**	**1.2**
	28.1	**0.7**	**3.4**	**0.4**	**1.1**	**33.7**
Disposals	**(0.5)**	**-**	**-**	**-**	**-**	**(0.5)**
Net invested capital	**27.6**	**0.7**	**3.4**	**0.4**	**1.1**	**33.2**

For the three months ended June 30, 2005 ($ millions)	Field Gathering and Processing	Extraction and Transmission	Power Generation	Energy Services	NGD	Corporate	Total
Invested capital:							
Capital assets	6.5	1.0	-	0.2	2.4	(0.4)	9.7
Long-term investments and other assets	-	-	-	-	0.1	0.1	0.2
	6.5	1.0	-	0.2	2.5	(0.3)	9.9
Disposals:							
Long-term investments and other assets	-	-	-	-	-	(1.4)	(1.4)
Net invested capital	6.5	1.0	-	0.2	2.5	(1.7)	8.5

For the three months ended June 30, 2005 ($ millions)	Field Gathering and Processing	Extraction and Transmission	Power Generation	Energy Services	NGD	Corporate	Total
Invested capital:							
Maintenance	0.3	0.9	-	0.2	1.1	-	2.5
Growth	6.0	0.1	-	-	1.2	(0.7)	6.6
Administrative	0.2	-	-	-	0.2	0.4	0.8
	6.5	1.0	-	0.2	2.5	(0.3)	9.9
Disposals	-	-	-	-	-	(1.4)	(1.4)
Net invested capital	6.5	1.0	-	0.2	2.5	(1.7)	8.5

For the six months ended June 30, 2005 ($ millions)	Field Gathering and Processing	Extraction and Transmission	Power Generation	Energy Services	NGD	Corporate	Total
Invested capital:							
Capital assets	8.9	1.0	-	0.4	4.3	1.1	15.7
Long-term investments and other assets	-	-	-	-	0.2	0.1	0.3
	8.9	1.0	-	0.4	4.5	1.2	16.0
Disposals:							
Capital assets	(7.1)	-	-	-	(0.1)	(5.2)	(12.4)
Net invested capital	1.8	1.0	-	0.4	4.4	(4.0)	3.6

For the six months ended June 30, 2005 ($ millions)	Field Gathering and Processing	Extraction and Transmission	Power Generation	Energy Services	NGD	Corporate	Total
Invested capital:							
Maintenance	0.8	1.0	-	0.4	1.7	-	3.9
Growth	7.7	-	-	-	2.6	0.3	10.6
Administrative	0.4	-	-	-	0.2	0.9	1.5
	8.9	1.0	-	0.4	4.5	1.2	16.0
Disposals	(7.1)	-	-	-	(0.1)	(5.2)	(12.4)
Net invested capital	1.8	1.0	-	0.4	4.4	(4.0)	3.6

LIQUIDITY AND CAPITAL RESOURCES

AltaGas expects that 2006 funds from operations will be sufficient to meet the Trust's distributions to unitholders and the majority of its budgeted maintenance and growth capital. The balance of its budgeted growth capital and a certain amount of unbudgeted acquisitions is expected to be financed through the DRIP and existing bank lines. At this time AltaGas does not reasonably expect any presently known trend or uncertainty to affect the Trust's ability to access its historical sources of cash.

Cash from Operations

The cash from operations reported on the Consolidated Statements of Cash Flows for the three and six months ended June 30, 2006 was $43.8 million and $69.5 million respectively up from $31.9 million and $48.1 million for the same periods last year. The increases were due to the strong results from operations in second quarter and first half of 2006.

There was a working capital surplus of $19.2 million as at June 30, 2006 compared to a deficit of $2.8 million at the end of December 2005 as a result of working capital changes in the normal course of business.

Funds generated from operations, before giving effect to changes in working capital and asset retirement and other costs incurred, increased to $35.3 million and $76.9 million for the three and six months ended June 30, 2006, from $30.4 million and $61.5 million for the same periods last year. Funds generated from operations is more representative of the cash from the ongoing operations of the business than is the cash from operations reported on the Consolidated Statements of Cash Flows.

Investing Activities

In second quarter 2006 the Trust used cash for investing activities of $23.4 million compared to $8.8 million in the same period in 2005. The increase was primarily due to acquisition of capital assets and customer deposits. Cash used in investing activities for the six months ended June 30, 2006 was $45.9 million compared to cash provided by investing activities in the same period of $5.1 million. The increase in cash used for investing activities was primarily due to the acquisition of capital assets, higher customer deposits and the proceeds on disposition of long-term investments and non-core assets in first quarter 2005.

Financing Activities

Cash used for financing activities was $20.2 million during the quarter ended June 30, 2006, a decrease of $2.3 million from the $22.5 million used in second quarter 2005, primarily as a result of lower debt reductions and higher proceeds from issuance of units offset by higher distributions.

Cash used for financing activities for the six months ended June 30, 2006 was $24.3 million compared to $53.3 million for the same period last year. The decrease was primarily due to increased long-term debt and higher net proceeds from the issuance of units, partially offset by higher distributions to unitholders.

Capital Resources

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 segments. At June 30, 2006 AltaGas had total debt outstanding of $277.2 million, up from $269.0 million as at December 31, 2005. As of June 30, 2006, the Trust had $100.0 million in MTNs outstanding and had access to prime loans, bankers' acceptance and letters of credit through bank lines totaling $425.0 million. As at June 30, 2006 the Trust had drawn bank debt of $163.0 million and letters of credit outstanding of $33.4 million.

All of the borrowing facilities have financial tests and other covenants customary for these types of facilities, which must be met at each quarter-end. AltaGas has been in compliance with these covenants each quarter since the issuance of the facilities.

On April 29, 2005 AltaGas filed a Universal Shelf Prospectus under which it may issue up to an aggregate of $500.0 million of trust units or debt securities over a 25-month period. On August 30, 2005, $100.0 million of five-year MTNs were issued with a coupon of 4.41 percent.

AltaGas' target debt-to-total-capitalization ratio is 40 to 45 percent. The Trust's debt-to-total-capitalization ratio as at June 30, 2006 was 35.5 percent, down from 36.0 percent at December 31, 2005.

The Dominion Bond Rating Service (DBRS) rates AltaGas Income Trust and the MTNs issued by AltaGas Income Trust at BBB (low) with a stable trend. Standard & Poor's (S&P) rates the Trust's long-term corporate credit at BBB- with a stable outlook, and the senior unsecured debt at BBB-. The Trust has a stability rating of SR-3 from S&P and STA-3 (middle) from DBRS.

Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities and are indicators of the likelihood of payment and of the capacity and willingness of an entity to meet its financial commitment on an obligation in accordance with the terms of an obligation. Stability ratings are intended to convey the opinion of a rating agency in respect of the relative stability and sustainability of the Trust's distribution stream when compared to other rated Canadian income trusts.

RISK FACTORS

Management has identified the primary risk factors that could potentially have a material impact on the financial results and operations of AltaGas. These risk factors are presented in the MD&A and AltaGas' Annual Information Form for the year ended December 31, 2005. Management has determined that with respect to continuing operations, AltaGas' market, financial and counterparty risks remain substantially unchanged since December 31, 2005.

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 ASI for trust units and eligible security holders 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.

Units Outstanding

At July 31, 2006 the Trust had 53,489,397 trust units and 2,091,953 exchangeable units outstanding and a market capitalization of $1.6 billion based on a closing trading price on July 31, 2006 of $27.90 per trust unit. At July 31, 2006 there were 367,550 options outstanding and 72,637 options exercisable under the terms of the unit option plan.

OFF-BALANCE-SHEET ARRANGEMENTS

The Trust is not party to any contractual arrangement under which an unconsolidated entity may have any obligation under certain guaranteed 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, or a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support or engages in leasing, hedging or research and development services with the Trust.

CONTRACTUAL OBLIGATION

There have been no material changes to AltaGas' contractual obligations since December 31, 2005. For further information on contractual obligations, refer to the MD&A in AltaGas' 2005 Annual Report.

RELATED PARTIES

The Trust sold $9.3 million of natural gas to, and incurred transport costs of $0.1 million charged by, AltaGas Utility Group Inc. during the three months ended June 30, 2006, sold $47.2 million of natural gas and incurred transportation costs of $0.3 million for the six months ending June 30, 2006. The Trust also paid management fees of $0.1 million to, and received management fees of $0.2 million from, AltaGas Utility Group Inc. for administrative services. In addition, the Trust sold $0.1 million of natural gas from a one-third owned joint venture to a one-third owned related party.

The Trust pays rent under a lease for office space to 2013761 Ontario Inc., which is owned by an employee. Payments of $20,000 were made in second quarter 2006 (second quarter 2005 – $20,000). The five-year lease expires in 2007 and is renewable at the option of AltaGas for another five years.

DISCLOSURE CONTROLS AND PROCEDURES

The Trust maintains disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Securities Act (Ontario) is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In accordance with Multilateral Instrument 52-109 (Certification of Disclosure in Issuers' Annual and Interim Filings), management carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that disclosure controls and procedures were effective as of June 30, 2006 to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified in the Ontario Securities Commission's rules and forms.

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, default, 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.

Consolidated Balance Sheets

($ thousands)	June 30 2006	December 31 2005
ASSETS	(unaudited)	
Current assets		
Cash and cash equivalents	$ 10,942	$ 11,685
Accounts receivable	140,512	220,684
Inventory	61	95
Customer deposits	18,359	15,371
Other	3,843	4,421
	173,717	252,256
Capital assets	657,201	645,442
Energy services arrangements, contracts and relationships	107,555	110,850
Goodwill	18,860	18,860
Long-term investments and other assets	43,273	40,921
	$ 1,000,606	$ 1,068,329
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 119,167	$ 215,601
Distributions payable to unitholders	9,143	8,744
Short-term debt	-	2,710
Current portion of long-term debt	1,109	1,071
Customer deposits	18,359	15,371
Other current liabilities	6,743	11,586
	154,521	255,083
Long-term debt	276,075	265,245
Asset retirement obligations	17,627	16,982
Future income taxes	48,182	52,433
	341,884	334,660
Unitholders' equity *(notes 4 and 5)*	504,201	478,586
	$ 1,000,606	$ 1,068,329

See accompanying notes to the Consolidated Financial Statements

Consolidated Statements of Income and Accumulated Earnings

	Three Months Ended June 30		Six months ended June 30	
($ thousands except per unit amounts)	**2006**	2005	**2006**	2005
REVENUE				
Operating	**$ 299,434**	$ 325,179	**$ 675,138**	$ 669, 059
Other *(note 2)*	**188**	404	**2,222**	9,483
	299,622	325,583	**677,360**	678,542
EXPENSES				
Cost of sales	**226,802**	258,087	**525,440**	531,650
Operating and administrative	**35,422**	33,381	**68,412**	66,514
Amortization	**11,424**	12,114	**22,540**	24,169
	273,648	303,582	**616,392**	622,333
Operating income	**25,974**	22,001	**60,968**	56,209
Interest expense				
Short-term debt	**122**	201	**230**	281
Long-term debt	**3,299**	4,808	**6,511**	9,785
Income before income taxes	**22,553**	16,992	**54,227**	46,143
Income taxes	**(7,351)**	(2,073)	**(4,237)**	(542)
Net income	**29,904**	19,065	**58,464**	46,685
Accumulated earnings, beginning of period	**315,667**	224,439	**287,107**	196,819
Accumulated earnings, end of period	**$ 345,571**	$ 243,504	**$ 345,571**	$ 243,504
Net income per unit *(note 5)*				
Basic	**$ 0.54**	$ 0.35	**$ 1.06**	$ 0.87
Diluted	**$ 0.54**	$ 0.35	**$ 1.06**	$ 0.87
Weighted average number of units outstanding (thousands) *(note 5)*				
Basic	**55,206**	53,850	**55,009**	53,648
Diluted	**55,315**	53,941	**55,116**	53,728

See accompanying notes to the Consolidated Financial Statements

Consolidated Statements of Cash Flows

(unaudited)

($ thousands)	Three Months Ended June 30 2006	Three Months Ended June 30 2005	Six months ended June 30 2006	Six months ended June 30 2005
Cash from operations				
Net income	**$ 29,904**	$ 19,065	**$ 58,464**	$ 46,685
Items not involving cash:				
Amortization	**11,424**	12,114	**22,540**	24,169
Accretion of asset retirement obligations	**345**	321	**687**	641
Unit option compensation	**18**	4	**34**	4
Future income taxes	**(7,016)**	(2,151)	**(4,251)**	(2,004)
Loss on sale of assets and investment transactions	**-**	(141)	**-**	(9,347)
Equity loss (income)	**(192)**	554	**(2,197)**	(127)
Distributions from equity investments	**725**	703	**1,450**	1,443
Other	**70**	(57)	**141**	67
Funds generated from operations	**35,278**	30,412	**76,868**	61,531
ARO costs incurred and other	**(2)**	-	**(42)**	(145)
Net change in non-cash working capital	**8,567**	1,510	**(7,325)**	(13,322)
	43,843	31,922	**69,501**	48,064
Investing activities				
(Increase) decrease in customer deposits	**(5,448)**	(1,679)	**(2,988)**	50
Acquisition of capital assets	**(15,867)**	(7,245)	**(41,000)**	(12,550)
Disposition of capital assets	**149**	199	**328**	5030
Acquisition of energy services arrangements and contracts	**(367)**	-	**(384)**	-
Acquisition of long-term investments and other assets	**(1,876)**	(283)	**(1,876)**	(419)
Disposition of long-term investments and other assets	**-**	220	**-**	13,027
	(23,409)	(8,788)	**(45,920)**	5,138
Financing activities				
Decrease in short-term debt	**(7)**	(2,938)	**(2,710)**	(2,742)
Increase (decrease) in long-term debt	**(4,544)**	(2,860)	**(10,867)**	(17,744)
Distributions to unitholders	**(27,291)**	(24,202)	**(53,571)**	(48,213)
Net proceeds from issuance of units	**11,672**	7,479	**21,090**	15,425
	(20,170)	(22,521)	**(24,324)**	(53,274)
Change in cash and cash equivalents	**264**	613	**(743)**	(72)
Cash and cash equivalents, beginning of period	**10,678**	11,616	**11,685**	12,301
Cash and cash equivalents, end of period	**$ 10,942**	$ 12,229	**$ 10,942**	$ 12,229

See accompanying notes to the Consolidated financial statements

Selected Notes to the Consolidated Financial Statements

(Tabular amounts in thousands of dollars unless otherwise indicated.)

1. 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 (GAAP). The accounting policies applied are consistent with those outlined in the Trust's annual Consolidated Financial Statements for the fiscal year ended December 31, 2005. These interim Consolidated Financial Statements as at and for the three and six months ended June 30, 2006 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 the Trust's Annual Report.

2. GAIN ON INVESTMENT

The Trust's investment in Taylor NGL Limited Partnership (Taylor) is accounted for using the equity method. On February 7, 2005 the Trust sold 1.4 million limited partnership units of Taylor for proceeds of $12.8 million, realizing an after tax gain of $3.9 million. The sale reduced the Trust's ownership in Taylor to 4.0 million units, or 14.0 percent.

On March 22, 2005 Taylor issued 13.0 million limited partnership units. AltaGas did not participate in this issue, which reduced the Trust's ownership in Taylor to 9.6 percent and resulted in an after tax dilution gain of $3.6 million.

3. JOINT VENTURE AGREEMENT

On April 4, 2006, AltaGas Income Trust and GreenWing Energy Management Ltd. announced the formation of a limited partnership for the purpose of developing a portfolio of power projects in North America. Contributions during the three months ended June 30, 2006 include $3.25 million in cash and issuance of a promissory note in the amount of $0.75 million, non-interest bearing, due April 3, 2007. AltaGas holds a 55 percent interest in the partnership units and the results of operations are proportionately consolidated in the financial statements from the date of inception. All assets acquired by the partnership are recorded at fair value.

4. UNITHOLDERS' EQUITY

	June 30 2006	December 31 2005
Unitholders' capital *(note 5)*	**$ 438,202**	$ 417,114
Contributed surplus	**2,873**	2,839
Unitholders' equity	**345,571**	287,107
Accumulated dividends	**(41,114)**	(41,114)
Accumulated unitholders' distributions declared(1)	**(215,635)**	(161,664)
Distributions of common shares of AltaGas Utility Group Inc.	**(25,696)**	(25,696)
	$ 504,201	$ 478,586

(1) Accumulated distributions paid by the Trust as at June 30, 2006 were $206.5 million (as at December 31, 2005 - $152.9 million).

5. UNITHOLDERS' CAPITAL

Authorized

- 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 (AltaGas LP#1) class B limited partnership 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 AltaGas LP#1 units outstanding fall below 750,000. After May 1, 2014 the exchange is at the option of either the Trust or the unitholder; and

- An unlimited number of AltaGas Holding Limited Partnership No. 2 (AltaGas LP#2) class B limited partnership 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 AltaGas LP#2 units outstanding fall below 1,000,000. After May 1, 2009 the exchange is at the option of either the Trust or the unitholder.

Trust Units Issued and Outstanding:	Number of units	Amount
December 31, 2005	52,505,514	$ 404,854
Units issued for cash on exercise of options	3,650	53
Units issued under DRIP[(1)]	761,628	21,035
Units issued for exchangeable units	50,119	286
March 31, 2006	**53,320,911**	**426,228**

(1) Premium Distribution™, Distribution Reinvestment and Optional Unit Purchase Plan.

Exchangeable Units Issued and Outstanding:		
December 31, 2005 issued by AltaGas LP#1	2,142,072	12,260
AltaGas LP#1 units redeemed for trust units	(50,119)	(286)
June 30, 2006	**2,091,953**	**11,974**
Issued and outstanding June 30, 2006	**55,412,864**	**$ 438,202**

The Trust has an employee unit option plan under which both employees and directors are eligible to receive grants. The Trust reserves 10 percent of the aggregate of the outstanding trust units and securities exchangeable for Trust units for issuance under the plan. To June 30, 2006, options granted under the plan generally had a term of 10 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.

At June 30, 2006 outstanding options were exercisable at various dates to the year 2016 (2005 – 2015). Options outstanding under the plan had a weighted average exercise price of $24.81 (2005 – $13.09) and a weighted average remaining term of 8.84 years (2005 – 8.13 years). As at June 30, 2006 the unexpensed fair value of unit option compensation cost associated with future periods was $0.3 million (2005 - $0.1 million).

The following table summarizes information about the Trust's unit options:

	Options Outstanding	
	Number of options	Weighted average exercise price
Units outstanding December 31, 2005	359,200	$ 24.53
Granted	15,000	29.10
Exercised	(3,650)	14.52
Cancelled	-	-
Unit options outstanding June 30, 2006	**370,550**	**$ 24.81**
Exercisable at June 30, 2006	**71,138**	**$ 15.28**

A summary of the plan as at June 30, 2006:

	Options Outstanding			Options Exercisable	
	Number outstanding at June 30 2006	Weighted average exercise price	Weighted average remaining contractual life (years)	Number exercisable at June 30 2006	Weighted average exercise price
$5.00 - $7.00	11,000	$ 6.23	4.16	11,000	$ 6.23
$7.01 - $15.50	31,000	10.22	6.63	31,000	10.22
$15.51 – $25.08	141,500	24.26	8.88	29,138	24.08
$25.09 – $29.15	187,000	28.74	9.45	-	-
	370,550	**$ 24.81**	**8.84**	**71,138**	**$ 15.28**

Units Outstanding[1]	Three months ended June 30 2006	2005	Six months ended June 30 2006	2005
Weighted average number of units – basic	**55,205,618**	53,849,646	**55,009,333**	53,648,201
Effect of dilutive stock options	**109,097**	90,988	**107,002**	80,225
Weighted average number of units – dilutive	**55,314,715**	53,940,644	**55,116,335**	53,728,426

(1) Includes exchangeable units.

6. RELATED PARTY TRANSACTIONS

In the normal course of business, AltaGas Income Trust and its affiliates transact with related parties. The following related party transactions were measured at their exchange amounts:

	Three months ended **June 30, 2006**	Six months ended **June 30, 2006**
Fees for administration, management and other services provided by:		
Utility Group to the Trust	**$ 180**	**$ 258**
Trust to Utility Group	**$ 102**	**$ 235**
Natural gas sales to Utility Group	**$ 9,293**	**$ 47,174**
Transportation services provided by Utility Group to the Trust	**$ 141**	**$ 284**
Natural gas sales from a 1/3 owned joint venture to a 1/3 owned related party	**$ 67**	**$ 208**

Included in accounts receivable at June 30, 2006 is $2.3 million from AltaGas Utility Group Inc. (Utility Group).

Included in accounts payable due to Utility Group at June 30, 2006 is $0.8 million of which $0.5 million is related to Utility Group's assumption of the Trust's liability for pension benefits earned by the CEO of Utility Group under the Trusts' supplemental executive retirement plan.

The resulting amounts due from and to related parties are non interest bearing and are related to transactions in the normal course of business. Utility Group is an equity accounted investment.

The Trust pays rent under a lease for office space to 2013761 Ontario Inc., which is owned by an employee. Payments of $40,000 were made in the six months ended June 30, 2006 (2005 – $40,000). The five-year lease expires in 2007 and is renewable at the option of AltaGas for another five years.

7. SUBSEQUENT EVENTS

On July 7, 2006 AltaGas Income Trust announced it will acquire a 93 percent interest in a new 10 Mmcf/d sour gas processing facility and a 100 percent interest in an associated 16 kilometre sour gas gathering line in Northwest Alberta currently expected to cost $14 million. The Clear Hills Gas Plant is being constructed by Tasman Exploration Ltd. The pipeline will connect a number of existing producer wells east of the plant. The acquisitions are subject to normal industry conditions precedent. AltaGas will operate the Clear Hills Gas Plant, which will consist of gathering pipelines, inlet separation, compression, refrigeration, amine sweetening and acid gas flaring facilities. The project will be underpinned with volume and revenue commitments from a number of producers, including Tasman Exploration Ltd.

8. COMPARATIVE FIGURES

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

9. SEGMENTED INFORMATION

AltaGas is an integrated energy trust with a portfolio of assets and services used to move energy from the source to the end-user. Transactions between the reporting segments are recorded at fair value. The Trust has six reportable segments. For the period from January 1, 2005 to November 16, 2005, the operating and financial results reflect the consolidated revenues and expenses of the entities that formed the NGD segment, which was spun out on November 17, 2005. The following describes the reporting segments:

Field Gathering and Processing — natural gas gathering lines and processing facilities;
Extraction and Transmission — ethane and natural gas liquids extraction plants and transmission pipelines;
Power Generation — power purchase arrangements and contracts and gas-fired peaking plants;
Energy Services — gas services and energy management services for natural gas and power, and oil and natural gas reserves and production;
Natural Gas Distribution — natural gas distribution utility business; and
Corporate — the costs of providing corporate services, and investments in public and private entities, corporate assets and general corporate overhead.

The following tables show the breakdown by segment:

For the three months ended June 30, 2006	Field Gathering and Processing	Extraction and Transmission	Power Generation	Energy Services	Corporate	Intersegment Elimination	Total
Revenue	**$ 33,481**	**$ 37,394**	**$ 39,563**	**$209,687**	**$ 236**	**$(20,739)**	**$ 299,622**
Cost of sales	**(2,441)**	**(22,117)**	**(18,832)**	**(203,346)**	**-**	**19,934**	**(226,802)**
Operating and administrative expenses	**(21,174)**	**(3,951)**	**(352)**	**(4,689)**	**(6,061)**	**805**	**(35,422)**
Amortization	**(5,836)**	**(1,928)**	**(1,827)**	**(1,286)**	**(547)**	**-**	**(11,424)**
Operating income	**$ 4,030**	**$ 9,398**	**$ 18,552**	**$ 366**	**$ (6,372)**	**$ -**	**$ 25,974**
Net additions (reductions) to:							
Capital assets	**$ 12,974**	**$ 317**	**$ 30**	**$ 211**	**$ (145)**	**$ -**	**$ 13,387**
Energy services arrangements, contracts and relationships	**$ -**	**$ -**	**$ 421**	**$ (54)**	**$ -**	**$ -**	**$ 367**
Long-term investments and other assets	**$ -**	**$ -**	**$ 1,720**	**$ -**	**$ (513)**	**$ -**	**$ 1,207**
Goodwill	**$ 815**	**$ 18,045**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 18,860**
Segment assets	**$ 476,292**	**$233,496**	**$ 121,149**	**$ 120,326**	**$ 49,343**	**$ -**	**$1,000,606**

For the six months ended June 30, 2006	Field Gathering and Processing	Extraction and Transmission	Power Generation	Energy Services	Corporate	Intersegment Elimination	Total
Revenue	**$ 67,994**	**$ 73,537**	**$ 91,242**	**$482,738**	**$ 2,277**	**$(40,428)**	**$ 677,360**
Cost of sales	**(5,060)**	**(43,812)**	**(45,612)**	**(470,291)**	**-**	**39,334**	**(525,441)**
Operating and administrative expenses	**(40,453)**	**(8,164)**	**(670)**	**(9,103)**	**(11,115)**	**1,094**	**(68,411)**
Amortization	**(11,560)**	**(3,846)**	**(3,652)**	**(2,379)**	**(1,103)**	**-**	**(22,540)**
Operating income	**$ 10,921**	**$ 17,715**	**$ 41,308**	**$ 965**	**$ (9,941)**	**$ -**	**$ 60,968**
Net additions (reductions) to:							
Capital assets	**$ 27,636**	**$ 749**	**$ 1,274**	**$ 417**	**$ 360**	**$ -**	**$ 30,436**
Energy services arrangements, contracts and relationships	**$ -**	**$ -**	**$ 421**	**$ (37)**	**$ -**	**$ -**	**$ 384**
Long-term investments and other assets	**$ -**	**$ -**	**$ 1,720**	**$ -**	**$ 631**	**$ -**	**$ 2,333**
Goodwill	**$ 815**	**$ 18,045**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 18,860**
Segment assets	**$ 476,292**	**$233,496**	**$ 121,149**	**$ 120,326**	**$ 49,343**	**$ -**	**$1,000,606**

For the three months ended June 30, 2005	Field Gathering and Processing	Extraction and Transmission	Power Generation	Energy Services	Natural Gas Distribution	Corporate	Intersegment Elimination	Total
Revenue	$ 30,965	$ 43,349	$ 43,422	$ 226,890	$ 22,011	-	$ (40,656)	$ 325,583
Cost of sales	(2,403)	(29,980)	(29,159)	(221,483)	(15,168)	-	40,106	(258,087)
Operating and administrative expenses	(17,882)	(3,819)	(426)	(3,817)	(4,605)	(3,382)	550	(33,381)
Amortization	(5,048)	(1,899)	(1,828)	(902)	(1,971)	(466)	-	(12,114)
Operating income	$ 5,632	$ 7,651	$ 12,009	$ 688	$ 267	$ -	-	$ 22,001
Net additions (reductions) to:								
Capital assets	$ 6,468	$ 948	$ 3	$ 222	$ 2,398	$ (337)	-	$ 9,702
Long-term investments and other assets	$ -	$ -	$ -	$ -	$ 115	$ (1,253)	-	$ (3,835)
Goodwill	$ 815	$ 18,045	$ -	$ -	$ -	$ -	-	$ 18,860
Segment assets	$ 431,754	$ 239,417	$ 113,212	$ 116,406	$ 135,484	$ 33,352	-	$ 1,069,625

For the six months ended June 30, 2005	Field Gathering and Processing	Extraction and Transmission	Power Generation	Energy Services	Natural Gas Distribution	Corporate	Intersegment Elimination	Total
Revenue	$ 61,659	$ 86,234	$ 83,722	$ 470,146	$ 68,385	$ 9,478	$ (100,992)	$ 678,542
Cost of sales	(4,962)	(59,129)	(59,078)	(458,679)	(49,726)	-	99,924	(531,650)
Operating and administrative expenses	(35,236)	(7,660)	(858)	(7,195)	(9,226)	(7,407)	1,068	(66,514)
Amortization	(10,115)	(3,724)	(3,652)	(1,785)	(3,952)	(941)	-	(24,169)
Operating income	$ 11,256	$ 15,721	$ 20,134	$ 2,487	$ 5,481	$ 1,130	-	$ 56,209
Net additions (reductions) to:								
Capital assets	$ 1,722	$ 991	$ 3	$ 433	$ 4,302	$ 1,127	-	$ 8,578
Long-term investments and other assets	$ -	$ -	$ -	$ -	$ 115	$ (5,088)	-	$ (4,973)
Goodwill	$ 815	$ 18,045	$ -	$ -	$ -	$ -	-	$ 18,860
Segment assets	$ 431,754	$ 239,417	$ 113,212	$ 116,406	$ 135,484	$ 33,352	-	$ 1,069,625

Financial and Operating Information

($ millions except as indicated)	**Q2-06**	Q1-06	Q4-05	Q3-05	Q2-05
FINANCIAL HIGHLIGHTS[1]					
Net Revenue[2]					
Field Gathering and Processing	**31.0**	31.9	33.9	29.6	28.6
Extraction and Transmission	**15.3**	14.4	16.0	14.9	13.4
Power Generation	**20.7**	24.9	18.2	14.9	14.3
Energy Services	**6.4**	6.1	6.3	5.7	5.4
Natural Gas Distribution[3]	**-**	-	4.2	6.2	6.8
Corporate	**0.2**	2.1	0.9	0.5	(0.4)
Intersegment elimination	**(0.8)**	(0.3)	(0.8)	(0.5)	(0.6)
	72.8	79.1	78.7	71.3	67.5
EBITDA[2]					
Field Gathering and Processing	**9.9**	12.6	13.0	10.4	10.7
Extraction and Transmission	**11.3**	10.2	8.8	9.7	9.5
Power Generation	**20.3**	24.6	17.7	14.5	13.9
Energy Services	**1.7**	1.7	2.2	2.2	1.6
Natural Gas Distribution[3]	**-**	-	2.0	1.6	2.2
Corporate	**(5.8)**	(3.0)	(3.9)	(3.1)	(3.8)
	37.4	46.1	39.8	35.3	34.1
Operating Income[2]					
Field Gathering and Processing	**4.0**	6.9	7.6	5.2	5.7
Extraction and Transmission	**9.4**	8.3	7.0	7.7	7.6
Power Generation	**18.5**	22.8	15.9	12.7	12.0
Energy Services	**0.4**	0.6	1.8	1.3	0.7
Natural Gas Distribution[3]	**-**	-	1.2	(0.5)	0.3
Corporate	**(6.3)**	(3.6)	(4.5)	(3.5)	(4.3)
	26.0	35.0	29.0	22.9	22.0
OPERATING RESULTS					
Field Gathering and Processing					
Capacity (gross Mmcf/d)[4]	**1,002**	1,002	962	926	916
Throughput (gross Mmcf/d)[5]	**565**	570	573	554	561
Capacity utilization (percent)[5]	**56**	57	60	60	62
Extraction and Transmission					
Extraction inlet capacity (Mmcf/d)[4]	**539**	539	539	539	539
Production (Bbls/d)[5]	**18,976**	19,403	19,409	18,065	18,883
Transmission volumes (Mmcf/d)[5][6]	**399**	400	432	431	434
Power Generation					
Volume of power sold (thousands of MWh)[5]	**656**	842	879	872	862
Average price received on the sale of power ($/MWh)[5]	**60.26**	61.41	65.05	55.40	50.37
Alberta Power Pool average spot price ($/MWh)[5]	**53.59**	56.76	116.59	66.79	51.46
Energy Services					
Energy management service contracts[4]	**1,289**	1,274	1,243	534	446
Average gas volumes marketed (GJ/d)[5]	**322,420**	310,767	306,649	299,282	301,416

(1) Operating segments were resegmented in 2005.

(2) Non-GAAP financial measure.

(3) On November 17, 2005 AltaGas spun-out its Natural Gas Distribution segment to AltaGas Utility Group Inc., of which it retains a 26.7 percent interest.

(4) As at period end.

(5) Average for the period.

(6) Excludes condensate pipeline volumes.

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