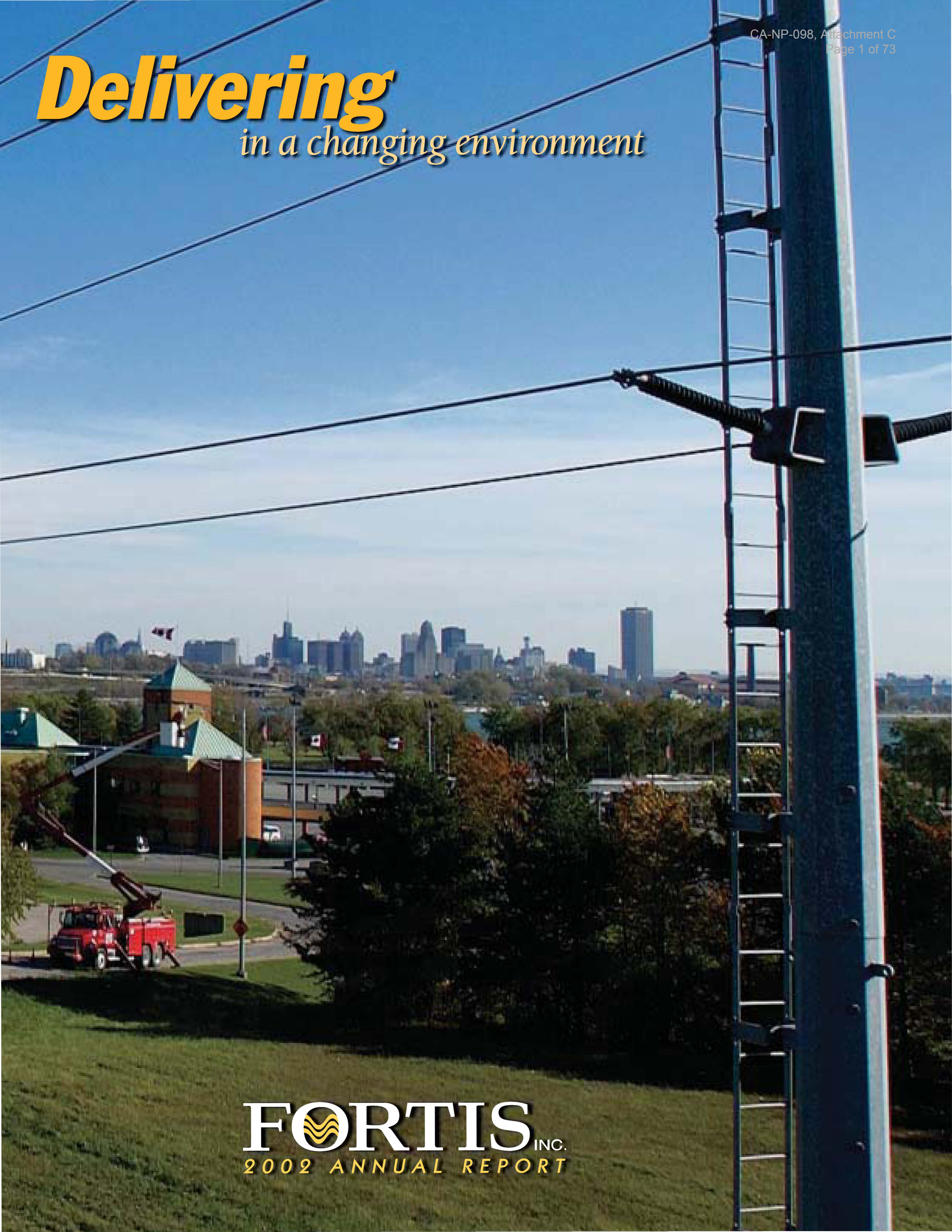
Delivering
in a changing environment



FORTIS INC.
2002 ANNUAL REPORT

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Fortis Inc. (the "Corporation") is a diversified electric utility holding company with assets of $2 billion and annual sales of more than $715 million.

Corporate Profile

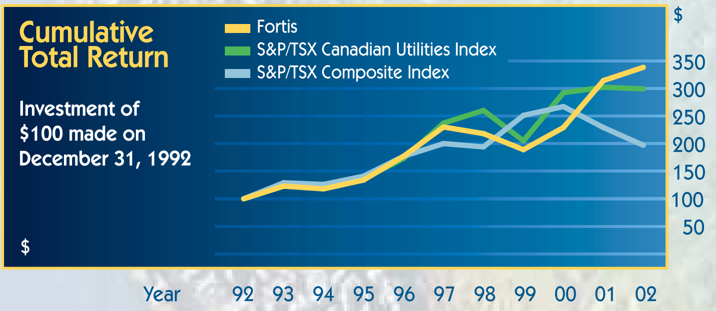
Fortis has holdings in 6 electric distribution companies. **Newfoundland Power** is the principal distributor of electricity in Newfoundland. In Ontario, **FortisOntario** includes the operations of Canadian Niagara Power which serves the towns of Fort Erie and Port Colborne and Cornwall Electric which serves customers in the City of Cornwall and surrounding environs. **Maritime Electric** is the principal distributor of electricity in Prince Edward Island. **Belize Electricity** is the distributor of electricity in Belize, Central America. **Caribbean Utilities** is the sole provider of electricity in Grand Cayman, Cayman Islands.

The Corporation has holdings in 2 subsidiaries engaged solely in hydroelectric generation. **Belize Electric ("BECOL")** owns and operates the 25-megawatt ("MW") Mollejon hydroelectric facility in Belize. **FortisUS Energy**, a wholly owned subsidiary of Maritime Electric, operates 4 hydroelectric generating stations with a combined capacity of 23 MW in upper New York State.

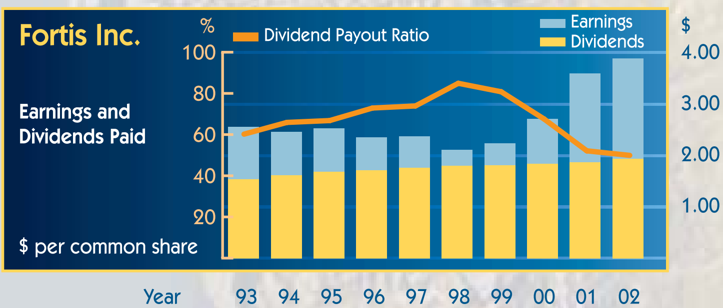
Fortis owns a non-utility company, **Fortis Properties**, which is the largest owner/operator of commercial real estate and hotels in Atlantic Canada.

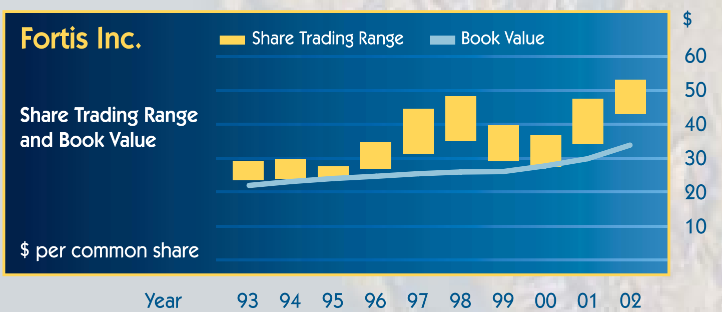
Cover Photo: *Fort Erie, Ontario is one of FortisOntario's service territories. FortisOntario serves almost 50,000 customers in Ontario.*
(Photographer: Liam Sharp, www.liamsharp.com)

Unless otherwise specified, all dollar amounts in this Annual Report are expressed in Canadian dollars.



Financial Highlights





Annual Comparison (Dollars in Millions)

	2002	2001
Operating revenues	**715.5**	628.3
Earnings applicable to common shares	**63.3**	53.6 (1)
Total assets	**1,987.0**	1,624.8
Common shareholders' equity	**584.5**	449.5 (1)
Cash from operations (2)	**128.9**	120.7 (1)

(1) Amounts restated to reflect results of Belize Electricity's change in accounting policy relating to foreign exchange gains and losses on long-term debt.
(2) Before working capital adjustments

Quarterly Earnings & Dividends Paid per Common Share

(Dollars)	**2002**		2001	
Quarter Ended	**Earnings**	**Dividends**	Earnings	Dividends
March 31	**0.99**	**0.47**	1.04 (1)	0.46
June 30	**1.05**	**0.49**	1.11 (1)	0.47
September 30	**1.05**	**0.49**	0.78 (1)	0.47
December 31	**0.80**	**0.49**	0.67 (1)	0.47
Annual Totals	**3.89**	**1.94**	3.60 (1)	1.87

(1) Quarterly earnings for 2001 have been restated for Belize Electricity's change in accounting policy for foreign exchange gains and losses on long-term debt.

Electric Distribution Utilities *(Service Areas)*

Newfoundland Power *(Newfoundland)*

FortisOntario *(Ontario)*

Maritime Electric *(Prince Edward Island)*

Belize Electricity *(Belize)*

Caribbean Utilities *(Grand Cayman)*

Hydroelectric Generating Companies *(Service Areas)*

BECOL *(Belize)*

FortisUS Energy *(upper New York State)*

Non-Utility Company *(Operating Areas)*

Fortis Properties *(Newfoundland, Nova Scotia and New Brunswick)*

Fortis has delivered record earnings for the third consecutive year. Earnings were $63.3 million in 2002 compared to $53.6 million in 2001. Earnings per common share reached $3.89 compared to $3.60 last year.

Report to Shareholders

Fortis Companies serve over 410,000 customers and meet a peak demand of almost 1,800 megawatts.

The theme of this Annual Report, *Delivering in a Changing Environment,* reflects the Corporation's success in delivering record earnings for our shareholders and enhanced services for our customers at a time when significant change is occurring in our industry and in the regulatory environments of the jurisdictions we serve. This change was most apparent in Ontario where the electricity market opened on May 1, 2002 but, within months, the Government of Ontario capped consumer electricity rates. Similarly, dramatic shifts in electricity regulation have occurred in other jurisdictions. For utilities, regulatory changes present both major risks and opportunities.

The various forms of regulation under which our utilities operate cover the spectrum. We have a demonstrated ability to adapt quickly to changes in regulation. Newfoundland Power operates under traditional cost of service regulation. In 1998, the regulator established an automatic adjustment formula to determine annually the permitted rate of return on rate base. Over the last decade, Maritime Electric has gone from rate of return regulation to price cap regulation and now back to a combination of the two. In Belize, the regulatory regime is primarily an incentive regulatory model implemented in 2001. Caribbean Utilities, in the Cayman Islands, is permitted to earn a rate of return on rate base of 15 per cent under the terms of an exclusive license set to expire in 2011. Negotiations are underway with the Government of the Cayman Islands to amend the license. In Ontario, Canadian Niagara Power and Cornwall Electric have different types of regulation. With extensive regulatory experience, Fortis is well positioned to take advantage of opportunities presented by the changing

The Exploits Project is a $68 million redevelopment of 2 of Abitibi-Consolidated Inc.'s hydroelectric facilities in central Newfoundland.

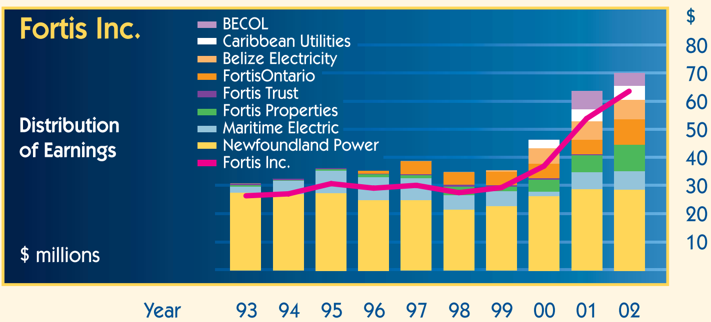
structure and regulation of electric utilities while avoiding many of the pitfalls.

For all our operating companies, 2002 was another successful year.

Newfoundland Power delivered earnings of $28.8 million in 2002, slightly lower than earnings of $28.9 million last year. Earnings in the previous year were higher due to the successful conclusion of a long-standing income tax case.

On October 11, 2002, Newfoundland Power filed a general rate application to set 2003 electricity rates. The Company is requesting that rates for 2003 be set based on a return on common equity of 10.75 per cent. Currently, the utility's rates are set based on an allowed return on common equity of 9.05 per cent, the lowest of any investor-owned utility in Canada. Over the past 5 years, Newfoundland Power's electricity rates, excluding the flow through rate increases from Newfoundland and Labrador Hydro ("Newfoundland Hydro"), have decreased by approximately 1 per cent. Including flow through increases from Newfoundland Hydro, the net impact has been an increase of approximately 3 per cent in electricity rates over the past 5 years.

The automatic adjustment formula which has been used for the past 3 years to set electricity rates is up for review. Newfoundland Power has proposed the continued use of the formula to set rates beyond 2003 and has also suggested adjustments to align the formula with current regulatory trends.



Fortis significantly expanded its presence in Ontario in 2002. Our investment quadrupled to approximately $170 million and the number of customers tripled to approximately 50,000. The Corporation's operations in Ontario contributed $9.2 million to our bottom line in 2002 compared to $5.3 million in 2001. The increase in earnings was attributable to acquisitions made this year.

In April, Canadian Niagara Power signed a $15.7 million, 10-year agreement with the City of Port Colborne to lease the electricity distribution business of Port Colborne Hydro. The lease agreement, the first of its kind in Ontario, is an innovative approach for growing the business in the Province. In July, Fortis completed its $35.2 million acquisition of the remaining 50 per cent interest in Canadian Niagara Power, an integrated electric utility which distributes electricity to approximately 25,000 customers in the Town of Fort Erie and the City of Port Colborne. In October, Fortis closed a $67.7 million transaction to acquire a 100 per cent interest in Cornwall Electric, the electric transmission and distribution utility that supplies electricity to approximately 22,600 customers in the City of Cornwall and surrounding environs. As a result of this growth, Fortis has restructured its assets in Ontario to separate the generation and distribution businesses under what has become FortisOntario. Well positioned to meet the challenges and opportunities presented by the restructuring of the Ontario electricity market, we are confident in the ability of FortisOntario to continue to expand successfully in the Province.

Maritime Electric, including the operations of FortisUS Energy, realized operating earnings of $6.6 million in 2002 compared to $6.1 million in 2001. Continued success in reducing non-energy related costs and the improved financial performance of FortisUS Energy contributed to the $0.5 million increase in earnings. The Company faced a number of challenges in 2002 which resulted in an increase in the cost of purchased and generated energy during the year. The operation of the regulations associated with the 2001 legislative changes to the *Maritime Electric Company Limited Regulation Act* significantly reduce the utility's

Fortis is committed to delivering quality customer service in a changing environment.

The Fortis Building, TD Place, Cabot Place I and the Delta St. John's are prominent landmarks in historic St. John's, Newfoundland.

exposure to volatility in energy prices and will help restore the Company's rate of return to a level consistent with other well-run Canadian electric utilities.

Maritime Electric is seeking to diversify its energy supply and bring increased stability to energy prices in the Province. The Company is exploring the feasibility of natural gas-fired electricity generation on the Island with the Government of Prince Edward Island.

The strong performance of Fortis' operating companies in Belize this year enhances the Corporation's growing reputation in the Caribbean region as a leader in the management of electric distribution companies and small hydroelectric facilities.

Belize Electricity contributed $6.9 million to earnings of Fortis in 2002 compared to $6.5 million in 2001. The Company experienced strong growth in energy sales of approximately 9 per cent for the year. Economic growth of 4.5 per cent in 2002 and countrywide housing and rural expansion projects contributed to this load growth.

When Fortis acquired Belize Electricity in 1999, it committed to reducing costs of the delivery component of electricity rates. To date, the non-generation component of electricity rates has been reduced by BZ$0.03 per kilowatt hour.

Belize Electricity made significant progress in expanding service to customers and enhancing reliability

H. Stanley Marshall, President and Chief Executive Officer, Fortis Inc. addresses the Toronto Board of Trade.

of electricity supply. The Company commenced a US$14 million project to install a 22.8-MW gas turbine providing additional capacity and energy to meet peak demand. This unit will also significantly improve power restoration in the event of a failure on the national grid and help stabilize electricity costs by providing lower-cost energy supply during peak hours.

BECOL's earnings declined to $4.6 million in 2002 compared to $6.7 million last year due primarily to increased financing costs associated with replacement of short-term borrowings with long-term, non-recourse debt.

Fortis was pleased by the rulings of the Supreme Court of Belize with respect to 2 challenges by environmental groups to the Chalillo Hydroelectric Project ("Chalillo Project"). In the first instance, the Supreme Court dismissed an application challenging a decision of the Public Utilities Commission of Belize ("PUC") and awarded costs to the PUC and BECOL. In the second instance, the Supreme Court found the Department of Environment and the National Environmental Appraisal Committee followed proper procedures in their approval of the Environmental Impact Assessment of the Chalillo Project.

Construction of the Chalillo Project will provide greater water storage for the Mollejon Hydroelectric Plant, doubling energy output of the 25-MW facility and providing an additional 7 MW of capacity. It will significantly improve the country's self-sufficiency in meeting its growing energy demands and increase reliability of service to customers. More stable electricity costs can only be realized by reducing exposure to volatile oil prices. Construction of the Chalillo Project is expected to commence in 2003 and be fully operational in 2005.

Fortis continues to build upon its expertise in the development and operation of small hydroelectric facilities in the most environmentally responsible manner. Fortis Companies operate 28 small hydroelectric facilities with 2 more under construction. Many operate in pristine tourist areas requiring particular sensitivity to environmental issues. This year, the Exploits River Hydro Partnership ("Exploits Partnership") began a $68 million redevelopment of 2 hydroelectric facilities associated with a newsprint mill in central Newfoundland.

Fortis increased its interest in Caribbean Utilities to approximately 22 per cent in 2002 from 20 per cent in the previous year. Dividends of $4.9 million were received from Caribbean Utilities in 2002 compared to $4.2 million in 2001. On October 25, 2002, the Company increased its regular quarterly dividend to US$0.16 from US$0.155 per Class A Ordinary Share. On an annualized basis, dividends per share increased 3 per cent.

Subsequent to year-end, Fortis increased its investment in Caribbean Utilities to approximately 38 per cent. This strengthening of our relationship with Caribbean Utilities will provide further value to both companies and our shareholders.

For the fifth consecutive year, Fortis Properties achieved record earnings reaching $9.3 million in 2002. The Company invested more than $68 million in prime commercial properties throughout Atlantic Canada in the year. This continued expansion fortifies its position as the leading owner and manager of office buildings and hotels in the region. In Newfoundland, Fortis Properties acquired Cabot Place I and the Delta St. John's Hotel and Conference Centre in downtown St. John's. In New Brunswick, the Company acquired Kings Place, a multi-use office and retail complex located in downtown Fredericton.

Fortis was active in the financial markets in 2002 with a public offering of 2 million Common Shares. The gross proceeds of $97.7 million were used to strengthen Fortis' balance sheet mainly by repaying short-term debt incurred to pay for acquisitions. The Corporation also issued, by way of private placement, US$10 million of Unsecured Subordinated Convertible Debentures.

Newfoundland Power raised $75 million in long-term debt through the issue of a new series of 30-year, First Mortgage Sinking Fund Bonds. The Exploits Partnership secured $65 million in non-recourse, 25-year amortizing debt. Belize Electricity secured $35 million to finance its capital projects. Fortis Properties secured approximately $70 million in First Mortgages and First Mortgage Bonds to support its acquisitions.

Fortis continues to deliver earnings and add value for shareholders. As a result, in the fourth quarter, the Corporation increased its dividend to $2.08 from $1.96 on an annualized basis.

We extend our congratulations and thanks to all Fortis employees for their diligence and professionalism in delivering first class service to customers. Our team, almost 2,300 strong, is unwavering in its commitment to adhere to the highest levels of health, safety and environmental standards in carrying out our daily business.

We extend our gratitude and best wishes to Mr. Mardon Erbland who retired as President and Chief Executive Officer of Canadian Niagara Power on December 31, 2002. We thank Mardon for his leadership and contribution to the Fortis organization for over 25 years. We welcomed Mr. Bill Daley to the helm as the new President and Chief Executive Officer of FortisOntario on January 1, 2003. Bill previously held the position of Vice President, Corporate Development with Canadian Niagara Power.

To our Board of Directors, we express our gratitude and appreciation for their leadership, guidance and wisdom. The Corporation benefits tremendously from the expertise of all directors and their contributions in ensuring good corporate governance.

Fortis is a growing company with an impressive record of successful acquisitions. Our earnings are solid and our balance sheet continues to be strengthened to support our growth. Our goal is to deliver continuous earnings growth for our shareholders and continuous enhancement in value for our customers.

On behalf of the Board of Directors,

H. Stanley Marshall
President and
Chief Executive Officer
Fortis Inc.

Angus A. Bruneau
Chair of the Board
Fortis Inc.

H. Stanley Marshall (left) and Angus A. Bruneau (right)

H. Stanley Marshall, President and Chief Executive Officer (left), and Karl W. Smith, Vice President, Finance and Chief Financial Officer, Fortis Inc. (right)

Vision

For almost 120 years, Fortis, through its operating companies, has been a generator and distributor of electricity. The Corporation was structured as a holding company in 1987 to enhance shareholder value through growth and diversification. Today, Fortis has holdings in 6 electric utilities located in Newfoundland, Prince Edward Island, Ontario, Belize and the Cayman Islands and in 2 subsidiaries engaged solely in electricity generation in New York State and Belize. We have grown our non-utility operation, Fortis Properties, into the leading owner and operator of commercial real estate and hotels in Atlantic Canada.

In 15 years, Fortis has grown from 1 utility with assets of $390 million to an international, diversified holding company with assets of $2 billion. Growth has been most predominant in the last 4 years over which time the Corporation's assets have almost doubled. Earnings applicable to common shares have grown $63.3 million in 2002 from $27.4 million in 1998. Over that time period, earnings per common share have grown to $3.89 from $2.12.

At Fortis, our principal business is and will remain the ownership and operation of electric distribution utilities. Our first priority remains the continued profitable expansion of our existing operations. We will also pursue opportunities to acquire other utilities in Canada, the Caribbean and the northeastern United States. We will apply higher return criteria to international assets to offset the increase in the risk profile.

The non-utility business of Fortis supports the Corporation's utility growth and acquisition strategy. Fortis Properties will continue to grow in size and profitability providing flexibility in financial and tax planning not generally possible with respect to utilities because of regulatory and public policy constraints. Fortis will maintain approximately 15 to 20 per cent of its assets in non-utility businesses.

Listening to customers is integral to good service.

Vision

Our vision is to be the world leader in those segments of the electricity industry in which we operate and the leading service provider within our service areas. In all our operations, Fortis will manage resources prudently and deliver quality service to maximize value to our customers and our shareholders. We are focused on 3 primary objectives:

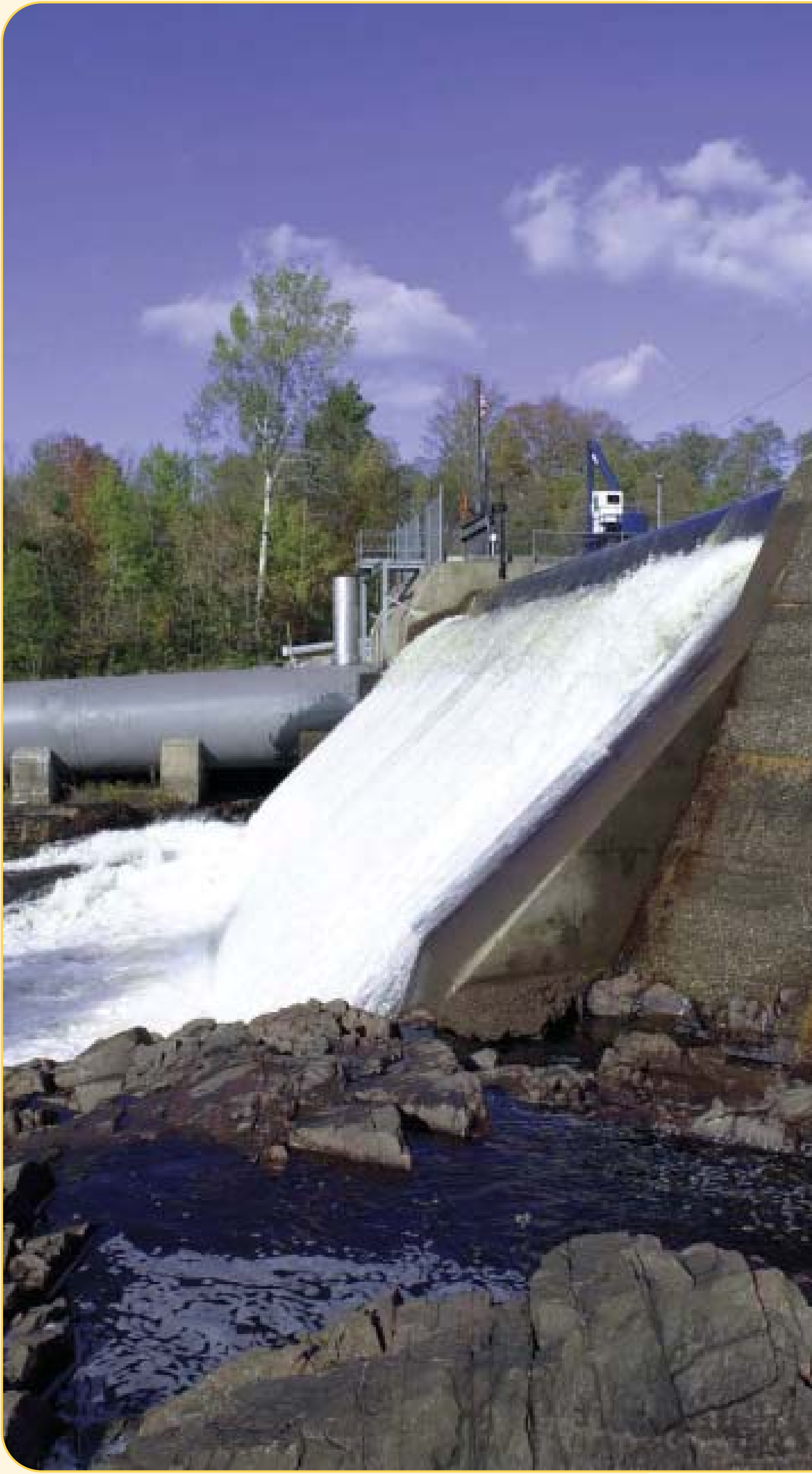
i) Our earnings should continue at a rate commensurate with that of a well-run Canadian utility.

ii) The financial and business risks of Fortis' overall operations should not be substantially greater than those associated with the operation of a Canadian utility.

iii) Our growth in assets and market capitalization should be greater than the average of other Canadian public corporations of similar size.

Our utilities provide a good mix of established, low-risk domestic operations and high growth international assets. Our corporate philosophy is to grow only if it can be done profitably. We have a strong record of profitable growth. We believe Fortis should continue to build upon its record without significantly disturbing the risk-reward balance traditionally associated with the operation of electric utilities.

The solid performance of the Corporation in delivering quality service to customers and good returns to our shareholders is driven by the dedication and competence of our employees. Integrity, accountability and autonomy are the core values upon which Fortis is structured.



Fortis Companies operate 28 small hydroelectric facilities with 2 more under construction.

Philip G. Hughes, President and Chief Executive Officer (left), and Barry V. Perry, Vice President, Finance and Chief Financial Officer, Newfoundland Power Inc. (right)

Operations

Newfoundland Power

Newfoundland Power has operated an integrated generation, transmission and distribution system in Newfoundland for almost 120 years. The Company serves approximately 220,000 customers, or 85 per cent of all electricity consumers in the Province, and meets a peak demand of 1,194 MW. Approximately 90 per cent of its energy requirement is purchased from Newfoundland Hydro. Newfoundland Power has an installed generating capacity of 148 MW of which 95 MW is hydroelectric generation.

The Company is committed to providing customers with safe, reliable electricity service in the most cost-efficient manner. Newfoundland Power continues to invest in all aspects of its electricity system while working hard to reduce operating costs. In 2002, the Company provided its customers with the lowest rates in Atlantic Canada. Operating costs per customer have been reduced to $223, the lowest level in a decade. System availability was 99.95 per cent in 2002 despite a number of severe storms which brought more than 10,000 lightning strikes and caused hundreds of isolated electricity power outages.

Continuous investments and a commitment to quality service not only reduced operating costs but also resulted in a high level of customer satisfaction. Newfoundland Power received an annual Customer Satisfaction Rating of 91 per cent, its highest rating ever.

The Company is investing in technology to ensure superior service for customers. Customer visits to Newfoundland Power's website increased almost 60 per cent this year. The Company implemented a more technologically advanced meter reading system and installed approximately 700 automated meters in locations difficult to access. Beyond productivity gains,

Customer visits ensure quality service.

the initiatives provide improved safety for employees and eliminate the need to estimate readings of inaccessible meters.

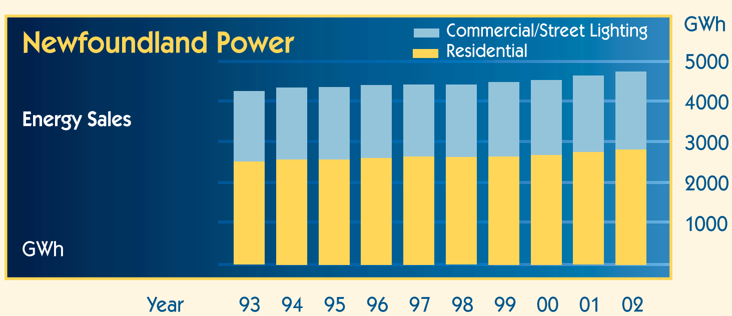
An expansion of the Supervisory Control and Data Acquisition System to increase control and monitoring of the electricity system is also improving system performance. Upgrades to outage reporting applications in 2002 now provide customers with accurate and complete information during outages as well as improve capital planning.

Regulation was a significant focus for Newfoundland Power in 2002 as the Newfoundland and Labrador Board of Commissioners of Public Utilities ("PUB") required that a general rate application be filed by October 11, 2002 to set electricity rates for 2003. The Company is requesting that rates for 2003 be set based on a return on common equity of 10.75 per cent.

Newfoundland Power's system availability was 99.95 per cent in 2002.

In August 2002, the PUB granted approval for Newfoundland Power to flow through an increase of 3.68 per cent in its electricity rates as a result of an increase in electricity rates charged by Newfoundland Hydro to the Company.

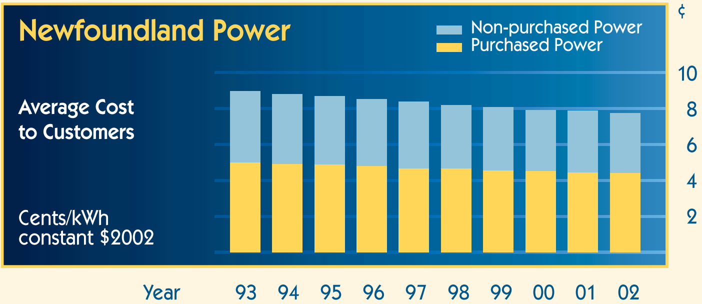
Newfoundland Power remains unwavering in its commitment to operate in the most environmentally responsible manner. An ISO 14001 registration surveillance audit was completed in 2002 for the generation section and related corporate functions. The audit verified the Company's Environmental Management System conforms to the ISO 14001 standard.



In 2002, Newfoundland Power received an annual customer service rating of 91 per cent, its highest rating ever.

Newfoundland Power remains committed to the highest standards of employee and public safety in its business. In 2002, employee lost time and medical aid accidents were at their lowest levels in 5 years. Safety practices were re-examined to ensure compliance with new provincial Occupational Health and Safety legislation introduced in 2002. *Partners in Safety*, a corporate safety campaign, was launched to focus on the need for everyone to work together to enhance corporate safety on a daily basis.

The Company received regional and national recognition in 2002 for its outstanding commitment to employees. Newfoundland Power was awarded the first-ever *Strategic Partnership Award* by the Atlantic Canada Human Resources Awards and the *Gold Star Agency Award* from the International Personnel Management Association - Canada. The awards recognized the Company's commitment to human resources and its *People Strategy,* which focuses on employee strengths and potential and challenges employees to effectively use their talents to support personal and business success.



William J. Daley, President and Chief Executive Officer (left), and Timothy B. Curtis, Vice President, Corporate Development and Chief Financial Officer, FortisOntario (right)

Operations

FortisOntario

While 2002 was a chaotic year for the electric utility industry in Ontario, it was also a year of significant expansion for Fortis in the Province. The Corporation's investment in Ontario has quadrupled to approximately $170 million and its customer base has tripled to almost 50,000 customers. Our generation and distribution businesses have been separated to comply with new regulatory requirements. The distribution operations have grown significantly through acquisitions. Our Ontario operations, now designated FortisOntario, include the operations of Canadian Niagara Power, Port Colborne Hydro Inc. ("Port Colborne Hydro") and Cornwall Street Railway, Light and Power Company Limited ("Cornwall Electric") and meet a peak demand of 225 MW.

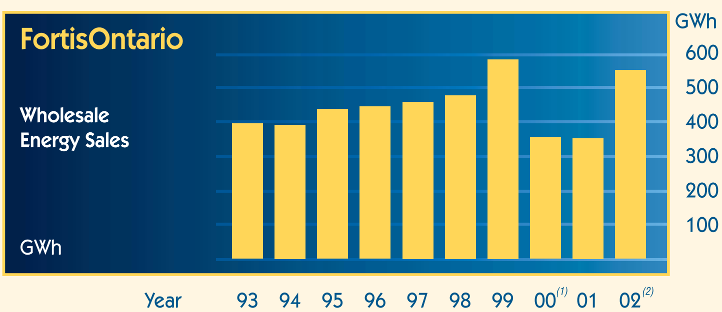
Canadian Niagara Power owns and operates the 75-MW Rankine Generating Station in Niagara Falls and international transmission facilities at Niagara Falls and Fort Erie, Ontario. The Company transmits and distributes electricity to 15,000 customers in the Town of Fort Erie and distributes electricity to 9,400 customers in Port Colborne under a $15.7 million, 10-year lease arrangement with the City of Port Colborne completed in April. Under the terms of the lease, Canadian Niagara Power finances and owns all capital additions and holds an option to purchase the business for fair market value in 2012. The Company also owns a 10 per cent strategic

FortisOntario's customer base has tripled to almost 50,000 customers.

In October 2002, Fortis purchased a 100 per cent interest in Cornwall Electric.

interest in Westario Power Holdings Inc. and in Rideau St. Lawrence Holdings Inc., 2 regional electric distribution companies formed in 2000 which together serve over 27,000 customers. In July 2002, Fortis acquired full ownership of Canadian Niagara Power by purchasing the remaining 50 per cent interest from National Grid USA for a cash purchase price of $35.2 million.

The operations of Port Colborne Hydro have been fully integrated with those of Canadian Niagara Power. As a result, 50 per cent of the former employees of Port Colborne Hydro were able to avail of an early retirement program. Consistent with FortisOntario's policy of providing local customer service, the service center in Port Colborne remains operational.

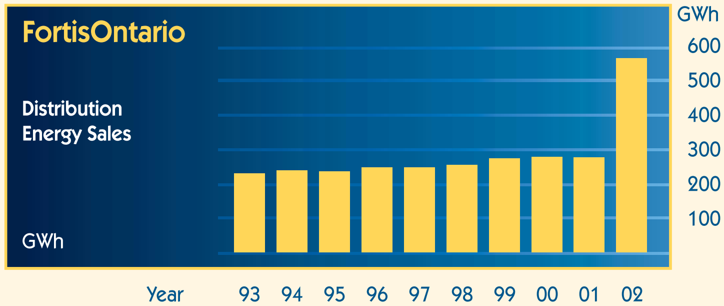


(1) Sales decreased as a result of the Company's decision to stop purchasing electricity for resale into the United States.

(2) Sales increased as a result of market opening in May, whereby all the Company's generation is sold into the market.

To further enhance its level of service to customers, Canadian Niagara Power continues to invest in its integrated customer billing, retail and wholesale settlements, and financial systems. The Company was ready to facilitate billings on behalf of retailers on May 1, 2002 in both Fort Erie and Port Colborne and now bills over 2,000 of its customers for retailer-supplied energy. The customized system now services over 75,000 customers in Ontario.

Increased quality and reliability of service was achieved through a significant investment in Canadian Niagara Power's transmission and distribution systems. Its system monitoring was also enhanced to meet the new market requirements. Interval meters were installed at over 30 large customer sites enabling those customers to improve the productivity of their operations under the new open market regime.



In late January and early February 2002, Fort Erie and Port Colborne suffered their worst ice storm in 25 years. At the height of the storm, over 75 per cent of customers were without electricity. Service was restored through the hard work and commitment of employees and the assistance provided by contracted crews and neighboring utilities.

Improved efficiencies were realized in meter reading activities.

Adherence to the highest standards of health, safety and environment practices remains of paramount importance. In 2002, transmission and distribution operations were determined to be consistent with the ISO 14001 standard. FortisOntario subjected it operations to an independent safety audit in 2002 and received one of the highest audit ratings for a first time client. Detailed findings are now being reviewed as a first step toward the implementation of an enhanced safety management system consistent with the Occupational Health and Safety Assessment Series Safety Standard 18001.

In 2002, Canadian Niagara Power significantly exceeded the performance standards set by the Ontario Energy Board with respect to response times, service connection and accessibility including achieving a service level of answering approximately 90 per cent of customer calls within 30 seconds.

Fortis purchased a 100 per cent interest in Cornwall Electric for $67.7 million in October. The Company serves 22,600 customers in the City of Cornwall and surrounding municipalities. Following the purchase of Cornwall Electric, integration of the operations into FortisOntario became a priority. In November, a 3-year labour contract was signed with the employees of Cornwall Electric represented by the Canadian Union of Public Employees Local 1371, further enhancing the stable, positive work environment.

FortisOntario is seeking to further expand its distribution business in Ontario by acquiring municipal electric utilities. The lease between Canadian Niagara Power and the City of Port Colborne, the first of its kind in Ontario, is an innovative approach to meeting that objective.

James A. Lea, President and Chief Executive Officer (left), and J. William Geldert, Vice President, Finance and Chief Financial Officer, Maritime Electric Company, Limited (right)

Operations

Maritime Electric

Maritime Electric, the principal electric utility on Prince Edward Island, serves approximately 68,000 customers, constituting over 90 per cent of the electricity consumers in the Province. The Company meets a peak demand of 203 MW.

Maritime Electric owns and operates a fully integrated system providing for the generation, transmission and distribution of electricity in the Province. The system is connected to the mainland power grid via 2 submarine cables under the Northumberland Strait. Most of the energy supplied to customers is purchased from utilities in New Brunswick and Nova Scotia through several energy purchase agreements. The Company maintains on-Island backup generating facilities at Charlottetown and Borden-Carleton with a combined total generating capacity of 100 MW.

Legislative changes and associated regulations introduced in 2001 have helped reduce the exposure of Maritime Electric to increases in energy purchase and production costs. In 2002, increases in the price of oil, extended outages at the New Brunswick Power Point Lepreau Generating Station and a tightening of energy supply in the Maritime provinces contributed to significant increases in energy costs. At year-end, $17.2 million in energy costs had been accrued for recovery from customers beginning April 1, 2003.

The Company continues to assess options to further diversify its energy supply to meet increasing electricity demand and to reduce reliance on imported energy. Maritime Electric recognizes the benefits of gas-fired electricity generation as part of its energy supply portfolio and continues to work with the Government of Prince Edward Island in its efforts to secure natural gas for the Island.

Maritime Electric serves approximately 68,000 customers.

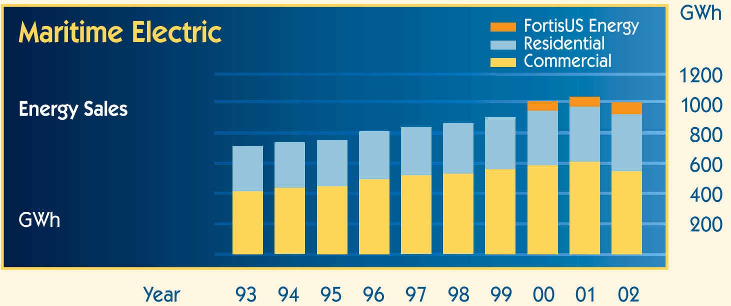
Investment in infrastructure improvements remains a priority.

A commitment to provide customers with superior service is at the core of the utility's business. Investment in infrastructure improvements to the Company's energy delivery system remains a priority. For the ninth consecutive year, Maritime Electric's system reliability exceeded the benchmark of 5.5 hours of interrupted service as established by the *Maritime Electric Company Limited Regulation Act.* Customers experienced, on average, 3.6 hours of interrupted service this year.

Maritime Electric has a well-established track record for its environmental stewardship. The Company and the Province are working together on a project to install additional wind-generating capacity at the North Cape site. The Province and the Government of Canada have agreed to pay a "green power" premium for most of the electricity generated by the facility. Maritime Electric continues to market the balance of the output to other customers, 430 of whom currently participate in the Green Power Program.

In 2002, the Company expanded its Environmental Management System, consistent with the ISO 14001 standard, to include its transmission and distribution functions. All aspects of the utility's operations are now encompassed by this system which permits Maritime Electric to identify and effectively manage activities impacting the environment.

The Company is committed to ensuring employees receive the training and development necessary to

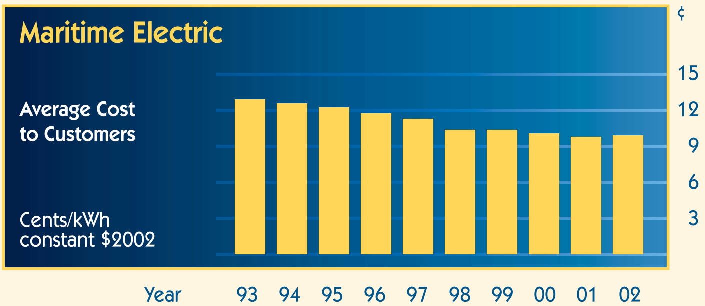


FortisUS Energy owns and operates 4 hydroelectric generating stations in upper New York State.

remain first class service providers. In 2002, Maritime Electric partnered with the Department of Education and successfully implemented a Journey Lineperson Apprenticeship Program on Prince Edward Island. The Program enables employees to complete their training in-province, thereby improving efficiency and controlling costs associated with employee development.

The Company is a strong advocate of equality in the workplace and is proactive in its efforts to identify and implement employee development initiatives. Maritime Electric was awarded the *2002 Equality Recognition Award (Employer Category)* by the Prince Edward Island Advisory Council on the Status of Women for its thoughtful approach to gender issues and for continually developing initiatives in support of the advancement of women.

FortisUS Energy, a wholly owned subsidiary of Maritime Electric, provides a vehicle for the acquisition of small hydroelectric facilities in the United States, particularly the northeastern area. The Company owns and operates 4 hydroelectric generating stations in upper New York State (Moose River, Philadelphia, Dolgeville and Diana) with a total combined capacity of approximately 23 MW. The energy output of these modern facilities is sold through a series of renewable contracts. Total production for FortisUS Energy was 82 gigawatt hours ("GWh") in 2002 compared to 68 GWh in 2001.



Lynn R. Young, President and Chief Executive Officer (left), and Rene J. Blanco, Vice President, Finance and Chief Financial Officer, Belize Electricity Limited (right)

Operations

Belize Electricity

Belize Electricity is the primary distributor of electricity in Belize, Central America. Serving almost 60,000 customers, the Company meets a peak demand of approximately 54 MW. Major load centres are connected to the country's national electricity system, which is connected to the Mexican electricity grid, allowing the utility to optimize its power supply options. Fortis owns a 67 per cent interest in Belize Electricity.

The Company experienced strong energy sales growth of approximately 9 per cent in 2002. Economic growth in Belize continues to be robust, driven by growth in the tourism sector, shrimp farming and increased investment in infrastructure improvements. Belize Electricity's customer base grew approximately 5 per cent in 2002.

Continuing emphasis on reliability is essential to help stabilize costs and improve customer service. In 2002, the Company commenced a US$14 million project for the purchase and installation of a 22.8-MW, ISO-rated gas turbine which will provide additional energy supply to help meet peak energy demand and back-up capacity. The unit is expected to be fully operational in mid-2003.

The Power III Project, an ongoing rural electrification project being undertaken in partnership with the Government of Belize, continued to extend first-time

Belize Electricity serves approximately 60,000 customers in Belize, Central America.

In 2002, Belize Electricity made significant improvements in service reliability and customer service.

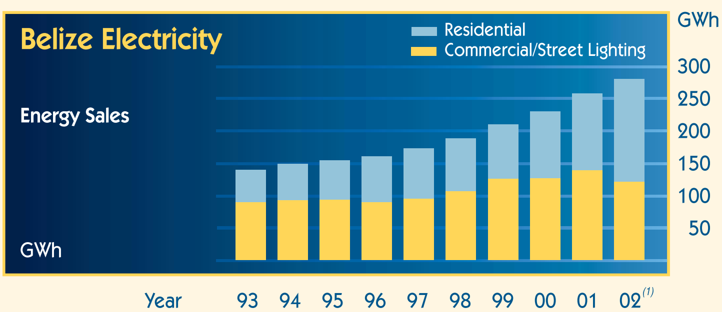
electricity and streetlights to many rural areas. More than 700 new streetlights and 75 kilometers of distribution lines were installed throughout the country this year. Electricity service was made available to approximately 18,000 new housing developments.

The Power IV Project, which aims to connect isolated load centers in southern Belize to the national grid, also made significant progress this year. More than 30 kilometers of transmission lines were constructed despite delays caused by severe weather conditions. When completed in 2003, the Project will enable Belize Electricity to place 2 of its last 3 remaining isolated diesel plants on standby status.

Significant improvements were made in service reliability and customer service in 2002. Upgrades to the San Pedro distribution system, enhanced vegetation management throughout the country and renewed focus on early detection of system problems contributed to the progress made in delivering reliable service to customers.

Tangible results were achieved as the duration and frequency of outages improved 19.5 per cent and 8.5 per cent, respectively, year over year. Improved efficiencies in meter reading and revenue collection activities were achieved through the installation of more robust meter reading equipment.

As part of its ongoing commitment to fully comply with international environmental standards, the Company initiated a number of proactive environmental measures in 2002. A bio-remediation cell, commonly used to treat or reduce concentrations of petroleum hydrocarbons in impacted soils, was installed at the generating station in the Toledo District. Drain tanks were also built at the generating



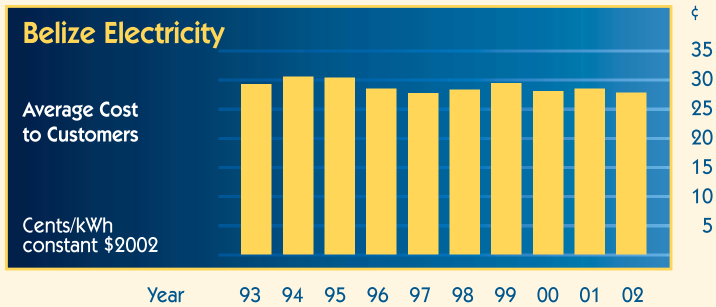
(1) Commercial sales decreased as a result of a reclassification of some small commercial customers to residential customers.

stations in the Toledo District and Ladyville to minimize possible environmental impact.

Belize Electricity continues to leverage the use of technology to enhance employee communications throughout all its service regions. Web devices were installed in office branches throughout the country to enable operations employees to access corporate information in a more timely manner and to communicate more effectively with other employees working throughout the country.

The Company availed of the technical knowledge and expertise from other Fortis Companies to improve operational performance and system reliability and to enhance customer service delivery. Employees conducted a thermoscan survey of the critical equipment on distribution feeders throughout the country. The survey helped detect points in the system requiring repair thereby enabling preventative maintenance to be undertaken to avoid probable outages.

With an expanding customer base and rising customer expectations, significant emphasis was placed on employee development and training to improve overall productivity and service. Safety training is an integral component of employee development and produced positive results in 2002. Belize Electricity made good progress in phasing in components of its comprehensive Safety Management Program which is designed to enhance safety awareness and practices. Operations staff completed job planning and risk management exercises which emphasized safety practices and organizational effectiveness. Line crews participated in practical training as part of the National Rural Electric Cooperative Association Certification Program. Managers participated in leadership development training designed to foster strong leadership, team building and change management skills.



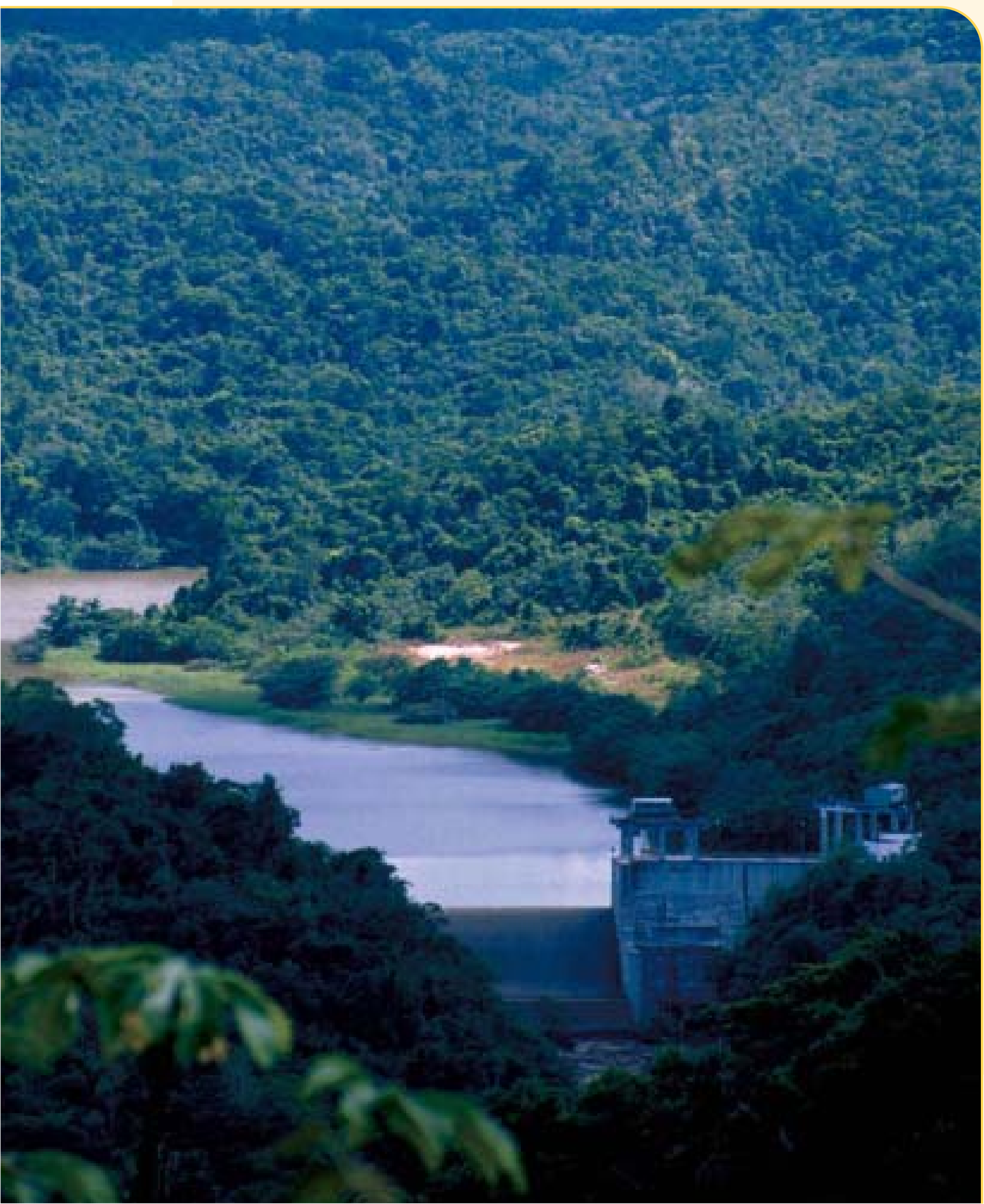
Belize Electricity is committed to meeting customers' needs.

Operations

BECOL

BECOL owns and operates the Mollejon hydroelectric facility located on the Macal River in Belize and is the only commercial hydroelectric facility in the country. The 25-MW generating plant is capable of delivering average annual energy of 80 GWh. The Company sells its entire output to Belize Electricity under a 50-year power purchase agreement. Fortis acquired a 95 per cent interest in BECOL in January 2001.

The Mollejon hydroelectric facility.



The Company's commitment to sound and responsible environmental management was demonstrated in 2002 when its operations were made fully compliant with ISO 14001 international environmental standards.

In December, BECOL received additional support for the Chalillo Project when, in response to a challenge initiated by opponents to construction of a hydroelectric dam, the Supreme Court of Belize ruled that all approvals for the Project were in order. An earlier ruling denied a challenge of the approval by the PUC of the contract between Belize Electricity and BECOL which covers both the Mollejon and Chalillo facilities.

The Chalillo Project is an upstream storage and generation facility that will increase average annual energy production from the Macal River system from 80 GWh to almost 170 GWh. The increased energy production from Chalillo is the least-cost energy alternative in Belize and will provide a number of significant and long-term benefits for customers of Belize Electricity and for the country. The Chalillo Project will increase reliability of service through more consistent production of electricity and will enable more stable electricity costs due to reduced reliance on fossil fuels. It will also increase the self-sufficiency of Belize to meet the country's growing energy demands. Construction of the Chalillo Project is scheduled to commence in 2003 with completion in 2005.

Caribbean Utilities

Caribbean Utilities generates, transmits and distributes electricity to more than 20,000 customers on Grand Cayman, Cayman Islands. The Company is considered one of the most reliable and efficient electric utilities in the region. The utility's electricity system, comprising 18 generating units and 5 major transformer substations, has an installed capacity of 115 MW and meets a peak load of 77 MW. Caribbean Utilities operates under a 25-year exclusive license, renewable in 2011, with the Government of the Cayman Islands. The Company is entitled to earn a 15 per cent rate of return on rate base under the terms of the license.

Fortis increased its interest in Caribbean Utilities to approximately 22 per cent in 2002 from 20 per cent in the previous year. Subsequent to year-end, the Corporation increased its interest in the Company to approximately 38 per cent. This investment positions Fortis to further grow and strengthen its presence in the Caribbean region.

The Corporation has a strong, successful relationship with management of Caribbean Utilities spanning more than a decade. Fortis has assisted the utility by providing strategic input and advice in such areas as training, technology, operations and customer service. The Corporation will continue to add value to Caribbean Utilities and its shareholders.

The Class A Ordinary Shares and the 8% Cumulative Fixed-Term Class C, Series 2 Preference Shares of Caribbean Utilities are listed in US funds on the Toronto Stock Exchange under the symbols CUP.U and CUP.PR.U, respectively.

Caribbean Utilities serves more than 20,000 customers on Grand Cayman.

John C. Walker, President and Chief Executive Officer (left), and Neal J. Jackman, Vice President, Finance and Chief Financial Officer, Fortis Properties Corporation (right)

Operations

Fortis Properties

Fortis Properties is the leading owner and operator of commercial real estate and hotels in Atlantic Canada. The Company is a wholly owned subsidiary of Fortis and is the Corporation's vehicle for diversification and growth outside the electric utility business. Fortis Properties has assets of approximately $300 million including commercial real estate of approximately 2.7 million square feet and 8 hotels with over 1,500 rooms. The Company's assets are distributed between Newfoundland, Nova Scotia and New Brunswick and are strategically diversified between the real estate and hotel operations.

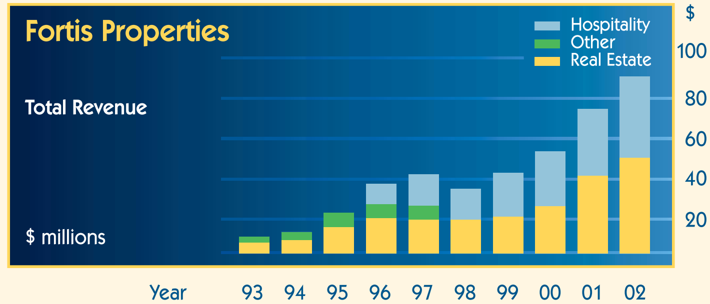
In 2002, the Company successfully completed a number of acquisitions in support of its strategy of acquiring quality downtown office buildings and hotels in major markets throughout Atlantic Canada.

In Newfoundland, Fortis Properties acquired Cabot Place I in downtown St. John's for $14.3 million in February 2002. This Class A office tower has a gross leasable area of 133,000 square feet and a 317-car parkade. Cabot Place I has a quality base of long-term national office tenants and provides the Company with new inventory to meet the growing demands of the downtown office market. The acquisition increases Fortis Properties' portfolio of properties in St. John's to over 500,000 square feet of premium office space and enhances the Company's position as the largest office landlord in the capital city.

Fortis Properties is committed to providing quality service to customers.

Fortis Properties acquired the Delta St. John's Hotel and Conference Centre ("Delta St. John's") for $25.9 million in December. Connected to Cabot Place I, the 276-room hotel is the premier conference facility in St. John's with approximately 18,000 square feet of meeting and banquet space. The property is the Company's eighth hotel and the third to be operated under the Delta Hotel brand.

In New Brunswick, Fortis Properties acquired Kings Place for $27.7 million in April 2002. Located in the heart of Fredericton's downtown business district, Kings Place is a 290,000 square foot multi-use office and retail complex comprising 2 office towers, retail space and a 417-car parkade.



The property is the largest mixed-use development in the greater Fredericton area and one of the largest in the Maritime market. The acquisition increases the Company's real estate holdings in New Brunswick to more than 1 million square feet and in Atlantic Canada to more than 2.7 million square feet.

Fortis Properties – Landmark Properties

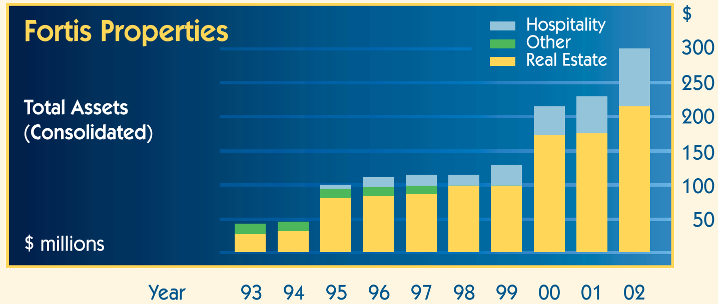
Real Estate

Province	Property	Location	Approximate Leaseable Area (sq. ft.)
Newfoundland and Labrador	Fort William Building	St. John's	188,000
	Cabot Place I	St. John's	133,000
	TD Place	St. John's	93,000
	Fortis Building	St. John's	82,000
Nova Scotia	Maritime Centre	Halifax	560,000
New Brunswick	Brunswick Square	Saint John	511,000
	Kings Place	Fredericton	290,000
	Blue Cross Center	Moncton	265,000

Hotels

Province	Property	Location	Rooms (#)
Newfoundland and Labrador	Delta St. John's	St. John's	276
	Holiday Inn St. John's	St. John's	250
	Mount Peyton Hotel	Grand Falls-Windsor	150
	Holiday Inn Corner Brook	Corner Brook	101
Nova Scotia	Four Points by Sheraton Halifax	Halifax	177
	Days Inn Sydney	Sydney	165
	Delta Sydney	Sydney	152
New Brunswick	Delta Brunswick	Saint John	255

In Nova Scotia, Fortis Properties officially opened the Four Points by Sheraton Halifax Conference Centre in March 2002. The Conference Centre is located in Company-owned Maritime Centre and increases full banquet facilities at Fortis Properties' Four Points by Sheraton Halifax hotel to 5,500 square feet.



In the Real Estate Division, improved occupancy levels with stable rental rates were realized in 2002. Anchored by high-quality tenants with long-term leases, the occupancy level increased to 94.2 per cent from 93.5 per cent year over year.

In the Hospitality Division, both revenue per available room ("REVPAR") and occupancy levels increased in 2002. REVPAR increased for the seventh consecutive year, growing 11.6 per cent to $62.03. This growth was driven by an increase in both occupancy levels, which rose to 62.2 per cent from 60.0 per cent in 2001, and in room rates. The Atlantic Canadian region benefited from strong economic growth and increased tourism. Although corporate travel was impacted by economic uncertainty and air travel concerns, tourist travel from the United States has remained strong due to both the low Canadian dollar and perceived safety of traveling to Canada.

Fortis Properties continues to enhance customer service and realize efficiency gains in its operations. A wireless customer response and maintenance system, 45-FIXIT, was implemented to provide customers with greater service options. This system enables customers to place maintenance requests via the Internet, email or telephone. Customers can now conveniently report service issues online and automatically track the progress and completion of work. In the Hospitality Division, a real-time performance tracking system was implemented to consolidate the daily performance of the multi-branded hotel portfolio, allowing for real-time reporting and analysis.

During the year, the Company expanded its Human Resources Department, established an employee recognition initiative program and implemented a management training program. Its payroll process was consolidated and more fully automated thereby enhancing the collection of employee information to facilitate human resource initiatives. Fortis Properties' strengths in human resources management helped provide a seamless transition of employees into an existing operation during the acquisition of the Delta St. John's.

Fortis Properties acquired the Delta St. John's and Cabot Place I in 2002.

Our Community

At Fortis, service is more than meeting the needs of our customers. It is also helping the community. Through the enthusiastic involvement of our employees, financial contributions and in-kind support, Fortis Companies are active in the communities we serve.

We were again an Atlantic Canada Regional Sponsor of the *CIBC Run for the Cure*. In partnership with Maritime Electric and Fortis Properties, Fortis has pledged $75,000 over 3 years to support breast cancer research, education, early diagnosis and treatment. In the past 2 years, more than 300 Fortis employees and their families raised an additional $40,000 for this significant cause.

Newfoundland Power launched the *Power of Life Project*, a new cancer education and awareness initiative that will raise funds for cancer treatment, screening and education programs as well as promote healthy living. The Company, along with several key cancer organizations in Newfoundland, has a goal to raise more than $1 million over the next 4 years.

Through the *Annual Re-Leaf Tree Reforestation Program,* FortisOntario dug in to help further beautify the Town of Fort Erie by planting maple, pine and spruce trees at family parks.

Belize Electricity rallied around causes which nurture the minds and well being of young people. The Company provided several scholarships to the University of Belize and jumped on board for the development of Belize's YMCA Youth Education, Training and Family Center.

These are but a few examples of the many initiatives we undertook in 2002.

A sincere thank you to all Fortis employees for wholeheartedly supporting our community partnerships with team spirit, hard work and commitment.

The following material should be read in conjunction with the Consolidated Financial Statements and Notes to the Consolidated Financial Statements included in the 2002 Annual Report. The Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles.

Fortis Inc. ("Fortis" or the "Corporation") includes forward-looking statements in this material. By their very nature, forward-looking statements are based on underlying assumptions and are subject to certain risks and uncertainties that may cause actual results to vary from plans, objectives and estimates. Such events include, but are not limited to, general economic, market and business conditions, regulatory developments, weather and competition. Fortis cautions readers that should certain events or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary significantly from those expected.

Management Discussion & Analysis

Fortis is principally a diversified electric utility holding company. The Corporation segments its utility operations by franchise area and, depending on regulatory requirements, by the nature of the assets. Fortis also holds investments in commercial real estate and hotel properties which are treated as a separate segment. The operating segments allow senior management to evaluate the operational performance and to assess the overall contribution of each segment to the Corporation's long-term objectives.

Newfoundland Power: Newfoundland Power is the principal distributor of electricity in Newfoundland.

FortisOntario: Due to the expansion of Fortis in Ontario in 2002, the Corporation has created a new segment called FortisOntario which includes the operations of Canadian Niagara Power Company, Limited ("Canadian Niagara Power") and Cornwall Street Railway, Light and Power Company Limited ("Cornwall Electric"). Assets leased from the City of Port Colborne are included in Canadian Niagara Power's accounts. In April 2002, Canadian Niagara Power entered into a $15.7 million, 10-year agreement to lease the electricity distribution business of Port Colborne Hydro Inc. ("Port Colborne Hydro") from the City of Port Colborne. In July 2002, Fortis increased its investment in Canadian Niagara Power to 100 per cent. The Corporation's initial 50 per cent interest is reported on a proportionate consolidation basis up to July 1, 2002. On October 17, 2002, Fortis acquired 100 per cent of Cornwall Electric. FortisOntario is focused on electricity distribution; however, it does own some electric generation assets in Ontario.

Maritime Electric: Maritime Electric is the principal distributor of electricity on Prince Edward Island. The operations of 4 hydroelectric generating stations in upper New York State, conducted through FortisUS Energy, are also included in this segment.

Belize Electricity: Belize Electricity is the principal distributor of electricity in Belize, Central America.

Belize Electric ("BECOL"): BECOL consists of the operations of the 25-MW Mollejon hydroelectric facility in Belize. The Company sells all of its electricity output to Belize Electricity.

Caribbean Utilities: Caribbean Utilities is the sole provider of electricity in Grand Cayman, Cayman Islands. At December 31, 2002, the Corporation held a 22 per cent interest in the Company and accounted for this investment on the cost basis of accounting including in its results only dividend income received. On January 30, 2003, Fortis acquired an additional 15.9 per cent of the outstanding Class A Ordinary Shares of Caribbean Utilities increasing its holding in the utility to approximately 38 per cent. Subsequently, the Corporation began accounting for this investment on the equity basis of accounting. The financial results of Caribbean Utilities have been grouped with the Corporate segment in the Consolidated Financial Statements.

Fortis Properties: Fortis Properties includes the operations of the commercial real estate and hotel properties.

Corporate: Corporate includes finance costs associated with corporate debt and other corporate expenses net of recoveries from subsidiaries, interest and miscellaneous revenues and related income taxes. The Corporation's interest in the Exploits River Hydro Partnership ("Exploits Partnership") is also included in this segment. The Exploits Partnership between Fortis and Abitibi-Consolidated Inc. ("Abitibi-Consolidated") is responsible for the development and installation of additional capacity at 2 of Abitibi-Consolidated's hydroelectric plants in central Newfoundland. The Corporation holds a 51 per cent interest in the Partnership and Abitibi-Consolidated holds the remaining 49 per cent interest.

Each operating segment operates as an autonomous unit, assumes profit and loss responsibility and is accountable for its own resource allocation.

Karl W. Smith, Vice President, Finance and Chief Financial Officer, Fortis Inc.

2002 Highlights

Fortis Inc. Financial Highlights	2002	2001 [1]	Growth (%)
Recurring Earnings [2] ($ millions)	**63.3**	50.1	**26.3**
Non-recurring Items [2] ($ millions)	–	3.5	–
Earnings Applicable to Common Shares ($ millions)	**63.3**	53.6	**18.1**
Recurring Earnings per Common Share ($)	**3.89**	3.36	**15.8**
Earnings per Common Share ($)	**3.89**	3.60	**8.1**
Dividends per Common Share ($)	**1.94**	1.87	**3.7**
Return on Average Common Shareholders' Equity (%)	**12.2**	12.4	**(1.6)**
Total Assets ($ millions)	**1,987**	1,625	**22.3**
Revenue ($ millions)	**715.5**	628.3	**13.9**
Cash Flow from Operations [3] ($ millions)	**128.9**	120.7	**6.8**

(1) Comparative 2001 results have been restated to reflect the adoption of the Canadian Institute of Chartered Accountants ("CICA") recommendations on accounting for foreign exchange gains and losses. (See Note 2 to the Consolidated Financial Statements.)

(2) See Revenue and Earnings Contributions table on page 31 for breakdown of recurring earnings and non-recurring items.

(3) Before working capital adjustments

Earnings' Growth: Fortis achieved record earnings in 2002 of $63.3 million, an 18.1 per cent increase over $53.6 million in 2001. Earnings before non-recurring items increased 26.3 per cent year over year.

Earnings per Common Share: Earnings per common share were $3.89, an 8.1 per cent increase over $3.60 in 2001, despite the dilution associated with the public issue of 2 million common shares in June 2002. Recurring earnings per common share grew 15.8 per cent year over year.

Dividends: Dividends paid increased to $1.94 per common share in 2002 from $1.87 in 2001. Dividends per common share have increased annually since the inception of Fortis in 1987. The Corporation's dividend payout ratio was 49.9 per cent in 2002 compared to 51.9 per cent in 2001. In December 2002, Fortis declared an increase in the regular quarterly dividend to $0.52 from $0.49, payable on March 1, 2003.

Return on Average Common Shareholders' Equity: Return on average common shareholders' equity was 12.2 per cent in 2002, comparable to the previous year.

Asset Growth: Total assets were $2 billion at year-end 2002, 22.3 per cent higher compared to $1.6 billion at year-end 2001.

Revenue Growth: Revenue growth continued to be strong in 2002, increasing 13.9 per cent to $715.5 million from $628.3 million in 2001.

Cash Flow from Operations: Cash flow from operations, before working capital adjustments, was $128.9 million in 2002 compared to $120.7 million in 2001.

Acquisitions: In support of its long-term growth strategy, Fortis invested approximately $183.7 million in acquisitions in 2002.

Utility:

In July 2002, Fortis acquired the remaining 50 per cent interest in Canadian Niagara Power from National Grid USA for a cash purchase price of $35.2 million. The Corporation purchased its initial 50 per cent interest in the utility in October 1996. Acquiring the remaining 50 per cent interest complements the long-term business objective of Fortis to expand its assets in Ontario.

In April 2002, Canadian Niagara Power entered into a $15.7 million, 10-year agreement to lease the electricity distribution business of Port Colborne Hydro from the City of Port Colborne. Canadian Niagara Power receives all revenues from Port Colborne Hydro in exchange for assuming responsibility for the operation of the business.

Port Colborne Hydro supplies electricity to approximately 9,400 customers in the City of Port Colborne. Canadian Niagara Power holds an option to purchase the business for fair market value at the end of the 10-year term.

In October 2002, Fortis acquired a 100 per cent interest in Cornwall Electric from Enbridge Energy Distribution Inc. for an aggregate purchase price of $67.7 million. Cornwall Electric is an Ontario-based electric transmission and distribution utility which supplies electricity to approximately 22,600 customers in the City of Cornwall and environs.

In March 2002, Fortis acquired 662,700 Class A Ordinary Shares of Caribbean Utilities for an aggregate purchase price of $12.9 million. This purchase represented approximately 2 per cent of the Company's Class A Ordinary Shares.

Non-Utility:

In February 2002, Fortis Properties acquired Cabot Place I in downtown St. John's, Newfoundland for $14.3 million. Cabot Place I is a 133,327 square foot premium office tower.

In April 2002, Fortis Properties acquired Kings Place in downtown Fredericton, New Brunswick for $27.7 million. Kings Place is a 290,188 square foot multi-use office and retail complex and is the largest mixed-use development in the Greater Fredericton area.

In December 2002, Fortis Properties acquired the Delta St. John's Hotel and Conference Centre ("Delta St. John's") located in downtown St. John's, Newfoundland for $25.9 million. The 276-room property is the premier hotel and convention facility in the capital city and became the eighth hotel in the Company's portfolio, increasing its aggregate hotel rooms to more than 1,500.

Fortis Properties comprises 15 per cent of the consolidated assets and 12.6 per cent of the consolidated revenue of Fortis. Management intends on maintaining this approximate relative size of Fortis Properties.

Capital Expenditures: In 2002, new capital projects totalled $59.2 million while capital expenditures related to ongoing operations totalled $101.8 million. New capital projects included $47.9 million for the Exploits River Hydro Project ("Exploits Project") and $11.3 million of poles and related infrastructure from Aliant Telecom Inc. ("Aliant Telecom"). The ongoing capital expenditures of $101.8 million mainly related to investment in existing electricity systems to improve reliability and to support customer growth.

Financing: Fortis and its subsidiaries were active in the capital markets this year raising in excess of $300 million. The most significant transaction was the public offering of 2 million common shares for gross proceeds of $97.7 million. The proceeds were used to strengthen Fortis' balance sheet mainly by repaying short-term debt incurred to pay for acquisitions. The Corporation also issued, by way of private placement, US$10 million of Unsecured Subordinated Convertible Debentures. Newfoundland Power closed a public offering of $75 million First Mortgage Sinking Fund Bonds. Fortis Properties secured approximately $70 million in First Mortgages and First Mortgage Bonds and the Exploits Partnership secured $65 million in non-recourse debt. Belize Electricity also secured approximately $35 million in debt facilities to support its capital program.

Consolidated Financial Results

Earnings: Earnings applicable to common shares were $63.3 million, an 18.1 per cent increase over earnings of $53.6 million in 2001. Several non-recurring items, the principal one being a gain on the sale of commercial real estate, occurred in 2001. As a result, recurring earnings in 2002 actually increased 26.3 per cent over the previous year.

Contributions arising from the increased ownership in Canadian Niagara Power, the acquisition of Cornwall Electric and the acquisition of several properties by Fortis Properties contributed to increased earnings. Increased wholesale electricity sales in Ontario also produced higher earnings at Canadian Niagara Power. A reduction in corporate expenses also contributed to the increase in earnings.

Revenue: Revenue increased 13.9 per cent to $715.5 million in 2002. Increased energy sales at most utilities contributed to increased revenue. Acquisitions, particularly the increased ownership in Canadian Niagara Power, also led to the increase.

Energy Sales: Energy sales totalled 7,271 gigawatt hours ("GWh") in 2002 compared to 6,701 GWh in 2001. Most of the Corporation's utilities experienced modest increases in energy sales in 2002. Also contributing to the increase in energy sales were the additions of Port Colborne Hydro in April and Cornwall Electric in October. The restructuring of the Ontario electricity market also led to increased generation sales.

Fortis Inc. Energy Sales (GWh)	**2002**	2001
Newfoundland Power	**4,765**	4,667
FortisOntario (1)	**1,120**	631
Maritime Electric	**1,019**	1,055
Belize Electricity	**279**	257
BECOL (2)	**88**	91
TOTAL	**7,271**	6,701

(1) Energy sales are reported at 100 per cent for Canadian Niagara Power and from date of acquisition for Cornwall Electric.

(2) Fortis acquired a 95 per cent interest in BECOL in January 2001. Comparative figures are for the full year.

Segmented Results of Operations

The segmented results of the Corporation are outlined below.

Fortis Inc.
Revenue and Earnings Contributions

($ millions)	Revenue **2002**	Revenue 2001	Earnings **2002**	Earnings 2001 (1)
Newfoundland Power	**369.6**	359.3	**28.8**	28.9
FortisOntario	**74.5**	20.3	**9.2**	5.3
Maritime Electric	**96.0**	97.5	**6.6**	6.1
Belize Electricity	**77.8**	72.4	**6.9**	6.5 (1)
BECOL	**16.6**	16.1	**4.6**	6.7
Fortis Properties	**90.4**	73.9	**9.3**	6.1
Caribbean Utilities	**4.9**	4.2	**4.9**	4.2
Corporate - net	**6.3**	0.9	**(7.0)**	(13.7)
Inter-segment Eliminations (2)	**(20.6)**	(16.3)	**-**	-
Recurring Earnings			**63.3**	50.1
Fortis Trust - Discontinued Operations			**-**	0.2
Gain on Sale of Fortis Trust			**-**	0.5
Interest on Income Tax Reassessment			**-**	0.3
Gain on Sale of Centennial Building - net of tax			**-**	2.5
Earnings Applicable to Common Shares	715.5	628.3	63.3	53.6

(1) Comparative 2001 results have been restated to reflect the adoption of the CICA recommendations on accounting for foreign exchange gains and losses. (See Note 2 to the Consolidated Financial Statements.)

(2) Represents inter-company sales, primarily energy sales from BECOL to Belize Electricity.

Newfoundland Power

Regulation: Newfoundland Power operates under a cost of service regulatory model as prescribed by orders of the Newfoundland and Labrador Board of Commissioners of Public Utilities ("PUB"). Under this model, earnings are regulated on the basis of rate of return on rate base. An automatic adjustment formula based on long-term bond rates is utilized to annually determine the permitted rate of return. The formula determines an allowed rate of return on equity which is then used to determine the resulting return on rate base.

In accordance with the formula, the allowed rate of return on equity for 2002 was reduced to 9.05 per cent causing the allowed rate of return on rate base to be reduced to 10.06 per cent, permitting the Company to earn within a range of 9.88 per cent to 10.24 per cent. Previously, the rate of return on rate base was 10.28 per cent within a range of 10.10 per cent to 10.46 per cent. This reduction in the allowed rate of return on rate base resulted in a 0.6 per cent decrease in electricity rates to customers effective January 1, 2002.

In October 2002, Newfoundland Power filed a general rate application with the PUB to set 2003 electricity rates. The Company is requesting that 2003 rates be set based on an allowed rate of return on equity of 10.75 per cent. The automatic adjustment formula which has been used for the past 3 years to set electricity rates is also subject to review. Newfoundland Power has proposed the continued use of the formula to set rates beyond 2003. However, the Company has also suggested adjustments to align the formula with current regulatory trends including using the Consensus Forecast to determine the allowed rate of return. Currently, the rate of return is set based on actual bond rates during a 2-week period in October and November.

Earnings: Earnings for 2002 were $28.8 million, a slight decrease compared to $28.9 million in 2001.

In 2002, Newfoundland Power experienced higher energy sales and increased pole rental revenue. These items were offset by higher pension costs and depreciation expense. As well, earnings in 2001 included a significant tax refund.

Energy Sales: Energy sales were 4,765 GWh in 2002, a 2.1 per cent increase over energy sales in 2001. Residential energy sales increased 2.5 per cent to 2,843 GWh due to growth in personal disposable income and an increase in new home construction. Commercial energy sales increased 1.6 per cent to 1,922 GWh due mainly to growth in the service sector of the economy and the continued land-based activity related to the offshore oil industry in Newfoundland.

Revenue: Revenue was $369.6 million in 2002, an increase of 2.9 per cent over 2001. Growth in revenue was a result of higher energy sales combined with a 3.68 per cent increase in electricity rates in September 2002 and increased pole rental revenue associated with the purchase of joint-use poles from Aliant Telecom. The 3.68 per cent rate increase was a flow through of higher purchased power rates charged by Newfoundland and Labrador Hydro ("Newfoundland Hydro").

Expenses: The Company purchases approximately 90 per cent of its energy requirements from Newfoundland Hydro. Purchased power costs were $210.8 million in 2002, an increase of 4.2 per cent over 2001. This increase was attributable to higher energy sales and a 6.5 per cent increase in September in the power rates charged by Newfoundland Hydro to Newfoundland Power.

Other operating expenses were $46.8 million in 2002 compared to $47.9 million in 2001, a decrease of 2.3 per cent. Operating costs per customer decreased to $223, 3.5 per cent lower than the previous year. Early retirement program and pension costs were $3.9 million in 2002 compared to $5.0 million in 2001. Expenses were lower due to early retirement costs of $3.5 million incurred in 2001. Offsetting this somewhat was higher pension expense in 2002 as a result of negative market returns on plan assets and a 2 per cent increase for retirees on June 1, 2002. Depreciation expense for 2002 was $35.4 million, a 4.2 per cent increase from last year, resulting from growth in the Company's rate base of $28.2 million. The composite depreciation rate was unchanged from last year.

Outlook: The Conference Board of Canada projects gross domestic product ("GDP") growth for Newfoundland and Labrador of 3.2 per cent in 2003. The service sector component of GDP, which is more predictive of Newfoundland Power's energy sales, is forecast to grow 2.7 per cent in 2003.

An Energy Policy Review ("EPR") was initiated by the Government of Newfoundland and Labrador in 1998. In 2002, the ERP was published and Newfoundland Power made a submission to the Department of Mines and Energy as part of the consultation process. The EPR examined a number of issues that could affect the Company's business including the appropriate form of utility regulation for the Province. As part of the consultation process, Newfoundland Power indicated that it supports a move to more flexible, incentive-based regulation which is reflective of global regulatory trends and is better aligned with customers' expectations regarding reliability and price.

FortisOntario

Regulation: Canadian Niagara Power operates under the *Electricity Act (Ontario)* and the *Ontario Energy Board Act (Ontario)*. As a result of regulatory changes introduced on May 1, 2002, the Company restructured to separate its generation business from its transmission and distribution businesses. The Company now sells its generation entitlement to the Ontario Independent Market Operator ("IMO") at spot market prices. Distribution and transmission assets remain regulated on a cost of service basis.

Cornwall Electric has been given legislative exemption from many aspects of these Acts and is, instead, subject to a 35-year Franchise Agreement with the City of Cornwall, dated July 31, 1998. Rates under the Franchise Agreement are determined based on the aggregate of a flow through of the contracted cost of power and a revenue requirement for other operating costs. The revenue requirement is reset each year based on a formula including adjustments for inflation, load growth and customer growth.

On November 11, 2002, under *Bill 210,* regulation changes occurred to the distribution business. The generation business continues to sell its entitlement to the IMO at market prices. *Bill 210* requires that distribution and transmission rates for certain customers be capped at their current levels until 2006. Currently, the transmission rates and Fort Erie distribution rates have been set based on a 9.88 per cent rate of return on equity. Port Colborne Hydro distribution has implemented two-thirds of a phase in of rates to the 9.88 per cent rate of return and currently charges rates based on a 6.91 per cent rate of return. Cornwall Electric has been given exemption from *Bill 210* as it does not participate in the open market in Ontario and its rates are set by the Franchise Agreement.

Earnings: FortisOntario's contributions to earnings were $9.2 million in 2002 compared to $5.3 million in 2001. The growth in earnings primarily resulted from the acquisition of the remaining 50 per cent interest in Canadian Niagara Power and the acquisition of Cornwall Electric. Increased wholesale energy sales associated with the restructuring of the Ontario electricity market also contributed to the increase in earnings. Earnings were partially offset by the amortization of water rights which were acquired as part of the increased investment in Canadian Niagara Power.

The following table summarizes FortisOntario's energy sales as well as gross and net revenues. In order to enhance comparability, sales and revenue information for Canadian Niagara Power includes 100 per cent of operations for 2002 while the information for Cornwall Electric is provided from the date of acquisition only.

FortisOntario Energy Sales and Revenue

	Energy Sales (GWh)		Revenue ($000's) [1]	
	2002	2001	**2002**	2001
Generation	**553**	353	**27,106**	18,535
Distribution	**567**	278	**54,209**	20,858
Transmission	**–**	–	**3,374**	–
Other [2]	**–**	–	**989**	1,193
Total (Gross)	**1,120**	631	**85,678**	40,586
Purchased Power and Fuel	**(478)**	–	**(36,918)**	–
Total (Net)	**642**	631	**48,760**	40,586

(1) Revenue for Canadian Niagara Power reported at 100 per cent. Revenue for Cornwall Electric reported from date of acquisition.

(2) Other revenue includes interest on investments, gains/losses on disposals, foreign exchange, heating sales and miscellaneous energy sales.

Energy Sales: Generation sales were 553 GWh in 2002 compared to 353 GWh in 2001. Prior to May 1, 2002, Canadian Niagara Power's generation output was first used to supply electricity directly to its distribution customers. The remaining generation was then sold into wholesale markets, primarily in New York. Canadian Niagara Power's unregulated generation business now sells its production entirely into the Ontario market and its regulated distribution business meets its sales requirements from power purchased from that market.

Total distribution energy sales were 567 GWh in 2002 compared to 278 GWh in 2001. The growth was due to the acquisition of Cornwall Electric and the lease agreement with the City of Port Colborne.

Revenue: Gross revenue was $85.7 million in 2002 compared to $40.6 million in 2001. In particular, revenue from generation sales was $27.1 million compared to $18.5 million in 2001. Generation sales increased as a result of the restructuring of the Ontario electricity market in May 2002. Revenue from distribution sales was $54.2 million compared to $20.9 million in 2001. The increase in distribution revenue was associated with energy sales at Port Colborne Hydro and Cornwall Electric and higher average energy prices related to the cost of power component of electricity rates. FortisOntario earned transmission revenue in the amount of $3.4 million for the first time in 2002. This revenue arises from the restructuring of the Ontario electricity market whereby transmission revenue is now provided based on FortisOntario's share of transmission assets in Ontario.

Expenses: Purchased power costs were $36.9 million in 2002 whereas there was no expense associated with purchased power in 2001. FortisOntario purchases its power from the IMO to supply its distribution business in Fort Erie and Port Colborne. In 2001, distribution sales were fully supplied from the entitlement associated with the Rankine Generating Plant. Cornwall Electric purchases most of its power from Hydro Quebec.

Operating expenses in 2002, excluding purchased power, were $19.7 million compared to $14.8 million in 2001. Operating costs associated with Port Colborne Hydro and Cornwall Electric accounted for most of the increase.

Outlook: FortisOntario is projecting growth of approximately 1.5 per cent in the regions in which it serves. Fort Erie, in particular, is one of the fastest growing municipalities in the Niagara Region with strong growth in the tourism, gaming, retail and industrial sectors. Significant capital investments by FortisOntario in Fort Erie over the past few years have positioned the Company to benefit from this growth. FortisOntario will continue to manage the changes in the Province's electricity market and to explore growth opportunities arising from the restructuring of Ontario's electricity industry. Management believes further consolidation of municipal electric utilities is likely and will pursue assets of this nature if they become available.

Maritime Electric

Regulation: Under the terms of the *Maritime Electric Company Limited Regulation Act ("Regulation Act"),* base rates for electricity on Prince Edward Island can be no greater than 110 per cent of electricity rates charged by New Brunswick Power ("NB Power") for equivalent service in New Brunswick. Legislative change proclaimed in May 2001 now provides Maritime Electric with the ability to defer and recover from/rebate to customers 90 per cent of energy-related costs above/below $0.05 per kWh ("kilowatt hour"). In addition, the legislation provides for an adjustment to increase/decrease rates for 75 per cent of the difference between the rate of return on average common equity and the target return of 11 per cent. These mechanisms help reduce the Company's exposure to increases in energy-related costs and provide earnings stability.

The *Regulation Act* also prescribes minimum reliability standards and requires Maritime Electric to maintain at least 40 per cent of its capital structure in the form of common equity. At year-end 2002, the common equity component of Maritime Electric's Prince Edward Island capital structure was 39.6 per cent. This result is temporarily below the prescribed limit due to the transition to the revised regulatory framework. With respect to reliability, the Company has exceeded the legislative requirement for the ninth consecutive year.

The results of Maritime Electric also include the non-regulated generation operations of FortisUS Energy, which represents approximately 4 per cent of the Company's total revenue.

Earnings: Earnings increased to $6.6 million in 2002 compared to $6.1 million in 2001. The increase over 2001 reflects Maritime Electric's success in reducing non-energy related expenses and the improved financial performance of FortisUS Energy.

Energy Sales: Energy sales on Prince Edward Island were 937 GWh, a 5 per cent decrease from energy sales of 987 GWh in 2001. The decrease was due primarily to the departure of the City of Summerside as a wholesale customer on April 1, 2002 partially offset by increased energy sales to existing and new customers. Commercial energy sales increased 1.4 per cent in 2002 driven mainly by increased manufacturing and processing output. Residential energy sales increased 3.8 per cent reflecting customer growth of 1.4 per cent and increased consumption levels. As a result of increased water flow, energy sales for the 4 plants owned by FortisUS Energy were 82 GWh in 2002 compared to 68 GWh in 2001.

Revenue: Revenue was $96 million in 2002 compared to $97.5 million in 2001. The loss of $4.2 million in revenue from the City of Summerside was partially offset by a 2.1 per cent increase in basic electricity rates on April 1, 2002, increased energy sales to existing and new customers and a new transmission agreement with Emera Inc. ("Emera"). Emera is now the provider of service to the City of Summerside and, as a result, the Company has signed a transmission agreement with Emera for the use of its transmission system. Increased production at FortisUS Energy also contributed to the increase in revenue.

Expenses: Maritime Electric purchases the majority of its energy from NB Power and Emera through several energy purchase agreements. Net energy supply costs were $52.9 million in 2002, a decrease of $0.6 million from 2001. Energy costs decreased mainly as a result of the departure of the City of Summerside as a wholesale customer in April 2002.

The reduced volume of energy purchases was partially offset by an increase in energy prices. Unscheduled downtime at the NB Power Point Lepreau Nuclear Generating Station, increased oil prices and the tightening energy supply in the Maritimes contributed to the increase in prices. Overall, the unit cost for energy increased by 7.8 per cent in 2002. As at December 31, 2002, $17.2 million in energy-related costs ($13.2 million in 2001) had been deferred with collection from customers to begin on April 1, 2003. This amount is recorded as a regulated asset on the Company's balance sheet.

Other operating expenses were $12 million in 2002 compared to $13.3 million in 2001. The decrease was due to several one-time charges in 2001 associated with energy supply planning, an early retirement program and the cost of regulatory proceedings. Amortization expense decreased by $1 million from 2001 primarily due to a decrease in depreciation rates applied to distribution assets and the completion of the amortization of certain deferred charges.

Outlook: Energy sales at Maritime Electric are forecast to remain strong, primarily due to new customer growth, increased construction, and strong performance in the tourism industry. The Prince Edward Island economy is forecast to grow by approximately 3.4 per cent in 2003.

The energy contracts with NB Power and Emera have significantly reduced the Company's exposure to premiums associated with the interruption of its energy supply by replacing a majority of interruptible energy with firm energy. Approximately 13 per cent of Maritime Electric's energy portfolio is tied to the price of oil compared to 35 per cent under previous agreements, significantly decreasing the Company's exposure to volatility in oil prices. The energy purchase agreements with NB Power and Emera expire on October 31, 2003 and December 31, 2004, respectively. The remaining exposure to increases in the price of oil is mitigated by the legislation governing Maritime Electric. It is anticipated that changes to regulation and industry structure in New Brunswick may occur in the spring of 2003, at which time changes to the Regulation Act may be required.

Maritime Electric's wholly owned subsidiary, FortisUS Energy, remains positioned for further expansion in the United States with emphasis in the northeastern United States. Management continues to assess and monitor the market for hydroelectric assets in this area.

Belize Electricity

Fortis holds a 67 per cent interest in Belize Electricity. The results reported below represent the Company's total operations.

Regulation: Belize Electricity is regulated by a Public Utilities Commission ("PUC") under the terms of an amendment to the *1992 Electricity Act* and the *Public Utilities Commission Act of 1999.*

The PUC has approved by-laws that govern electricity rates where the delivery component is subject to a price cap. The quality of service standards will be formalized during a transition period from January 1, 2000 through June 30, 2005 and will become effective July 1, 2005.

Regulations include a Cost of Power Rate Stabilization Account ("CPRSA") designed to normalize changes in the price of electricity due to fluctuating fuel costs. The CPRSA stabilizes electricity rates for consumers while providing the Company with a mechanism which permits the recovery of its cost of electricity. At December 31, 2002, the balance in this account owing from customers was $12.8 million. Effective July 1, 2002, a Hurricane Cost of Power Rate Stabilization Account was also established to normalize hurricane reconstruction costs. At

December 31, 2002, the balance in this account owing from customers was $1.9 million.

Belize Electricity's license to generate, transmit, distribute and supply electricity in Belize expires in 2015. Under the terms of the license, the Company has a right of first refusal on any subsequent license grant. If the license is not renewed for any reason, Belize Electricity will be entitled to receive, upon the transfer of its electric utility assets to a new operator, the greater of market value or 120 per cent of the net book value of these assets.

Earnings: Earnings increased to $10.2 million in 2002 compared to $9.5 million in 2001. The increase was due to higher energy sales and improved productivity leading to a reduction in operating expenses offset by a $0.5 million foreign exchange loss recognized on its long-term debt. In 2001, the Company recorded a $0.2 million gain.

Energy Sales: Energy sales were 279 GWh in 2002, an 8.6 per cent increase compared to 257 GWh in 2001. The increase was mainly driven by growth in energy sales in the residential and streetlight segments associated with a streetlight campaign, rural expansion projects and normal economic growth. Belize Electricity placed particular emphasis on reducing unrecorded and misappropriated sales which also contributed to increased energy sales. The continuation of the Power IV Project, which is designed to interconnect the southern part of Belize to the national grid, and the installation of a gas turbine, expected to be operational in June 2003, will continue to improve the Company's ability to meet the country's peak power demand and to provide backup capacity in case of loss of supply from any of its 3 main energy sources.

Revenue: Revenue was $77.8 million in 2002, an increase of 7.5 per cent compared to $72.4 million in 2001. As part of its ongoing commitment to reduce electricity rates, a reduction of $0.02 per kWh was implemented in July.

Expenses: Purchased power expense was $38.3 million in 2002, a 10.1 per cent increase over 2001. The increase in purchased power expense was primarily the result of higher energy sales. Belize Electricity purchases the majority of its energy requirements from Comision Federal de Electricidad, the Mexican state-owned power company, and from BECOL.

As a result of improved operating efficiencies and Company-wide cost cutting initiatives, other operating expenses were $13.1 million, 7.7 per cent lower than 2001.

Finance charges increased $1.2 million as a result of increased debt levels to finance Belize Electricity's capital expansion programs. Amortization expense increased by $0.7 million due to the Company's ongoing capital expenditures program and the commissioning of completed assets under the Power III rural expansion project, both of which are required to keep pace with the growth in energy demand.

Outlook: Belize Electricity anticipates growth of electricity demand to remain high at approximately 8 to 10 per cent for 2003. Economic growth, countrywide housing investments and rural expansion projects continue to add new load.

The GDP of Belize is forecast to grow by approximately 5 per cent in 2003, driven by increased activity in the construction, tourism, aquaculture and other primary industries.

The Company's long-term strategy is to mitigate the risk of fuel price increases by diversifying its sources of energy supply. At the same time, Belize Electricity will continue to focus on increasing productivity, reducing costs and improving reliability.

BECOL

Power Purchase Contract: BECOL sells its entire output to Belize Electricity under a 50-year power purchase agreement. The agreement is a take-or-pay contract and provides for a fixed price per kWh with an annual adjustment for inflation. The energy sales through this agreement form part of Belize Electricity's cost of power.

Earnings: The most significant impact on earnings in 2002 was the replacement of short-term, variable rate financing with fixed-term debt. In November 2001, management arranged a US$45 million, 9.45 per cent long-term financing. This financing is non-recourse to Fortis and has reduced the overall risk profile of the Corporation. As a result of the higher coupon debt, net income declined to $4.6 million in 2002 from $6.7 million in 2001.

Energy Sales: Total annual energy production was 88 GWh in 2002 compared to 91 GWh in 2001 and was due to lower rainfall levels. The Mollejon facility is a run-of-river hydroelectric plant in western Belize. The planned addition of the Chalillo Hydroelectric Project ("Chalillo Project") will have storage capacity to more fully utilize stream flows, thus increasing production.

Revenue: Revenue for 2002 was $16.6 million compared to $16.1 million in 2001. As BECOL was purchased in January 2001, one less month sales was included in 2001 results.

Expenses: Operating expenses were $1.8 million compared to $2 million in 2001. The decrease was the result of certain operating costs previously incurred by BECOL which are now handled directly by Belize Electricity. Financing costs were $7.9 million compared to $5.4 million for the previous year. The interest rate on the short-term facility prior to the issue of the non-recourse debt averaged 4.86 per cent.

Outlook: Construction of the Chalillo Project was delayed due to 2 court challenges launched in 2002. The first court challenge was dismissed in June. On the second court challenge, BECOL received a favourable Supreme Court ruling in December. Construction of the Chalillo Project will provide greater water storage for the Mollejon Hydroelectric Plant, doubling energy output of the 25-MW facility and providing an additional 7 MW of capacity. It will significantly improve the country's self-sufficiency in meeting its growing energy demands.

Construction of the Chalillo Project is expected to commence in 2003 and be completed in 2005. The capital cost of the project is expected to be approximately US$30 million.

Caribbean Utilities

In March 2002, Fortis acquired an additional 2 per cent interest in Caribbean Utilities increasing its holdings to approximately 22 per cent. This investment is accounted for on the cost basis and, therefore, only dividend income received from Caribbean Utilities is included in income of the Corporation for 2002.

Regulation: Caribbean Utilities operates the only electricity utility in Grand Cayman, Cayman Islands pursuant to a 25-year exclusive license, expiring in 2011. Under the terms of the license, the Company is permitted to earn a rate of return on rate base of 15 per cent and is permitted to flow through fuel costs to customers.

Dividend Income: Dividend income received from Caribbean Utilities in 2002 totalled $4.9 million compared to $4.2 million in 2001. In the third quarter of 2002, Caribbean Utilities increased its regular quarterly dividend to US$0.16 from US$0.155 per Class A Ordinary Share. On an annualized basis, dividends per share increased 3 per cent to US$0.64 from US$0.62. At year end, Fortis held 5.4 million Class A Ordinary Shares of the Company.

Outlook: Caribbean Utilities continues to forecast annual generation growth of approximately 4 to 5 per cent per annum over the next 5 years. Per capita GDP is amongst the highest in the world and is based on a strong tourism sector and a diverse and competitive financial services sector. Despite a softening in tourism visits due to the events of September 11, 2001 and a recession in the United States, GDP still grew by 2 per cent in 2002.

Fortis Properties

Fortis Properties includes the results of its Real Estate and Hospitality divisions. Comparative figures have been restated to reflect allocation of administrative costs to both divisions.

Earnings: Fortis Properties continued its record of strong earnings growth in 2002. On a recurring basis, earnings were $9.3 million, an increase of 52 per cent compared to earnings of $6.1 million in 2001. The results reflect increased earnings from new real estate and hotel properties and improved productivity in existing operations.

Fortis Properties Revenue and EBITDA (1)

	Revenue		EBITDA	
($ millions)	**2002**	2001	**2002**	2001
Real Estate	**48.8**	39.6	**25.2**	19.7
Hospitality	**41.6**	34.3	**9.7**	7.1
Total	**90.4**	73.9	**34.9**	26.8

(1) EBITDA – Earnings before interest, taxes, depreciation and amortization.

Real Estate Division: Growth in revenue of 23.2 per cent and in EBITDA of 27.9 per cent resulted from several acquisitions made in 2002. The Company acquired Cabot Place I and Kings Place in February and April, respectively.

Operating expenses were $23.7 million compared to $19.9 million in 2001. The increase was primarily due to operating costs associated with newly acquired properties.

Fortis Properties' real estate portfolio, anchored by high quality tenants with long-term leases, has benefited from low vacancy and stable rental rates. The occupancy rate of the Real Estate Division improved to 94.2 per cent in 2002 compared to 93.5 per cent in 2001. Exposure to lease renewals averages 8.1 per cent per annum over the next 5 years.

Hospitality Division: The growth in revenue of 21.3 per cent and in EBIDTA of 36.6 per cent was the result of a full year of operations at the Four Points by Sheraton Halifax hotel and an increase in revenue per available room ("REVPAR") for the seventh consecutive year. REVPAR for the Hospitality Division was $62.03 compared to $55.58 in 2001.

Operating expenses were $31.8 million in 2002 compared to $27.2 million in 2001. The increase in operating expenses was due to the Four Points by Sheraton Halifax hotel and costs associated with the acquisition of the Delta St. John's in December 2002.

Outlook: The revenue and earnings impact from the acquisitions in 2002 will provide the primary growth in 2003. The improving economy in the major markets of Atlantic Canada will also contribute to the growth. The commercial real estate sector has benefited from strong economic growth and the resultant job creation over the past several years. Rental and vacancy rates have improved and are now relatively stable.

In the Hospitality Division, growth is forecast in room rates, occupancy and REVPAR. This growth is primarily due to the contribution expected from the 276 additional rooms added with the acquisition of the Delta St. John's.

Fortis Properties' hotel portfolio, concentrated in Atlantic Canada, has shown continued resilience to downward market trends in the hospitality industry. The high quality of its assets, strength of its brands and commitment to productivity improvements has enabled the Company's hotels to perform well.

Corporate

The Corporate segment captures a number of expense and revenue items not specifically related to any operating segment. Net corporate costs totalled $7 million compared to $13.7 million in 2001. Included in net corporate expenses are finance costs related to debt incurred by Fortis and other corporate expenses net of recoveries from subsidiaries, interest and miscellaneous revenues and related income taxes. The $6.7 million decrease year over year was primarily attributable to cessation of goodwill amortization in accordance with new accounting guidelines and a reduction in corporate taxes.

The Exploits Partnership

The Exploits Partnership is a partnership between Fortis and Abitibi-Consolidated to develop 2 of Abitibi-Consolidated's hydroelectric generating facilities on the Exploits River at a cost of approximately $68 million. The Corporation holds a 51 per cent interest in the Partnership and Abitibi-Consolidated holds the remaining 49 per cent interest. The Exploits Project has had no impact to earnings in the current year. The increased energy from the redeveloped facilities will be sold to Newfoundland Hydro under a long-term, take-or-pay power purchase agreement which is exempt from regulation. Construction at the 2 facilities is expected to be completed in 2003.

Consolidated Balance Sheets

The following table outlines the significant changes in the consolidated balance sheets as at December 31, 2002 and December 31, 2001.

Fortis Inc.
Significant Changes in the Consolidated Balance Sheets as at December 31, 2002 and December 31, 2001

($ millions)	Increase	Explanation
Cash and cash held in escrow	**25.4**	Increased operating earnings in 2002 and $13.5 million in escrow relates to the Exploits Partnership.
Accounts receivable	**33.9**	Increased investment in Canadian Niagara Power, acquisition of Cornwall Electric and increased revenue and collection periods associated with billings at Canadian Niagara Power effective May 2002.
Deferred charges	**15.7**	Increased deferred pension costs at Newfoundland Power and Cornwall Electric. Long-term receivables associated with Cornwall Electric's operations also included in this account.
Utility capital assets	**152.6**	Continued investment in electricity systems. Investment in new capital projects such as the Exploits Partnership and the purchase of poles from Aliant Telecom, totalling $59 million, also contributed to the increase.
Income-producing properties	**69.1**	Several income-producing properties acquired during the current year. Ongoing capital expenditures accounted for $4.8 million.
Investments	**13.5**	Increased investment in Caribbean Utilities in 2002.
Intangibles	**25.8**	Water rights acquired upon increased investment in Canadian Niagara Power.
Goodwill	**26.8**	Purchase of Cornwall Electric and remaining 50 per cent interest in Canadian Niagara Power.
Short-term borrowings	**27.3**	Acquisition of Cornwall Electric currently financed with short-term debt, offset by reduction of short-term borrowing at most operating companies.
Accounts payable and accruals	**28.8**	Increased accounts payable associated with the Exploits Partnership and Cornwall Electric.
Long-term debt (including current portion)	**149.9**	Increased to support Corporation's growth strategy involving numerous acquisitions in 2002, offset by regular debt repayment and redemption of $50 million in preference shares.
Deferred credits	**12.6**	Increased pension liabilities at Fortis and Canadian Niagara Power as well as increased contributions in aid of construction associated with Cornwall Electric and Belize Electricity.
Shareholders' equity	**134.9**	Increased due to issuance of common shares and increased earnings in 2002 net of common share dividends.

Liquidity and Capital Resources

The Corporation's growth in 2002 has required it to raise capital including $102.1 million in common equity and $218.4 million in debt. Management believes Fortis is able to continue to access capital markets on reasonable terms.

The following table outlines the summary of cash flow.

Fortis Inc.
Summary of Cash Flow

($ millions)	**2002**	2001
Cash, beginning of year	**14.3**	18.4
Cash provided by (used in)		
Operating activities	**134.4**	94.1
Investing activities	**(348.7)**	(239.7)
Financing activities	**226.0**	141.5
Foreign currency impact on cash balances	**0.3**	–
Cash, end of year	**26.3**	14.3

Operating Activities: Internally generated funds, before working capital adjustments, from the Corporation's subsidiaries and investments improved 6.8 per cent to $128.9 million. This increase was the result of increased operating earnings in 2002. Cash from operating activities, by operating segment, is presented in the following table.

Fortis Inc. Cash from Operations by Operating Segment (1)

($ millions)	2002	2001
Newfoundland Power	**56.0**	56.6
FortisOntario	**14.6**	7.7
Maritime Electric	**18.5**	24.2
Belize Electricity	**19.1**	16.5
BECOL	**6.9**	8.7
Fortis Properties	**19.5**	13.9
Corporate and Other	**(5.7)**	(6.9)
Total	**128.9**	120.7

(1) Before working capital adjustments

Investing Activities: Acquisitions and new capital projects accounted for $242.9 million, while capital expenditures for ongoing operations accounted for $101.8 million. The remaining amount resulted from changes in deferred charges.

Acquisitions and new capital projects consisted of $102.9 million invested in utility businesses in Ontario, $12.9 million for the increased investment in Caribbean Utilities, $47.9 million for the Exploits Project and $11.3 million for poles and related infrastructure acquired from Aliant Telecom. The acquisition of real estate and hotel properties amounted to $67.9 million.

The Corporation's utility operations are very capital intensive. Maintenance capital expenditures of $101.8 million were comparable to the previous year. The following table outlines maintenance capital expenditures by operating segment.

Fortis Inc. Maintenance Capital Expenditures

($ millions)	2002	2001
Newfoundland Power	**51.8**	48.1
FortisOntario	**4.7**	7.0 (1)
Maritime Electric	**17.0**	14.6
Belize Electricity	**22.8**	27.6
BECOL	**0.7**	–
Fortis Properties	**4.8**	6.1
Total	**101.8**	103.4

(1) The amount represents 100 per cent of Canadian Niagara Power's capital expenditures.

Capital expenditures for Newfoundland Power, FortisOntario and Maritime Electric were mainly associated with the replacement and upgrading of electricity systems to improve reliability and customer service. Belize Electricity's capital expenditures pertained to rural expansion projects. The 2001 capital expenditures for Belize Electricity included the purchase of transmission assets from BECOL.

Financing Activities: Financing activities included an amount of $320.5 million in capital raised during the year. After deducting the repayment of debt, redemption of preference shares and the payment of dividends on common shares, net cash from financing activities was $226 million.

Common Equity: The public offering of 2 million common shares for gross proceeds of $97.7 million strengthened Fortis' balance sheet in 2002. In addition, the Corporation received $8.6 million from common shares issued through its Dividend Reinvestment Plan, Consumer Share Purchase Plan, Employee Share Purchase Plan and Executive Stock Option Plan.

On December 2, 2002, Fortis redeemed all of its outstanding Fixed Rate Cumulative Redeemable Retractable First Preference Shares, Series B for a total redemption price of $50 million.

Debt: In March, the Corporation issued, by way of private placement, US$10 million of Unsecured Subordinated Convertible Debentures. The Debentures bear interest at the rate of 6.75 per cent and mature on March 12, 2012.

Fortis Properties secured approximately $70 million in debt in 2002. In particular, in May, the Company issued

$29 million in 7.42 per cent First Mortgage Bonds for a 10-year term. This financing has been used to finance the acquisitions of Cabot Place I and Kings Place. In December, Fortis Properties refinanced an existing bank loan by issuing $23.4 million in 7.77 per cent First Mortgage Bonds for a 10-year term. In December, the Company also assumed an $11.9 million, 9.47 per cent First Mortgage for an 8-year term when it acquired the Delta St. John's.

In August, the Exploits Partnership entered into a $65 million non-recourse, 25-year term loan agreement with a syndicate of lenders. The amortizing term loan bears interest at a rate of 7.55 per cent and is secured by the assets of the Exploits Partnership. At December 31, 2002, $51.9 million had been drawn on the loan. Repayment of the term loan is scheduled to begin in January 2004.

In October, Newfoundland Power closed a public offering of $75 million, 7.52 per cent First Mortgage Sinking Fund Bonds. The net proceeds of the 30-year issue were used to repay short-term indebtedness incurred principally to fund capital expenditures.

Belize Electricity secured approximately $35 million in financing facilities to support its capital program. In particular, the Company secured $22 million in long-term debt to finance the purchase and installation of a 22.8-MW gas turbine. This construction and term loan has 2 components, 7 years at an interest rate of 5.75 per cent and 10 years at an interest rate of 8.15 per cent. In December, the Company secured an $8.5 million, 5.75 per cent bank loan, repayable over 9.5 years, the proceeds from which were used to fund the Power IV Project. At December 31, 2002, approximately $11.9 million had been drawn on the total facilities secured in 2002.

Short-term debt and cash on hand is initially used to finance capital programs, projects and acquisitions. Short-term debt is subsequently refinanced with an appropriate balance of long-term debt, preferred shares and common shares. Fortis and its operating companies have $312 million in operating lines in place of which $155 million was unused at the end of the year.

Capital Structure and Credit Rating

The capital structure of Fortis is presented in the following table.

Fortis Inc. Capital Structure

	2002		2001	
	(millions)	**%**	(millions)	%
Total debt, net of cash	**1,084.2**	65.0	**882.3**	63.9
Preference shares	-	-	**50.0**	3.6
Common shareholders' equity	**584.5**	35.0	**449.5**	32.5
Total	**1,668.7**	100.0	**1,381.8**	100.0

The growth in earnings in 2002 led the Corporation to increase its common share dividends to $33.2 million, or $1.94 per common share, compared to $28 million, or $1.87 per common share, in 2001. Fortis has increased its dividends per common share every year since its inception in 1987. The dividend payout ratio was 49.9 per cent compared to 51.9 per cent in 2001.

Key financial ratios were as follows:

	2002	2001
Cash flow to interest (x) (1)	**2.7**	2.8
Cash flow to total debt (per cent) (2)	**13**	14

(1) Cash flow from operations before changes in the working capital and gross interest expense divided by gross interest expense.
(2) Cash flow from operations before changes in working capital divided by 2-year average debt.

As at December 31, 2002, the Corporation's credit ratings were as follows:

	2002	2001
Standard & Poors	**A (-)**	A (-)
Dominion Bond Rating Service	**BBB (high)**	BBB (high)

Business Risk Management

Approximately 77 per cent of Fortis' earnings are derived from its regulated businesses. As such, regulation is the Corporation's key business risk. In addition to regulation, Fortis is exposed to changes in interest rates, value of foreign currencies, energy prices and energy costs. Weather and general economic conditions also impact the results of operations. The geographic, regulatory and business diversity of the Corporation's operations help to mitigate any single business risk.

Regulation: Each of the Corporation's utilities are subject to some form of regulation which can impact future revenue and earnings. Management at each operating utility is responsible to work closely with the regulators and local government to ensure both compliance with existing regulation and the proactive management of regulatory issues. Fortis' regulated utilities currently have risks associated with pending regulatory proceedings, approvals and legislative changes.

Newfoundland Power's customer rates and allowed rate of return on rate base are subject to a general rate proceeding, which is scheduled to commence in March 2003. The Company expects the PUB will finalize a decision by mid-year and that its earnings may be impacted in 2003. Newfoundland Power is the largest regulated utility and contributor to the earnings of Fortis. However, the Company's earnings increasingly comprise a smaller portion of the Corporation's total earnings.

The Ontario electricity market opened in May 2002 at which time the electricity rates were unbundled with separate rates charged for the commodity, transmission, distribution and ancillary services. By September 2002, market prices for electricity in Ontario had increased to more than 8 cents per kWh as a result of increased energy demand and reduced capacity. Prior to market opening, market prices for electricity in Ontario averaged 4 cents per kWh. The Government of Ontario responded to customer reaction by announcing a price cap of 4.3 cents per kWh on energy sold to residential and small commercial customers. The Government also announced a rate freeze on other charges and a review as to how these other charges are calculated.

The price cap does not impact the wholesale electricity market in Ontario and FortisOntario's generation revenues.

Distribution revenues for FortisOntario are only modestly impacted by the freeze in distribution charges. Fort Erie's current distribution rates include the full cost of service and Port Colborne Hydro distribution rates provide for 67 per cent of the allowed return on equity. Cornwall Electric is granted an exemption under the *Ontario Electricity Act* and *Bill 210*. Cornwall Electric's rates are subject to an annual adjustment mechanism that flows through the actual cost of power and increases rates by an inflationary factor to cover other costs.

Uncertainty in the Ontario regulatory environment still exists. Fortis will continue to monitor the regulatory environment in Ontario and will seek opportunities to increase its presence in both electricity distribution and transmission and small generation.

Caribbean Utilities operates under an exclusive license due to expire in 2011. In July 2002, the Company submitted a license extension proposal to the Government of the Cayman Islands that would replace the 15 per cent rate of return on rate base mechanism with a price cap formula. Under the formula, electricity rates would be tied to published inflation indices with fuel costs, regulatory costs and government levies as flow through recoveries. Management of Caribbean Utilities is currently negotiating the proposal with the Government and the existing license will remain in effect until such time as a proposal is reached. Fortis believes the proposal is positive and will enhance the value of the Corporation's investment in Caribbean Utilities.

Interest Rates: Fortis manages interest rate risk by locking in interest rates for long periods through fixed rate debt. The Corporation also utilizes interest rate swaps. Approximately 78 per cent of the Corporation's long-term debt facilities have maturities beyond 2007.

The Corporation's exposure to interest rate risk is associated with short-term debt. The amount of short-term debt at year-end was $157.2 million, or 14 per cent of total debt.

Generally, allowed returns for regulated utilities are also exposed to changes in the general level of interest rates.

Foreign Exchange: Earnings from Belize Electricity and BECOL are denominated in Belizean dollars, earnings from Caribbean Utilities are denominated in Cayman Island dollars and the earnings from FortisUS Energy are denominated in US dollars. Both the Cayman Island dollar and the Belizean dollar are pegged to the US dollar: CI$1.00 = US$1.22; BZE$1.00 = US$0.50. Foreign earnings derived in currencies other than a US dollar must be converted into US dollars before repatriation, presenting temporary liquidity risks. Due to the small size and cyclical nature of the economy in Belize, conversion of local currency into US dollars may be subject to restrictions from time to time.

Earnings and cash flow from these operations are exposed to changes in foreign exchange rates. These operations accounted for 26 per cent of Fortis' total earnings in 2002. The Corporation has effectively decreased its exposure to foreign currency exchange rate fluctuations through the use of a US dollar currency swap where the interest payment on the $100 million debenture is converted into a US dollar interest payment. In addition, Fortis has US$10 million in subordinated debentures which is also matched to US dollar cash flow. The sensitivity to each 3 cent change in the US exchange rate will result in a 1 cent change in the Corporation's earnings per common share.

Energy Prices: The Corporation's primary exposure to changes in energy prices relates to generation sales. Fortis lowers this risk through long-term purchase agreements where practical. FortisOntario sells its electricity to the IMO at market prices while FortisUS Energy sells its electricity to National Grid USA at contract prices. Approximately 30 per cent of the energy sales to National Grid USA are under fixed price contracts, expiring in 2006, and the remaining energy sales are at market prices. Generation revenue from these companies represent approximately 4 per cent of Fortis' total revenues. The sensitivity of the Corporation's earnings to each $1 per megawatt hour change in the wholesale market price of electricity will have a $0.3 million impact on earnings.

Energy Costs: With the exception of Maritime Electric, Fortis' utilities flow through the cost of energy, including fuel, to customers. Maritime Electric's exposure is limited under the current legislation, as 90 per cent of all energy costs above $0.05 per kWh are deferred for collection from customers. The risk is further mitigated by Maritime Electric's latest energy agreements, which secure a larger portion of its supply as firm energy at fixed prices. Approximately 13 per cent of Maritime Electric's energy portfolio is tied to the price of oil compared to 35 per cent under previous agreements. Management is reviewing its future energy supply options with a view to reducing its dependence on imported energy and its associated price exposure. One of the primary options to reduce this dependence is the construction of gas-fired electricity generation on Prince Edward Island which would further diversify the Company's energy supply portfolio and bring increased stability to electricity prices on the Island. Management continues to work with the Province of Prince Edward Island to evaluate the feasibility of this option.

Weather: Fortis' utilities are exposed to climatic factors which are generally addressed by regulatory mechanisms. Extreme weather conditions can impact the physical assets of the distribution utilities and the production of its hydroelectric generation assets.

The utilities have built their systems to withstand severe weather conditions and have developed expertise in rapid deployment of personnel and equipment to effect repairs in extreme weather conditions. The Corporation uses a centralized insurance management function to create a higher level of insurance expertise and to reduce its liability exposure.

The assets and earnings of Belize Electricity are subject to hurricane risk. The Company manages this risk through purchased insurance on its generation assets and through self-insurance on its transmission and distribution assets. The PUC provides for recovery of certain costs arising from hurricanes through a surcharge on electricity rates, thereby mitigating the financial impact to Belize Electricity. Caribbean Utilities also manages hurricane risk through the use of robust construction standards and carries a comprehensive suite of insurance products.

The generation sales of BECOL and FortisUS Energy are sensitive to rainfall levels. The geographic diversity of the Corporation's generation assets mitigates the risk.

General Economic Conditions: As electric utility earnings are closely tied to the economic performance of their franchise areas, earnings are exposed to general downturns. The impact to the Corporation of an economic slowdown in a particular operating territory is mitigated by the geographic diversification of Fortis. The regulated nature of utility operations and the long-term nature of property leases reduce the risk of economic downturns on the majority of the Corporation's earnings.

Real Estate Investments: Fortis Properties holds investments in both commercial real estate and hotel properties. The hotel properties, in particular, are subject to operating risks associated with industry fluctuations and possible downturns. The high quality of the Company's assets, strength of its brands, and commitment to productivity improvements reduce the exposure to such industry fluctuations.

Fortis Properties' real estate investments are also anchored by high quality tenants with long-term leases. Exposure to lease renewals averages 8.1 per cent per annum over the next 5 years. Approximately 72 per cent of the Company's operating earnings are derived from real estate investments, which further mitigate the risk associated with the fluctuations in the hospitality industry.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying Consolidated Financial Statements of Fortis Inc. and all information in the 2002 Annual Report have been prepared by management, who are responsible for the integrity of the information presented including the amounts that must of necessity be based on estimates and informed judgments. These Consolidated Financial Statements were prepared in accordance with accounting principles generally accepted in Canada. Financial information contained elsewhere in the 2002 Annual Report is consistent with that in the Consolidated Financial Statements.

In meeting its responsibility for the reliability and integrity of the Consolidated Financial Statements, management has developed and maintains a system of accounting and reporting which provides for the necessary internal controls to ensure transactions are properly authorized and recorded, assets are safeguarded and liabilities are recognized. The systems of the Corporation and its subsidiaries focus on the need for training of qualified and professional staff, effective communication between management and staff and management guidelines and policies. The external auditors evaluate the effectiveness of the internal controls of Fortis Inc. on an ongoing basis.

The Board of Directors oversees management's responsibilities for financial reporting through an Audit Committee which is composed entirely of outside directors. The Audit Committee meets with the shareholders' auditors, with and without management present, to discuss the results of the audit, the adequacy of the internal accounting controls and the quality and integrity of financial reporting. The Corporation's annual Consolidated Financial Statements are reviewed by the Audit Committee with each of management and the shareholders' auditors before the statements are recommended to the Board of Directors for approval. The shareholders' auditors have full and free access to the Audit Committee.

The Audit Committee has the duty to review the adoption of, and changes in, accounting principles and practices which have a material effect on the Consolidated Financial Statements, to review the Corporation's use of derivative financial instruments, to review financial reports requiring Board approval prior to submission to securities commissions or other regulatory authorities, to assess and review management judgments material to reported financial information and to review shareholders' auditors' fees.

The December 31, 2002 Consolidated Financial Statements and Management Discussion and Analysis contained in the 2002 Annual Report were reviewed by the Audit Committee and, on their recommendation, were approved by the Board of Directors of Fortis Inc.

Deloitte & Touche, LLP, independent auditors appointed by the shareholders of Fortis Inc. upon recommendation of the Audit Committee, have performed an audit of the 2002 Consolidated Financial Statements and their report follows.

H. Stanley Marshall
President and Chief Executive Officer
Fortis Inc.

Karl Smith

Karl W. Smith
Vice President, Finance and Chief Financial Officer
Fortis Inc.

AUDITORS' REPORT

To the Shareholders of
Fortis Inc.

We have audited the consolidated balance sheets of Fortis Inc. as at December 31, 2002 and 2001 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants
St. John's, Newfoundland and Labrador
February 11, 2003

FORTIS INC.

(Incorporated under the laws of the Province of Newfoundland and Labrador)

CONSOLIDATED BALANCE SHEETS

As at December 31

(in thousands)

ASSETS	**2002**	2001
Current Assets		
Cash and cash equivalents	**$ 26,258**	$ 14,285
Accounts receivable	**136,072**	102,156
Materials and supplies	**17,792**	18,173
Assets of discontinued operations	**–**	321
	180,122	134,935
Corporate income tax deposit	**6,949**	6,949
Cash held in escrow (Note 8)	**13,458**	–
Deferred charges (Note 3)	**98,933**	83,224
Utility capital assets (Note 4)	**1,216,842**	1,064,257
Income producing properties (Note 5)	**289,447**	220,338
Investments (Note 6)	**95,751**	82,211
Intangibles, net of amortization of $1,815	**25,823**	–
Goodwill	**59,674**	32,838
	$ 1,986,999	$ 1,624,752
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings (Note 7)	**$ 157,190**	$ 129,882
Accounts payable and accrued charges	**145,236**	116,419
Current installments of long-term debt	**24,379**	20,644
Future income taxes (Note 14)	**7,662**	5,483
Liabilities of discontinued operations	**–**	11
	334,467	272,439
Long-term debt (Note 8)	**942,300**	796,092
Deferred credits (Note 9)	**61,464**	48,816
Future income taxes (Note 14)	**24,360**	21,467
Non-controlling interest (Note 10)	**39,955**	36,419
	1,402,546	1,175,233
Shareholders' Equity		
Common shares (Note 11)	**320,229**	216,440
Contributed surplus (Note 12)	**220**	–
Foreign currency translation adjustment	**6,228**	5,380
Retained earnings	**257,776**	227,699
	584,453	449,519
	$ 1,986,999	$ 1,624,752

Commitments (Note 22)

Contingent liability (Note 23)

Subsequent event (Note 24)

Approved on Behalf of the Board:

Angus A. Bruneau, Director

Bruce Chafe, Director

See accompanying notes to consolidated financial statements.

FORTIS INC.
CONSOLIDATED STATEMENTS OF EARNINGS
For the Years Ended December 31
(in thousands, except per share amounts)

	2002	2001
Operating Revenues	**$ 715,465**	$ 628,254
Expenses		
Operating	**476,969**	418,117
Amortization	**65,063**	62,495
	542,032	480,612
Operating Income	**173,433**	147,642
Finance Charges		
Interest (Note 13)	**70,728**	62,655
Dividends on preference shares	**2,736**	2,975
	73,464	65,630
Earnings Before Undernoted Items and Income Taxes	**99,969**	82,012
Gain on sale of income producing property	**–**	3,201
Income tax reassessment	**–**	257
Earnings Before Income Taxes	**99,969**	85,470
Income taxes (Note 14)	**32,488**	28,732
Earnings Before Non-Controlling Interest and Discontinued Operations	**67,481**	56,738
Non-controlling interest	**(4,229)**	(3,862)
Earnings Before Discontinued Operations	**63,252**	52,876
Results of discontinued operations (Note 15)	**–**	721
Earnings Applicable to Common Shares	**$ 63,252**	$ 53,597
Average Common Shares Outstanding (Note 11)	**16,277**	14,878
Earnings Per Common Share Before Discontinued Operations (Note 11)		
Basic	**$ 3.89**	$ 3.55
Diluted	**$ 3.85**	$ 3.54

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
For the Years Ended December 31
(in thousands)

	2002	2001
Balance at Beginning of Year	**$ 227,699**	$ 201,683
Change in accounting policy - foreign exchange gains and losses (Note 2)	**–**	435
As restated	**227,699**	202,118
Earnings applicable to common shares	**63,252**	53,597
	290,951	255,715
Dividends on common shares	**(33,175)**	(28,016)
Balance at End of Year	**$ 257,776**	$ 227,699

See accompanying notes to consolidated financial statements.

FORTIS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31
(in thousands)

	2002	2001
Operating Activities		
Earnings before non-controlling interest and discontinued operations	**$ 67,481**	$ 56,738
Items not Affecting Cash		
Amortization - capital assets	**60,783**	56,702
Amortization - intangibles and goodwill	**1,815**	3,218
Amortization - other	**2,465**	2,575
Future income taxes	**3,248**	12,207
Accrued employee future benefits	**(7,790)**	(8,543)
Stock-based compensation	**220**	–
Other	**705**	(2,152)
	128,927	120,745
Change in non-cash operating working capital	**5,185**	(25,737)
Cash from Continuing Operations	**134,112**	95,008
Cash from Discontinued Operations	**310**	(893)
	134,422	94,115
Investing Activities		
Change in deferred charges and credits	**(4,522)**	(10,410)
Purchase of utility capital assets	**(156,158)**	(124,365)
Purchase of income producing properties	**(72,672)**	(25,090)
Proceeds on sale of capital assets	**34**	10,940
Business acquisitions, net of cash acquired	**(103,130)**	(102,087)
Increase in investments	**(12,276)**	(901)
Proceeds on sale of investment	**–**	5,500
Change in corporate income tax deposit	**–**	6,687
	(348,724)	(239,726)
Financing Activities		
Change in short-term borrowings	**28,053**	89,287
Proceeds from long-term debt, net of cash held in escrow	**218,420**	105,052
Repayment of long-term debt	**(44,844)**	(32,489)
Contributions in aid of construction	**5,661**	2,362
Redemption of preference shares	**(50,000)**	–
Advances from non-controlling interest	**1,670**	–
Issue of common shares	**102,083**	7,146
Dividends		
Common shares	**(33,175)**	(28,016)
Subsidiaries to non-controlling interest	**(1,895)**	(1,897)
	225,973	141,445
Effect of exchange rate changes on cash	**302**	19
Change in Cash and Cash Equivalents	**11,973**	(4,147)
Cash and Cash Equivalents, Beginning of Year	**14,285**	18,432
Cash and Cash Equivalents, End of Year	**26,258**	14,285

See accompanying notes to consolidated financial statements.

FORTIS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2002 and 2001

1. Description of the Business

Nature of Operations

Fortis Inc. ("Fortis" or the "Corporation") is principally a diversified electric utility holding company. Fortis segments its utility operations by franchise area and, depending on regulatory requirements, by the nature of the assets. Fortis also holds investments in commercial real estate and hotel properties which have been treated as a separate segment. The operating segments allow senior management to evaluate the operational performance and assess the overall contribution of each segment to the Corporation's long-term objectives.

The following summary briefly describes the operations included in each of the Corporation's operating and reportable segments.

Newfoundland Power: Newfoundland Power is the principal distributor of electricity in Newfoundland.

FortisOntario: FortisOntario primarily includes the operations of Canadian Niagara Power Limited ("Canadian Niagara Power") and Cornwall Street Railway, Light and Power Company Limited ("Cornwall Electric"). FortisOntario provides an integrated electric utility service to customers in Fort Erie, Cornwall and Port Colborne. Included in Canadian Niagara Power's accounts is the electricity distribution business of Port Colborne Hydro Inc. which has been leased from the City of Port Colborne under a 10-year $15.7 million lease agreement entered into in April 2002. In July 2002, Fortis increased its investment in Canadian Niagara Power to 100%. The Corporation's initial 50% interest was reported on a proportionate consolidation basis up to July 1, 2002. On October 17, 2002, Fortis acquired 100% of Cornwall Electric.

Maritime Electric: Maritime Electric is the principal distributor of electricity in the province of Prince Edward Island. The operations of four hydroelectric generating stations in upper New York State, conducted through FortisUS Energy, are also included in this segment.

Belize Electricity: Belize Electricity is the principal distributor of electricity in Belize, Central America.

Belize Electric ("BECOL"): BECOL consists of the operations of the 25-MW Mollejon hydroelectric facility in Belize. BECOL sells all of its electricity output to Belize Electricity.

Fortis Properties: Fortis Properties includes the operations of the commercial real estate and the hotel properties.

Corporate: Corporate includes finance costs associated with corporate debt and other corporate expenses net of recoveries from subsidiaries, interest and miscellaneous revenues and related income taxes. This segment also includes the Corporation's investment in Caribbean Utilities Company, Ltd. ("Caribbean Utilities") and its interest in the Exploits River Hydro Partnership.

As of December 31, 2002, the Corporation held approximately 22% of the Class A Ordinary Shares of Caribbean Utilities. Caribbean Utilities is the sole provider of electricity in Grand Cayman, Cayman Islands. The Corporation accounts for this investment on the cost basis of accounting, including in its results only dividend income received, as the Corporation is unable to exert significant influence due to the presence of a shareholder with a larger equity position. Effective January 30, 2003, the Corporation acquired an additional 15.9% of the outstanding Class A Ordinary Shares of Caribbean Utilities, which increases the Corporation's holding to approximately 38%.

The Exploits River Hydro Partnership between the Corporation and Abitibi-Consolidated Inc. ("Abitibi-Consolidated") is responsible for the development and installation of additional capacity at two of Abitibi-Consolidated's hydroelectric plants in central Newfoundland. The Corporation holds a 51% interest in the Partnership with Abitibi-Consolidated holding the remaining 49% interest. The project is under development and there has been no impact on earnings in the current year.

The 2001 earnings from discontinued operations include the Corporation's share of the income from operations of Fortis Trust Corporation to the date of its disposal, June 22, 2001.

Regulation

Newfoundland Power is regulated by the Newfoundland and Labrador Board of Commissioners of Public Utilities ("PUB"). Newfoundland Power operates under cost of service regulation as prescribed by orders of the PUB. Earnings are regulated on the basis of rate of return on rate base. In 2001, the approved range of return on rate base allowed under PUB orders was 10.10% to 10.46%. As a result of interest received in 2001 due to the retroactive application to the 1994 to 1998 taxation years of a May 2000 tax reassessment with respect to general expenses capitalized ("GEC"), Newfoundland Power exceeded the maximum allowed rate of return in 2001. A reserve account has been established by previous orders of the PUB to account for excess revenue. A provision of $0.9 million has been made to this account arising from the 2001 excess revenue. As part of its 2003 General Rate Application, Newfoundland Power has proposed that the excess revenue be used to reduce its revenue requirement from customers in 2003 and 2004.

Maritime Electric operates under the provisions of the Maritime Electric Company Limited Regulation Act (1994) ("Regulation Act"), which governs the rates charged for electricity and ancillary services. Base rates charged to customers are set at 110% of rates charged by New Brunswick Power for comparable services in New Brunswick. Adjustments to base rates (beginning April 1, 2002) as a result of legislative changes to the Regulation Act enable Maritime Electric to recover from/return to customers, 90% of energy related costs above/below $0.05/kWh. As at December 31, 2002, 90% of energy costs above $0.05/kWh totaled $17.2 million (2001 - $13.2 million). This amount will be collected from customers over a twelve-month period commencing on April 1, 2003. The Regulation Act further stipulates that Maritime Electric will be allowed to recover from/return to customers a Cost of Capital Adjustment based on an 11% target return on average common equity. The total amount of the Cost of Capital Adjustment to be returned to customers commencing on April 1, 2003 is $607,741 (2001 – $151,000). Monies collected through a 4.53% rate increase implemented on January 1, 2001 to March 31, 2002 were substantially refunded to customers in 2002, through an offset to energy costs recoverable, with the balance to be refunded in the first three months of 2003. The Regulation Act also includes service reliability requirements related to the power system on Prince Edward Island. At December 31, 2002, Maritime Electric was not in compliance with the required minimum equity component of its capital requirement.

FortisUS Energy operates under a license from the U.S. Federal Energy Regulatory Commission.

Canadian Niagara Power and Cornwall Electric operate under the Electricity Act (Ontario) and the Ontario Energy Board Act (Ontario). Cornwall Electric has been given legislative exemption from many aspects of these Acts in which case it is subject to a 35 year Franchise Agreement signed with the Corporation of the City of Cornwall, dated July 31, 1998.

Belize Electricity operates under the Electricity Act (Belize) and is monitored by the Public Utilities Commission of Belize ("PUC").

BECOL operates under a Franchise Agreement with the Government of Belize and a Power Purchase Agreement between the Government of Belize and Belize Electricity.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles except as required by utility regulators. The timing of the recognition of certain assets, liabilities, revenues and expenses as a result of regulation may differ from that otherwise expected using Canadian generally accepted accounting principles for non-regulated entities. The Corporation's accounting policies and its financial disclosures in respect of its real estate operations are also substantially in accordance with the recommendations of the Canadian Institute of Public Real Estate Companies ("CIPREC").

All amounts presented are in Canadian dollars unless otherwise stated.

Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term deposits with maturities of three months or less.

Materials and Supplies

Materials and supplies are recorded at average cost.

Deferred Charges

Deferred charges are recorded at cost and are amortized over their estimated useful lives.

Capital Assets

Capital assets of Newfoundland Power are stated at values approved by the PUB as at June 30, 1966 with subsequent additions at cost. Capital assets of all other utility operations are stated at cost. The cost of capital assets retired, less net salvage, is charged to accumulated amortization. Maintenance and repairs are charged to operations while renewals and betterments are capitalized.

Amortization on utility capital assets is provided on a straight-line method based on the estimated service life of capital assets. Amortization rates range from 2.0% to 9.3%. The composite rate of amortization before reduction for amortization of contributions in aid of construction is 3.6% (2001 – 3.6%).

Income producing properties, which include office buildings, shopping malls, hotels and land, are recorded at cost. Fortis Properties amortizes income-producing buildings by the sinking fund method using an imputed interest rate of 6% over the estimated useful life of sixty years from date of acquisition. Fortis Properties amortizes tenant inducements over the initial terms of the lease to which they relate, except where a write-down is required to reflect permanent impairment. The lease terms vary to a maximum of twenty years.

Amortization of capital construction projects and related equipment commences when the project has been substantially completed. Equipment is recorded at cost and is amortized on a straight-line basis over a range of one to fifteen years.

Interest Charged to Construction

On certain construction projects, interest is capitalized and included as a cost in the appropriate capital assets account until the asset is available for service.

Investments

Portfolio investments are accounted for on the cost basis. Declines in value considered to be other than temporary are recorded in the period in which such determinations are made.

Goodwill

Goodwill represents the excess at the dates of acquisition of the purchase price over the fair values of the net amounts assigned to individual assets acquired and liabilities assumed relating to business acquisitions. Effective January 1, 2002, the Corporation adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") for goodwill. Goodwill is no longer amortized to earnings and will be assessed for impairment at least annually in accordance with the new standard, including a transitional impairment test whereby any resulting impairment is charged to opening retained earnings. No impairment provision has been recognized as a result of the adoption of this new standard. Any subsequent impairment provisions would be charged to operations at that date. Consistent with this new standard, the Corporation has not recorded any charge related to amortization of goodwill in 2002. The amount of amortization recorded in the financial statements for the year ended December 31, 2001 was $3.2 million, or $0.22 earnings per common share.

Intangibles

Intangibles represent the estimated fair value of water rights acquired upon the acquisition of the remaining 50% of Canadian Niagara Power. The water rights are being amortized on a sinking fund basis using an imputed interest rate of 12.5% over the life of the water rights.

The Corporation evaluates the carrying value of intangibles for potential permanent impairment through ongoing review and analysis of fair market value and expected earnings. Should a permanent impairment in the value of intangibles be identified, it will be written off against earnings in the period such impairment is recognized.

Employee Future Benefits

The Corporation maintains defined benefit and defined contribution pension plans and group RRSPs for its employees. The pension costs of the defined benefit plans are actuarially determined using the projected benefits method prorated on service and best estimate assumptions. Pension plan assets are valued at fair value. The excess of any cumulative net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is deferred and amortized over the average remaining service period of active employees, except for early retirement offerings at Newfoundland Power which are being amortized on a straight-line basis over ten years in accordance with the requirements of the PUB. The costs of the defined contribution pension plans and group RRSPs are expensed as incurred.

The Corporation also offers other non-pension post-retirement benefits to employees through defined benefit plans. The costs associated with these other future benefits are actuarially determined using the projected benefits method prorated on service and best estimate assumptions, except for such costs incurred by Newfoundland Power which, in accordance with regulatory requirements, records the costs of these benefits in the year incurred.

Contributions in Aid of Construction

Contributions represent the cost of utility capital assets contributed by customers and governments. These accounts are being reduced annually by an amount equal to the charge for amortization provided on the related assets.

Stock-Based Compensation

Effective January 1, 2002, the Corporation adopted on a prospective basis the new recommendations of the CICA related to the recognition, measurement and disclosure of stock-based compensation. The Corporation accounts for its grants under such plans using the fair value method and the compensation expense is amortized over the vesting period of the options.

Previously, no compensation expense was recognized when stock options were granted with only the consideration received on the exercise of the options being credited to capital stock. The amount of the stock-based compensation expense recorded in the financial statements for the year ended December 31, 2002 was $0.2 million.

Foreign Currency Translation

The assets and liabilities of foreign operations, all of which are self-sustaining, are translated at the exchange rates in effect at the balance sheet dates. The resulting unrealized translation gains and losses are accumulated as a separate component of common shareholders' equity under the foreign currency translation adjustment heading. Revenue and expense items are translated at the average exchange rate for the year.

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing on the balance sheet date. Revenue and expense items denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing on the transaction date. Gains and losses on translation are included in the statement of earnings.

The Corporation adopted the new accounting recommendations of the CICA on accounting for foreign exchange gains and losses which require the recognition of foreign exchange gains and losses on long-term debt directly into income. The recommendations, which were adopted as of January 1, 2002, were applied retroactively and comparative financial statements have been restated to reflect this change. The cumulative effect of the change as of January 1, 2001 was a $0.4 million increase in retained earnings and a $0.2 million increase in non-controlling interest expense associated with long-term debt of Belize Electricity denominated in Euros. The 2001 financial statements have been restated to record a $0.2 million increase in earnings applicable to common shares.

Income Taxes

Except as modified and described below for Newfoundland Power, the Corporation and its subsidiaries follow the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recognized for differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. Future income taxes are measured using the enacted and substantively enacted tax rates and laws that will be in effect when the differences are expected to be recovered or settled. The effect of a change in income tax rates on future income tax assets and liabilities is recognized in income in the period that the change occurs. Current income tax expense is recognized for the estimated income taxes payable in the current year.

The PUB specifies Newfoundland Power's method of accounting for income taxes. The PUB only allows the recognition of future income taxes relating to depreciable assets other than GEC. If the full asset and liability method were applied to Newfoundland Power's depreciable asset base, the future income tax liability would have increased by $79.5 million at December 31, 2002 (2001 - $76.8 million).

Revenue Recognition

Revenue from the sale of electricity by Newfoundland Power and Belize Electricity is recognized on billings rendered monthly, on a cyclical basis, to customers. Revenue from the sale of electricity by Maritime Electric, BECOL and FortisOntario is recognized on the accrual basis.

Real estate revenue is derived from leasing retail and office space to tenants for varying periods of time. The leases are primarily of a net nature with tenants paying basic rental plus a pro rata share of defined overhead expenses. Certain retail tenants pay additional rent based on a percentage of the tenant's sales. Expenses recovered from tenants are recorded as revenue.

Regulatory Accounts

The PUB has ordered provision of a weather normalization account for Newfoundland Power to adjust for the effect of variations in weather and stream-flow when compared to long-term averages. The balance in the weather normalization account is subject to annual approval by the PUB.

Belize Electricity and the PUC have established a Cost of Power Rate Stabilization Account ("CPRSA") to allow recovery of excess energy costs over an established benchmark. These amounts are recovered as a surcharge on basic rates over a four-year period.

Belize Electricity and the PUC have established a Hurricane Cost of Power Rate Stabilization Account ("HCRSA"). Through the HCRSA, Belize Electricity is allowed to recover hurricane reconstruction costs as a surcharge on basic rates over a three-year period.

Maritime Electric maintains an energy cost adjustment mechanism to adjust for the effect of variations in energy costs above or below $0.05/kWh. Maritime Electric also maintains a cost of capital adjustment account to adjust earnings based on a target return on average common equity.

Use of Accounting Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

3. Deferred Charges	2002	(in thousands) 2001
Deferred pension costs	$ 67,986	$ 57,330
Weather normalization account	10,919	9,900
Unamortized debt discount and expenses	8,711	7,413
Capital charge - Point Lepreau	4,482	5,229
Deferred recoverable costs	2,017	1,799
Other	4,818	1,553
	$ 98,933	$ 83,224

4. Utility Capital Assets	2002	(in thousands) 2001
Capital assets	$ 1,811,083	$ 1,631,976
Assets under construction	93,727	30,640
Accumulated amortization	(687,968)	(598,359)
	$ 1,216,842	$ 1,064,257

5. Income Producing Properties	2002	(in thousands) 2001
Land, buildings and tenant inducements	$ 316,576	$ 244,083
Accumulated amortization	(27,129)	(23,745)
	$ 289,447	$ 220,338

6. Investments	2002	(in thousands) 2001
Caribbean Utilities Company, Ltd.	$ 93,223	$ 80,326
Other investments	2,528	1,885
	$ 95,751	$ 82,211

The quoted market value of the Corporation's interest in Caribbean Utilities is $102.7 million at December 31, 2002 (2001 - $92.8 million).

7. Short-term Borrowings

The credit facilities of the Corporation and its subsidiaries, consisting of bankers' acceptances and demand loans issued against unsecured bank lines of credit, bear interest at rates ranging from 2.1% to 4.8% at December 31, 2002 (2001 – 2.5% to 4.0%). The Corporation and its subsidiaries had authorized lines of credit of $312 million, of which $155 million was unused at year-end. The Corporation has issued $5.6 million in letters of credit as at December 31, 2002.

8. Long-Term Debt	2002	(in thousands) 2001
Fortis Inc.		
6.75% Unsecured Subordinated Convertible Debentures, due 2012	$ 15,776	$ –
7.40% Senior Unsecured Debentures, due 2010	100,000	100,000
2,000,000 5.95% First Preference Shares, redeemed in 2002	–	50,000
	115,776	150,000
Exploits River Hydro Partnership		
Construction and term loan, due 2029	51,900	–
FortisOntario		
Canadian Niagara Power term loan, due 2005	27,000	14,000

8. Long-Term Debt (continued)	**2002**	*(in thousands)* 2001
Newfoundland Power		
First mortgage sinking fund bonds:		
11.875% Series AC, due 2007	**33,470**	33,870
10.550% Series AD, due 2014	**33,353**	33,753
10.900% Series AE, due 2016	**35,600**	36,000
9.000% Series AG, due 2020	**36,800**	37,200
10.125% Series AF, due 2022	**36,000**	36,400
8.900% Series AH, due 2026	**37,635**	38,035
6.800% Series AI, due 2028	**48,000**	48,500
7.520% Series AJ, due 2032	**75,000**	–
	335,858	263,758
Maritime Electric		
First mortgage bonds:		
12.000% due 2010	**15,000**	15,000
11.500% due 2016	**12,000**	12,000
8.550% due 2018	**15,000**	15,000
7.570% due 2025	**15,000**	15,000
8.625% due 2027	**15,000**	15,000
8.920% due 2031	**20,000**	20,000
	92,000	92,000
Fortis Properties		
6.823% First mortgage, due 2003	**22,843**	24,275
6.850% First mortgage, due 2007	**5,302**	–
8.150% First mortgage, due 2010	**18,939**	19,625
9.470% First mortgage, due 2010	**11,956**	–
7.420% First mortgage bonds, due 2012	**28,624**	–
7.770% First mortgage bonds, due 2012	**23,400**	–
7.500% First mortgage bonds, due 2017	**45,802**	46,770
7.320% Senior secured notes, due 2019	**20,820**	21,483
Obligations under capital leases	**8,218**	9,536
Unsecured non-interest bearing note payable, due 2006	**1,711**	–
8.030% Term loan, matured December 2002	**–**	19,282
	187,615	140,971
BECOL		
Term loan, due 2011	**67,481**	71,676
Belize Electricity		
Caterpillar Financial Services Corporation, due 2004	**969**	1,482
Term loan, due 2006	**2,967**	3,076
12.0% Fixed rate debentures, due 2012	**13,462**	13,607
9.5% Fixed rate debentures, due 2021	**15,401**	15,553
9.0% Fixed rate debentures, due 2022	**1,422**	–
Caribbean Development Bank (“CDB”)	**18,760**	20,719
European Investment Bank (“EIB”)	**4,738**	4,599
International Bank for Reconstruction and Development (“IBRD”)	**14,463**	16,914
All-First Bank (“AFB”)	**6,157**	7,789
Belize Bank Limited (“BBL”)	**3,944**	–
RBTT Merchant Bank (“RBTT”)	**2,557**	–
Toronto Dominion Bank (“TDB”)	**4,024**	–
Other loans	**183**	592
	89,049	84,331
	966,679	816,736
Less: Current installments	**24,379**	20,644
	$ 942,300	$ 796,092

Fortis Inc.

The Unsecured Subordinated Convertible Debentures are redeemable by the Corporation at par at any time on or after March 12, 2007, and are convertible, at the option of the holder, into the Corporation's Common Shares at US$36.74 per share. The Debentures are subordinated to all other indebtedness of the Corporation, other than subordinated indebtedness ranking equally to the Debentures.

The Senior Unsecured Debentures are redeemable at the option of the Corporation at a price calculated as the greater of the principal amount to be redeemed and the amount equal to the net present value of interest and principal based on the Canada Yield plus a premium ranging from 0.43% to 0.87% together with accrued and unpaid interest thereon. There are also stated limitations for additional borrowings, dividend payments, share distributions and redemptions and the prepayment of subordinated debt. The Corporation has entered into US dollar currency swap under which the interest payments on the Senior Unsecured Debentures have been converted into US dollar interest payments. At December 31, 2002, there was an unrecognized loss of US$2.9 million on the swap (2001-US$1.8 million loss). The change in the market value of the US dollar currency swap contract, which will fluctuate over time, is not recognized until future interest payments are made. Therefore, the change in market value of this contract at year-end has not been recognized in these consolidated financial statements.

Exploits River Hydro Partnership

The Exploits River Hydro Partnership non-recourse construction and 25-year amortizing term loan bears interest at rates ranging from 7.47% to 7.55%. Funds are advanced to the Corporation provided certain conditions are met. As at December 31, 2002, the Corporation had cash in escrow of $13.5 million which represented cash received in advance of the construction progress. The loan is secured by the assets of the Partnership and matures in 2029.

FortisOntario

The Canadian Niagara Power term loan is secured by a general security agreement covering all the assets of the company and a collateral mortgage on real property.

Canadian Niagara Power is party to an interest rate swap contract maturing April 30, 2005 to hedge against interest exposures on $20.0 million of indebtedness. The contract has the effect of fixing the rate of interest at 6.27% on $20.0 million of the $27.0 million term loan. The remaining $7.0 million of the term loan bears interest at a floating rate of bankers' acceptance plus 0.85%.

The interest rate swap contract is accounted for as a hedge against the long-term debt. At December 31, 2002, there was an unrecognized loss of $1.4 million (2001 - $0.7 million loss) on the interest rate swap contract. The change in the market value of the interest rate swap contract, which will fluctuate over time, is not recognized until future interest payments are made. Therefore, the change in market value of this contract at year-end has not been recognized in these consolidated financial statements.

Newfoundland Power and Maritime Electric

The Newfoundland Power and Maritime Electric first mortgage bonds are secured by a first fixed and specific charge on the respective utility's capital assets owned or to be acquired and by a floating charge on all other assets.

Fortis Properties

The Fortis Properties first mortgage bonds are secured by a fixed and floating charge on specific income producing properties. The senior secured notes are collateralized by a first fixed and specific mortgage and a charge on a specific income producing property. The first mortgages are secured by specific income producing properties.

BECOL

The BECOL term loan is secured by agreements covering all its property assets and undertakings.

BECOL is party to an interest rate swap contract maturing on September 30, 2011 to hedge against interest exposures on the term loan. The contract has the effect of fixing the rate of interest at 9.45% on the indebtedness.

The interest rate swap is accounted for as a hedge against the long-term debt. At December 31, 2002, there was an unrecognized loss of US$4.5 million (2001 - US$0.9 million loss) on the interest rate swap contract. The change in the market value of the interest rate swap contract, which will fluctuate over time, is not recognized until future interest payments are made. Therefore, the change in market value of this contract at year-end has not been recognized in these consolidated financial statements.

Belize Electricity

The 12% fixed rate debentures can be called by Belize Electricity at any time after June 30, 2003 until maturity by giving the holders not more than 60 days nor less than 30 days written notice, and are repayable at the option of the holders at any time on or after June 30, 2002 by giving 12 months written notice to Belize Electricity. Redemption by agreement between Belize Electricity and the debenture holders at any time is also allowed.

The 9.5% fixed rate debentures can be called by Belize Electricity at any time after April 30, 2008 until maturity by giving holders not more than 60 days nor less than 30 days written notice, and are repayable at the option of the holders at any time on or after April 30, 2008 by giving 12 months written notice to Belize Electricity. Redemption by agreement between Belize Electricity and the debenture holders at any time is also allowed.

The 9.0% fixed rate debentures can be called by Belize Electricity at any time after August 31, 2009 until maturity by giving holders not more than 60 days nor less than 30 days written notice, and are repayable at the option of the holders at any time on or after August 31, 2009 by giving 12 months written notice to Belize Electricity. Redemption by agreement between Belize Electricity and the debenture holders at any time is also allowed.

The CDB loans bear interest at rates ranging from 2% to 8.5% and mature from 2004 to 2014.

The EIB loan bears interest at 5% and matures in 2014.

The IBRD loans bear interest at 0.5% per annum above the bank's "Cost of Qualified Borrowings" as defined in the loan agreement and mature in 2003 and 2011.

The AFB loan bears interest at 4.95% and matures in 2006.

The BBL loan bears interest at 13% and matures in 2004.

The RBTT construction and term loan bears interest at rates ranging from 5.75% to 8.15% and matures in 2012. The loan is secured by a debenture over specific assets of the company.

The TDB loan bears interest at 5.75% and matures in 2009.

The other loans bear interest at 8%, mature in 2003 and are unsecured.

The loans contain various negative and positive covenants by Belize Electricity or the Government of Belize regarding future action by Belize Electricity or the Government of Belize. They also contain various events of default, in the event of which the loan becomes due and payable.

Repayment of long-term debt

The consolidated annual requirements to meet principal repayments and maturities in each of the next five years are as follows:

2003	$24.4 million
2004	$30.6 million
2005	$56.6 million
2006	$30.7 million
2007	$63.1 million

Fair Values

While the Corporation's liability with respect to long-term debt is $967 million (2001 - $817 million), the estimated fair value of the long-term debt is $1,015 million at December 31, 2002 (2001 - $893 million). Fair value is estimated using present value techniques based on borrowing rates at year-end for debt with similar terms and maturities. Since the Corporation does not intend to settle the debt prior to maturity, the fair value estimate does not represent an actual liability and therefore does not include exchange or settlement costs.

9. Deferred Credits

(in thousands)	2002	2001
Contributions in aid of construction	$ 45,889	$ 38,655
Post-retirement benefits	14,475	10,161
Other	1,100	–
	$ 61,464	$ 48,816

10. Non-Controlling Interest

The non-controlling interest at December 31, 2002 consists of the non-controlling interest in the net assets of Belize Electricity, BECOL, Exploits River Hydro Partnership and preference shares of Newfoundland Power as follows:

(in thousands)	2002	2001
Belize Electricity	$ 27,697	$ 25,991
BECOL	2,561	2,173
Preference shares of Newfoundland Power	8,190	8,255
Exploits River Hydro Partnership	1,507	–
	$ 39,955	$ 36,419

11. Capital Stock

Authorized

(a) an unlimited number of Common Shares without nominal or par value;

(b) an unlimited number of First Preference Shares, Series A without nominal or par value; and

(c) an unlimited number of First Preference Shares, Series B without nominal or par value.

11. Capital Stock (continued)

Issued and Outstanding		2002	(in thousands)	2001
17,192,064 Common Shares (2001 – 14,980,507)	$	320,229	$	216,440

Common Shares were issued for cash as follows:

	2002		2001	
	Number of Shares	**Amount** *(in thousands)*	Number of Shares	Amount *(in thousands)*
Opening balance	**14,980,507**	**$ 216,440**	14,778,198	$ 209,294
Share issuance	**2,000,000**	**95,157**	–	–
Consumer Share Purchase Plan	**30,503**	**1,480**	41,564	1,626
Dividend Reinvestment Plan	**37,976**	**1,844**	48,365	1,881
Employee Share Purchase Plan	**27,130**	**1,311**	33,011	1,243
Director Stock Option Plan	**45,000**	**1,722**	5,000	146
Executive Stock Option Plan	**70,948**	**2,275**	74,369	2,250
	17,192,064	**$ 320,229**	14,980,507	$ 216,440

Earnings per Common Share

The Corporation calculates earnings per Common Share on the weighted average number of Common Shares outstanding of 16,277,201 and 14,877,876 in 2002 and 2001, respectively. Diluted earnings per Common Share are calculated using the treasury stock method for options and the "if-converted" method for convertible securities.

Earnings per Common Share before and after discontinued operations (Note 15) are as follows:

		2002		2001
Basic				
Before discontinued operations	$	**3.89**	$	3.55
After discontinued operations	$	**3.89**	$	3.60
Diluted				
Before discontinued operations	$	**3.85**	$	3.54
After discontinued operations	$	**3.85**	$	3.59

Diluted earnings per Common Share before discontinued operations is calculated as follows:

	2002			2001		
(in thousands, except per share amounts)	**Earnings**	**Weighted Average Shares**		**Earnings**	**Weighted Average Shares**	
Earnings before discontinued operations	**$ 63,252**			$ 52,876		
Weighted average shares outstanding		**16,277**			14,878	
Basic earnings per Common Share	**$ 63,252**	**16,277**	**$ 3.89**	$ 52,876	14,878	$ 3.55
Effect of dilutive securities						
Stock options	**–**	**69**		–	34	
Convertible debentures	**516**	**219**		–	–	
Diluted earnings per Common Share	**$ 63,768**	**16,565**	**$ 3.85**	$ 52,876	14,912	$ 3.54

12. Stock Options

The Corporation is authorized to grant directors of Fortis Inc. and certain key employees of Fortis Inc. and its subsidiaries options to purchase Common Shares of the Corporation. At December 31, 2002, the Corporation had the following stock-based compensation plans: the Executive Stock Option Plan, Directors' Stock Option Plan, 2002 Stock Option Plan and Employee Share Purchase Plan. The 2002 Stock Option Plan was adopted at the Annual General Meeting on May 15, 2002 to ultimately replace the Executive's and Directors' Stock Option Plans. The Executive's and Directors' Stock Options Plans will cease to exist when all outstanding options are exercised or expire in or before 2011. At December 31, 2002, 2,141,904 Common Shares remained in the reserve for issue under the terms of the above plans.

12. Stock Options (continued)

Number of Options:	2002	2001
Outstanding at beginning of year	**436,848**	353,743
Granted	**180,298**	180,639
Exercised	**(115,948)**	(79,369)
Cancelled	**(1,568)**	(18,165)
Outstanding at end of year	**499,630**	436,848
Options vested at end of year	**207,282**	256,209
Weighted Average Excercise Prices:		
Outstanding at beginning of year	**$ 37.03**	$ 34.71
Granted	**48.14**	38.27
Exercised	**34.52**	30.17
Cancelled	**38.27**	27.49
Outstanding at end of year	**41.86**	37.03

Details of stock options outstanding are as follows:

Number of Shares	Exercise Price	Expiry Date
44,454	$ 45.67	2003
15,000	45.12	2003
53,466	36.83	2004
37,341	29.15	2005
25,000	38.27	2006
144,071	38.27	2011
180,298	48.14	2012
499,630		

Stock-Based Compensation

On May 15, 2002, the Corporation issued 180,298 options on Common Shares under its 2002 Stock Option Plan at the five-day average trading price of $48.14. These options vest evenly over a four-year period on each anniversary of the date of grant. The options expire ten years after the date of grant.

The fair market value of the options granted was estimated on the date of grant using the Black-Scholes fair value option-pricing model and the following assumptions:

Dividend yield	4.07%
Expected volatility	13.00%
Risk-free interest rate	5.30%
Weighted-average expected life	7.5 years

The Corporation has adopted a policy of recording compensation expense upon the issuance of stock options under its Stock Option Plans. Using the fair value method, the compensation expense is amortized over the four-year vesting period of the options. Upon exercise, the proceeds of the option are credited to capital stock at the option price. Therefore, an exercise of options below the current market price has a dilutive effect on capital stock and shareholders' equity. Under the fair value method, compensation expense increased by $0.2 million for year ended December 31, 2002 with an offsetting credit to contributed surplus.

13. Interest	2002	*(in thousands)* 2001
Amortization of debt and stock issue expenses	**$ 313**	$ 231
Interest – long-term debt	**74,462**	63,010
– other	**2,764**	2,550
Interest charged to construction	**(4,514)**	(2,026)
Interest earned	**(2,297)**	(1,110)
	$ 70,728	$ 62,655

14. Income Taxes

The following is a reconciliation of the combined statutory income tax rate to the effective income tax rate:

(%)	2002	2001
Statutory income tax rate	**40.2**	42.5
Large corporations tax	**2.1**	2.7
Goodwill and intangible amortization	**0.7**	1.7
Pension costs	**(5.0)**	(4.5)
Dividends on preference shares	**1.2**	1.5
Impact of change in tax rates on future income taxes	**(0.4)**	(0.6)
Difference between Canadian statutory rates and those applicable to foreign subsidiaries	**(5.6)**	(7.7)
Other	**(0.7)**	(1.3)
Effective income tax rate	**32.5**	34.3

The components of the provision for income taxes are as follows:

	2002	2001
Canadian		
Current taxes	**28,081**	15,556
Future income taxes	**3,248**	12,207
	31,329	27,763
Foreign		
Current taxes	**1,159**	969
Income tax expense	**32,488**	28,732

Future income taxes are provided for temporary differences. Future income tax assets and liabilities comprise the following:

	2002	2001
Future income tax asset (liability)		
Energy cost adjustment mechanism	**7,950**	5,429
Utility and income producing assets	**16,578**	19,442
Water rights	**9,810**	–
Employee future benefits	**(4,129)**	(2,961)
Share issue and debt financing costs	**(1,164)**	37
Deferred charges	**1,724**	2,038
Tenant inducements	**2,803**	2,887
Losses carried forward	**(4,282)**	(1,866)
Other	**2,732**	1,944
Net future income tax liability	**32,022**	26,950
Current future tax liability	**7,662**	5,483
Long-term future tax liability	**24,360**	21,467
Net future income tax liability	**32,022**	26,950

15. Discontinued Operations

On June 22, 2001, the Corporation sold the business comprising the deposits and loans of Fortis Trust for cash consideration of $5.8 million. Earnings from discontinued operations include the Corporation's share of the income from operations of Fortis Trust for the period ended June 22, 2001. The results of discontinued operations, which have been included in the consolidated statement of earnings, are as follows:

Statements of Earnings *(in thousands)*	**2001**
Operating revenues	**$ 2,112**
Earnings from discontinued operations, net of income taxes of $172	**$ 216**
Gain on disposal of discontinued operations, net of income taxes of $349	**505**
Results of discontinued operations	**$ 721**

16. Employee Future Benefits

Pension costs are determined annually by independent actuaries using management's best estimates of expected plan investment performance, salary escalation and retirement ages of employees. Newfoundland Power also provides extended health care and life insurance benefits for all retired employees. In accordance with regulatory requirements, the cost of these benefits is recorded in the year incurred.

The Corporation and its subsidiaries have defined benefit pension plans, defined contribution pension plans and group RRSPs and defined benefit plans providing other retirement benefits to their employees.

Information about the plans, which represent contractual obligations of the Corporation, follows:

	Pension Benefit Plans		Other Retirement Benefit Plans	
(in thousands)	**2002**	2001	**2002**	2001
Accrued benefit obligation				
Balance, beginning of year	**$ 167,614**	$ 157,272	**$ 10,143**	$ 9,640
Liability associated with aquisition of Canadian Niagara Power and Cornwall Electric	**8,937**	–	**3,744**	–
Current service cost	**3,523**	3,534	**1,490**	1,257
Interest cost	**11,338**	10,732	**522**	453
Benefits paid	**(11,338)**	(11,097)	**(968)**	(1,329)
Actuarial losses	**1,886**	4,094	**350**	122
Curtailments	**–**	–	**(120)**	–
Plan amendments	**1,228**	3,079	**–**	–
Balance, end of year	**$ 183,188**	$ 167,614	**$ 15,161**	$ 10,143
Plan assets				
Fair value, beginning of year	**$ 171,600**	$ 173,672	**–**	–
Assets associated with aquisition of Canadian Niagara Power	**9,584**	–	**–**	–
Expected return on plan assets	**14,080**	13,849	**–**	–
Benefits paid	**(11,338)**	(11,097)	**–**	–
Actuarial losses	**(24,409)**	(18,702)	**–**	–
Contributions to plan	**13,252**	13,878	**–**	–
Fair value, end of year	**$ 172,769**	$ 171,600	**–**	–
Funded status - surplus (deficit)	**$ (10,419)**	$ 3,986	**$ (15,161)**	$ (10,143)
Actuarial gains (losses)	**1,819**	527	**230**	(18)
Prior service costs	**–**	–	**456**	–
Unamortized amounts	**56,581**	31,858	**–**	–
Transitional assets	**20,005**	20,959	**–**	–
Accrued benefit asset (liability)	**$ 67,986**	$ 57,330	**$ (14,475)**	$ (10,161)
Significant assumptions used				
Discount rate (%)	**6.75**	6.75-7.0	**6.75-7.0**	7.0
Expected long-term rate of return on plan assets (%)	**7.5-8.0**	7.5-8.0	**–**	–
Rate of compensation increase (%)	**4.0-4.5**	4.5-5.0	**–**	–
Average remaining service period of active employees (years)	**17-20**	18-21	**13-18**	14-19
Net benefit expense for the year				
Current service cost	**$ 2,285**	$ 2,356	**$ 1,490**	$ 275
Interest cost	**11,338**	10,732	**522**	453
Actuarial gains	**–**	17	**119**	122
Expected return on plan assets	**(14,080)**	(13,849)	**–**	–
Amortization of transitional obligation and amendments	**923**	4,366	**–**	–
Amortization of actuarial gains	**2,550**	–	**–**	–
Net benefit expense	**$ 3,016**	$ 3,622	**$ 2,131**	$ 850

17. Business Acquisitions

2002

Utility

In March and April 2002, the Corporation acquired an aggregate of 662,700 Class A Ordinary Shares of Caribbean Utilities for an aggregate purchase price of $12.9 million. As a result, the Corporation holds approximately 22% of the outstanding Class A Ordinary Shares at December 31, 2002 and holds a right of first offer on a further 31% of the utility's common shares.

In July 2002, the Corporation acquired the remaining 50% interest in Canadian Niagara Power from National Grid USA for an aggregate cash purchase price of $35.2 million. Fortis purchased its initial 50% interest in the utility in October 1996. The acquisition is accounted for using the purchase method, whereby the results of full operations have been included in the consolidated financial statements commencing July 1, 2002. Prior to July 1, 2002, the Corporation had been proportionately consolidating its interest in Canadian Niagara Power.

In October 2002, the Corporation acquired a 100% interest in Cornwall Electric from Enbridge Energy Distribution Inc. for an aggregate purchase price of $67.7 million. Cornwall Electric is an Ontario-based electric transmission and distribution utility which supplies electricity to approximately 22,600 customers in the City of Cornwall, South Glengarry, South Stormont and the Ontario portion of the Mohawk Territory of Akwesasne. The acquisition is accounted for using the purchase method, whereby the results of full operations have been included in the consolidated financial statements commencing October 17, 2002.

The purchase price allocation to net assets based on their fair values is as follows:

(in thousands of dollars)	Canadian Niagara Power	Cornwall Electric	Total
Fair value assigned to net assets:			
Utility capital assets	$ 27,185	$ 32,405	**$ 59,590**
Current assets	5,167	8,989	**14,156**
Long-term investments	1,264	–	**1,264**
Goodwill	5,898	20,938	**26,836**
Intangibles	27,639	–	**27,639**
Other assets	2,087	4,045	**6,132**
Current liabilities	(2,508)	(4,829)	**(7,337)**
Long-term debt	(15,000)	–	**(15,000)**
Future income taxes	(10,935)	6,206	**(4,729)**
Other liabilities	(2,799)	(2,622)	**(5,421)**
	37,998	65,132	**103,130**
Cash	(2,784)	2,608	**(176)**
	$ 35,214	$ 67,740	**$ 102,954**

2001

BECOL

On January 26, 2001, the Corporation acquired a 95% interest in BECOL. BECOL owns and operates the 25-MW Mollejon hydroelectric facility, the only commercial hydroelectric facility in Belize. BECOL sells its entire output to Belize Electricity under a 50-year power purchase agreement. The total consideration was $103.1 million in cash. The acquisition was accounted for using the purchase method, whereby the results of operations have been included in the consolidated financial statements commencing February 2001. The purchase price allocation to net assets based on their fair values is as follows:

(in thousands of dollars)	BECOL
Fair value assigned to net assets:	
Utility capital assets	**$ 92,881**
Current assets	**11,114**
Current liabilities	**(95)**
Non-controlling interest	**(1,813)**
	102,087
Cash	**990**
	$ 103,077

18. Supplementary Information to Consolidated Statements of Cash Flows

		2002	(in thousands)	2001
Interest paid	$	**69,872**	$	63,100
Income taxes paid	$	**15,025**	$	26,900

19. Joint Ventures

On June 13, 2001, the Corporation entered into an agreement with Abitibi-Consolidated Inc. to develop additional capacity at two of Abitibi-Consolidated Inc.'s hydroelectric plants. Under the agreement, Fortis, through a wholly owned non-regulated subsidiary, holds a joint interest in the redevelopment project. Abitibi-Consolidated Inc. will continue to use the existing annual generation of the facility while the additional energy resulting from the redevelopment will be sold under a 30-year, take-or-pay power purchase agreement with Newfoundland and Labrador Hydro. The project is expected to cost approximately $68 million of which $50.1 million was incurred as of December 31, 2002. The project is financed principally with non-recourse debt. The project is under development and there has been no impact on earnings in the current year.

As outlined in Note 17, the Corporation and National Grid USA (Niagara Mohawk Holdings Inc. in 2001) each owned 50% of the outstanding shares of Canadian Niagara Power up to July 1, 2002. Both companies shared equally in management and earnings up to that date and, accordingly, the Corporation accounted for its investment in Canadian Niagara Power using proportionate consolidation.

The effect of the proportionate consolidation is summarized as follows:

			2002	(in thousands)	2001
Earnings	Operating revenues	$	**11,178**	$	20,293
	Operating expenses		**6,470**		9,544
	Finance charges		**640**		1,146
	Income taxes		**1,580**		4,064
	Earnings	$	**2,488**	$	5,539
Assets and Liabilities	Current assets	$	**–**	$	3,967
	Other assets		**–**		5,334
	Capital assets		**–**		26,800
	Long-term investment		**–**		1,885
		$	**–**	$	37,986
	Current liabilities	$	**–**	$	5,759
	Long-term liabilities		**–**		20,038
		$	**–**	$	25,797
Cash Flows	Operations	$	**(882)**	$	9,708
	Investing		**(421)**		(6,819)
	Financing		**1,303**		(1,667)
	Net cash flows	$	**–**	$	1,222

20. Segmented Information

The accounting policies of the segments are described in the Summary of Accounting Policies. Information by reportable segment is as follows:

2002 *(in thousands)*	Newfoundland Power	FortisOntario	Maritime Electric	Belize Electricity	BECOL	Fortis Properties	Corporate	Inter-Segment Eliminations	Consolidated
Operating revenues	$ 369,627	$ 74,500	$ 96,016	$ 77,763	$ 16,572	$ 90,407	$ 11,166	$ (20,586)	$ 715,465
Operating expenses	261,531	51,223	65,562	51,405	1,777	55,450	4,097	(14,076)	476,969
Amortization	35,442	5,010	9,320	8,539	1,903	4,238	611		65,063
Operating income	72,654	18,267	21,134	17,819	12,892	30,719	6,458	(6,510)	173,433
Finance charges	26,853	2,892	9,262	6,575	7,859	14,516	12,017	(6,510)	73,464
Income taxes	16,381	6,187	5,249	1,004		6,938	(3,271)		32,488
Non-controlling interest	613			3,328	408		(120)		4,229
Earnings	$ 28,807	$ 9,188	$ 6,623	$ 6,912	$ 4,625	$ 9,265	$ (2,168)		$ 63,252
Goodwill		$ 39,816	$ 19,858						$ 59,674
Identifiable assets excluding goodwill	$ 724,302	$ 164,120	$ 256,761	$ 230,910	$ 109,344	$ 299,302	$ 184,995	$ (42,409)	$ 1,927,325
Capital expenditures	$ 59,868	$ 4,634	$ 17,013	$ 22,843	$ 743	$ 72,672	$ 51,057		$ 228,830

2001 *(in thousands)*	Newfoundland Power	FortisOntario	Maritime Electric	Belize Electricity	BECOL	Fortis Properties	Corporate	Inter-Segment Eliminations	Consolidated
Operating revenues	$ 359,305	$ 20,293	$ 97,488	$ 72,355	$ 16,100	$ 73,859	$ 5,103	$ (16,249)	$ 628,254
Operating expenses	255,387	8,085	66,840	48,746	2,043	47,105	3,311	(13,400)	418,117
Amortization	34,003	1,459	10,260	7,805	1,636	3,621	3,711		62,495
Operating income	69,915	10,749	20,388	15,804	12,421	23,133	(1,919)	(2,849)	147,642
Finance charges	26,700	1,146	9,513	5,381	5,391	12,240	8,108	(2,849)	65,630
Income taxes	13,730	4,321	4,759	893		5,440	(411)		28,732
Gain on sale of income producing property						3,201			3,201
Income tax reassessment		257							257
Results of discontinued operations (Note 15)							721		721
Non-controlling interest	623			3,037	313		(111)		3,862
Earnings	$ 28,862	$ 5,539	$ 6,116	$ 6,493	$ 6,717	$ 8,654	$ (8,784)		$ 53,597
Goodwill		$ 12,980	$ 19,858						$ 32,838
Identifiable assets excluding goodwill	$ 684,981	$ 34,448	$ 249,952	$ 216,816	$ 114,579	$ 237,463	$ 89,425	$ (35,750)	$ 1,591,914
Capital expenditures	$ 68,081	$ 3,495	$ 14,565	$ 30,226	$ 475	$ 32,563	$ 50		$ 149,455

21. Financial Instruments

Risk Management

The Corporation has exposure to foreign currency exchange rate fluctuations associated with its U.S. dollar denominated operations. The Corporation may periodically use foreign exchange forward contracts to limit its exposure to foreign currency fluctuations and match the timing of cash flow requirements. The Corporation does not hold or issue derivative financial instruments for trading purposes.

Interest Rate Risk

Long-term debt is issued at fixed interest rates thereby minimizing cash flow and interest rate exposure. The Corporation is primarily subject to risks associated with fluctuating interest rates on its short-term borrowings.

Credit Risk

The Corporation is exposed to credit risk in the event of non-performance by counter parties to its derivative financial instruments. Non-performance is not anticipated since these counter parties are highly rated financial institutions. In addition, this Corporation is exposed to credit risk from customers. However, the Corporation has a large and diversified customer base which minimizes the concentration of this risk.

Rate Regulation

Belize Electricity operates a Cost of Power Rate Stabilization Account which is approved by the PUC to recover excess energy costs over an established benchmark. This account minimizes the impact of changing energy costs on the financial results.

Newfoundland Power operates a weather normalization account, the balance of which is approved by the PUB annually, to adjust for the effect of variations in weather and stream-flows when compared to long-term averages. This account minimizes the impact of changing weather conditions on the financial results.

Pursuant to regulations, Maritime Electric maintains an energy cost adjustment mechanism to adjust the effect of variations in energy costs above or below $0.05/kWh. Maritime Electric also maintains a cost of capital adjustment account to adjust earnings based on a target return on average common equity. These adjustments minimize the impact of changing economic conditions on the financial results.

22. Commitments

On September 13, 2001, Newfoundland Power and Fortis closed a $46 million transaction to purchase 102,000 poles and related infrastructure from Aliant Telecom Inc. in Newfoundland. On February 7, 2002, the Corporation closed a $2.2 million transaction to purchase 5,586 poles and related infrastructure from Aliant Telecom Inc. in Newfoundland. Remaining annual payments of $4.8 million are required from 2003 to 2005 under the purchase agreements.

On April 15, 2002, Canadian Niagara Power entered into a ten-year operating agreement to lease the assets of Port Colborne Hydro Inc. Minimum annual lease payments under the agreement, which runs until April 2012, amount to $1.6 million.

Maritime Electric has two take-or-pay contracts for either capacity or energy. The obligations are subject to force majeure provisions that impact the ability of the supplier to deliver or Maritime Electric to receive the energy contracted for. These contracts total approximately $22.0 million through December 31, 2004.

23. Contingent Liability

In 2002, the CCRA confirmed a 2000 reassessment related to Newfoundland Power's 1993 taxation year, which included in income the value of electricity consumed in December 1993 but not billed until January 1994. Newfoundland Power's practice has been to record revenue on a billed basis. This method has been audited and accepted previously by CCRA and is in accordance with regulatory requirements.

Newfoundland Power believes it has reported its tax position appropriately and has filed a Notice of Appeal with the Tax Court of Canada. The Court action is not expected to begin until 2004. No provision has been made in the accounts for additional income taxes, if any, which may be determined to be payable. Should Newfoundland Power be unsuccessful in defending its method of recognizing its revenue, a liability of approximately $14.9 million, including accrued interest, would arise. In this event, Newfoundland Power would apply to the PUB to include the amount in the rate making process. Such an application might include a request to change the current practice of recognizing revenue when billed to the accrual method. If the PUB were to approve such a change in accounting practice, electricity consumed in December but billed in January, valuing $21.0 million, would be included in revenue.

The provisions of the Income Tax Act require Newfoundland Power to deposit one half of the amount in dispute with CCRA. The amount currently deposited with CCRA arising from the reassessment is approximately $7.0 million.

24. Subsequent Event

Effective January 30, 2003, the Corporation acquired, through its wholly owned subsidiary, Fortis Energy (Bermuda) Ltd, an additional 3,863,695 Class A Ordinary Shares of Caribbean Utilities for a price of US$11.90 per share. This acquisition represents approximately 15.9% of the outstanding Class A Ordinary Shares of Caribbean Utilities, which increases the Corporation's holding to approximately 38%. As a result, Fortis will commence accounting for its investment in Caribbean Utilities on an equity basis. Previously, the Corporation accounted for this investment on a cost basis whereby only the dividends received from Caribbean Utilities were recorded in earnings.

25. Comparative Figures

Certain comparative figures have been reclassified to comply with current year's classifications.

Historical Financial Summary

	2002	2001	2000	1999
Statements of Earnings (in thousands $)				
Operating Revenues	**715,465**	628,254	580,197	505,218
Operating Expenses	**476,969**	418,117	417,607	356,227
Amortization	**65,063**	62,495	52,513	45,407
Finance Charges: Interest	**70,728**	62,655	52,737	43,090
Dividends on preference shares	**2,736**	2,975	2,975	2,975
Income Taxes	**32,488**	28,732	17,228	27,476
Results of Discontinued Operations and Other Unusual Items		4,179	2,771	(57)
Equity Income				
Non-Controlling Interest	**4,229**	3,862	3,149	803
Earnings Applicable to Common Shares	**63,252**	53,597	36,759	29,183
Balance Sheets (in thousands $)				
Current Assets	**180,122**	134,935	165,814	92,862
Long-Term Investments	**95,751**	82,211	81,515	
Other Assets	**204,837**	123,011	116,912	160,998
Capital Assets and Income Producing Properties	**1,506,289**	1,284,595	1,114,355	984,737
Total Assets	**1,986,999**	1,624,752	1,478,596	1,238,597
Current Liabilities	**334,467**	272,439	224,431	229,569
Long-Term Debt	**942,300**	746,092	678,349	487,828
Preference Shares		50,000	50,000	50,000
Deposits Due Beyond One Year			15,640	
Deferred Credits and Future Income Taxes	**85,824**	70,283	82,174	82,366
Non-Controlling Interest	**39,955**	36,419	31,502	29,381
Shareholders' Equity	**584,453**	449,519	412,140	343,813
Cash Flows (in thousands $)				
Operations	**134,422**	94,115	97,499	84,679
External Financing	**261,043**	171,358	177,820	66,797
Investing Activities	**348,724**	239,726	240,698	122,469
Dividends	**35,070**	29,913	27,661	24,303
Financial Statistics				
Return on Average Common Shareholders' Equity (%)	**12.23**	12.44	9.73	8.55
Capitalization Ratios (%) (year-end)				
Long-Term Debt	**60.2**	58.2	57.8	53.5
Non-Controlling Interest	**2.5**	2.8	2.7	3.2
Preference Shares		3.9	4.3	5.5
Common Shareholders' Equity	**37.3**	35.1	35.2	37.8
Interest Coverage (x)				
Debt	**2.3**	2.3	2.1	2.3
All Fixed Charges	**2.2**	2.2	1.9	2.1
Capital Expenditures (in thousands $)	**228,830**	149,455	157,652	86,475
Common Share Data				
Book Value per Share (year-end) ($)	**34.00**	30.01	27.89	26.21
Average Common Shares Outstanding (in thousands)	**16,277**	14,878	13,517	13,047
Earnings per Common Share ($)	**3.89**	3.60	2.72	2.24
Dividends Declared per Common Share ($)	**1.99**	1.88	1.84	1.82
Dividends Paid per Common Share ($)	**1.94**	1.87	1.84	1.81
Dividend Payout Ratio (%)	**49.9**	51.9	67.6	80.8
Price Earnings Ratio (x)	**13.5**	13.0	13.2	14.0
Share Trading Summary				
Closing Price ($) (TSE)	**52.50**	46.95	36.00	31.40
Volume (in thousands) (TSE & ME)	**5,419**	5,365	6,690	2,256

Note: Certain comparative figures have been reclassified to confirm with the current year's presentation.

1998	1997	1996	1995	1994	1993	1992
472,725	486,662	474,293	447,035	388,558	343,252	337,405
339,429	341,024	334,388	315,003	271,607	241,310	240,045
42,428	41,147	35,993	37,998	32,722	27,513	26,39
40,662	38,658	38,487	37,246	28,814	25,885	24,778
2,975	6,232	7,325	4,448	4,350	4,350	4,350
22,998	29,449	28,029	20,334	23,040	18,827	16,480
3,696	369					
					2,396	2,387
515	515	1,026	1,414	1,062	1,480	1,931
27,414	30,006	29,045	30,592	26,963	26,283	25,812
94,123	78,603	70,456	72,659	78,230	57,504	62,176
				36,574	35,526	
162,487	160,445	160,470	120,289	94,618	57,398	50,887
780,582	778,348	766,608	723,461	664,713	508,213	493,631
1,037,192	1,017,396	997,534	916,409	837,561	659,689	642,220
147,764	172,158	172,493	153,368	160,864	102,660	96,638
424,275	385,627	335,654	285,343	264,699	221,988	218,906
50,000	50,000	100,000	100,000	50,000	50,000	50,000
15,745	20,444	17,448	16,703	18,172	19,683	13,517
52,301	54,194	53,658	47,307	48,337	25,621	25,820
8,430	8,430	8,430	18,990	20,702	10,905	22,296
338,677	326,543	309,851	294,698	274,787	228,832	215,043
68,898	63,202	86,351	60,701	62,134	62,194	61,244
15,858	16,721	33,992	60,057	64,557	4,174	16,805
65,882	54,093	95,838	103,078	106,405	48,924	53,245
23,824	22,968	22,416	22,048	24,136	21,893	21,508
8.24	9.43	9.61	10.74	10.71	11.84	12.38
51.7	50.0	44.5	41.8	44.3	43.6	43.5
1.0	1.1	1.1	2.7	3.3	2.2	4.4
6.1	6.5	13.3	14.1	8.1	9.7	9.%
41.2	42.4	41.1	41.4	44.3	44.5	42.3
2.2	2.6	2.6	2.4	2.8	2.7	2.8
2.0	2.0	1.9	2.0	2.2	2.2	2.2
65,468	49,773	53,420	89,893	51,249	43,752	46,916
26.09	25.58	24.83	24.18	23.29	22.13	21.10
12,908	12,623	12,319	12,100	10,949	10,270	10,131
2.12	2.38	2.36	2.53	2.46	2.56	2.55
1.80	1.77	1.72	1.70	1.64	1.56	1.50
1.80	1.76	1.72	1.69	1.62	1.54	1.49
84.9	73.9	72.9	66.8	65.9	60.2	58.8
18.0	17.6	14.4	10.8	10.5	11.2	9.6
38.25	42.00	34.00	27.25	25.75	28.63	24.50
3,089	3,380	3,405	2,018	2,030	3,041	2,186

Corporate Directory

Fortis Inc.

Directors: Angus A. Bruneau (Chair)
Bruce Chafe
Darryl D. Fry
Geoffrey F. Hyland
Linda L. Inkpen
H. Stanley Marshall
John S. McCallum
Roy P. Rideout

Officers: H. Stanley Marshall
President and Chief Executive Officer

Karl W. Smith
Vice President, Finance and Chief Financial Officer

Ronald W. McCabe
General Counsel and Corporate Secretary

Donna G. Hynes
Assistant Secretary

Newfoundland Power Inc.

Directors: Bruce Chafe (Chair), Peter W. Fenwick, Leslie E. Galway, Rex V. Gibbons, Derek F. Hiscock, Frank P. Howard, Philip G. Hughes, James A. Lea, H. Stanley Marshall, Dell Texmo, Lynn R. Young, Peter Woodward

Officers:

Philip G. Hughes, President and Chief Executive Officer
Barry V. Perry, Vice President, Finance and Chief Financial Officer
Nora M. Duke, Vice President, Customer and Corporate Services
Earl A. Ludlow, Vice President, Engineering and Operations
Peter S. Alteen, Corporate Counsel and Secretary

FortisOntario

Directors: Gilbert S. Bennett,[2] Neil P. Burke,[3] Timothy B. Curtis,[2,3] William J. Daley,[2,3] Richard Drouin,[1] Richard R. Eamon,[3] H. Stanley Marshall,[1] Frederick J. O'Brien,[3] Karl W. Smith[1]

Officers:

William J. Daley, President and Chief Executive Officer[1,2,3]
Timothy B. Curtis, Vice President, Corporate Development[1,2,3]
Frederick J. O'Brien, Vice President, Operations[1,2,3]
Ronald W. McCabe, Corporate Secretary[1,2]

[1] *Canadian Niagara Power Company, Limited*
[2] *Canadian Niagara Power Inc.*
[3] *Cornwall Street Railway, Light and Power Company Limited*

Maritime Electric Company, Limited

Directors: Frederick E. Hyndman (Chair), A. James Casey, Beverley L. Deelstra, Kimberley D. Horrelt, Philip G. Hughes, James A. Lea, H. Stanley Marshall, Michael A. Pavey, John C. Walker

Officers:

James A. Lea, President and Chief Executive Officer
J. William Geldert, Vice President, Finance, CFO and Corporate Secretary
John D. Gaudet, Vice President, Operations

Belize Electricity Limited

Directors: Robert Usher (Chair), Fernando E. Coye, Philip G. Hughes, James A. Lea, H. Stanley Marshall, Karl H. Menzies, Yasin Shoman, Karl W. Smith, Lynn R. Young

Officers:

Lynn R. Young, President and Chief Executive Officer
Rene J. Blanco, Vice President, Finance and Chief Financial Officer
Derek Davis, Vice President, Energy Supply and Planning & Engineering
Felix Murrin, Vice President, Operations
Joseph Sukhnandan, Vice President, Special Projects & Generation
Juliet Estell, Company Secretary

Belize Electric Company Limited

Directors: Rene Blanco, David Fonseca, Philip G. Hughes, H. Stanley Marshall, Karl W. Smith, Lynn R. Young, Michael C.E. Young

Officers:

H. Stanley Marshall, President
Karl Smith, Vice President
Philip G. Hughes, Vice President
John G. Evans, Vice President
Ronald W. McCabe, Secretary

Caribbean Utilities Company, Ltd.

Directors: Joseph A. Imparato (Chair), Frank J. Crothers (Vice Chair), Peter A. Thomson, Robert D. Imparato, Bruce D.C. Drake, H. Stanley Marshall, Karl W. Smith, Ian L. Boxall, David E. Ritch, Philip A. Barnes, Lewis M. Ebanks, Raul O. Nicholson-Coe

Officers:

Joseph A. Imparato, Chairman
Peter A. Thomson, President and Chief Executive Officer
Frank J. Crothers, Vice Chairman
J.F. Richard Hew, Senior Vice President and General Manager
William J.N. Forsythe, Vice President and Chief Information Officer
Ian L. Boxall, General Counsel
Deborah E. Bergstrom, Vice President, HR & Administration
R. Scott Hawkes, Company Secretary
Robert D. Imparato, Assistant Corporate Secretary
Eddinton M. Powell, Vice President, Finance and Chief Financial Officer
Robert L. Smith, Vice President, Production & Engineering
J. Lee Tinney, Vice President, Transmission & Distribution

Fortis Properties Corporation

Directors: Linda L. Inkpen (Chair), Angus A. Bruneau, Bruce Chafe, H. Stanley Marshall, John C. Walker

Officers:

John C. Walker, President and Chief Executive Officer
Neal J. Jackman, Vice President, Finance and Chief Financial Officer
Stanley D. Collins, Vice President, Operations - Newfoundland
Michael A. Mulcahy, Vice President, Hospitality Services
Wayne W. Myers, Vice President, Operations - Maritimes
Ronald W. McCabe, General Counsel and Corporate Secretary

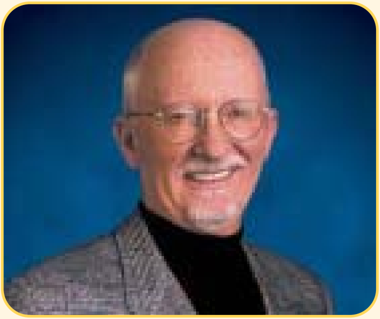
Board of Directors

Angus A. Bruneau
Chair, Fortis Inc.
St. John's, Newfoundland and Labrador

Dr. Bruneau, 67, joined the Fortis Inc. Board in 1987 and is Chair of the Board. He retired as CEO of Fortis Inc. in 1996. Dr. Bruneau is a Director of Petro-Canada, SNC-Lavalin Group Inc., Canada Life Assurance Company, Inco Limited, Canada's Top 40 Under 40, Canadian Institute of Child Health and Sustainable Development Technology Canada.

Bruce Chafe
Corporate Director
St. John's, Newfoundland and Labrador

Mr. Chafe, 66, joined the Fortis Inc. Board in 1997. He was appointed Chair of the Board of Newfoundland Power Inc. in 2000 and is a Director of Fortis Properties Corporation. Mr. Chafe is also a Director of several private investment firms. He is a retired senior partner of Deloitte & Touche LLP.



Darryl D. Fry
Corporate Director
Osprey, Florida

Mr. Fry, 64, joined the Fortis Inc. Board in May 1998. He retired as CEO of Cytec Industries in 1998 and retired as Chairman in 1999. Mr. Fry continued to serve as a Director of Cytec Industries until January 2001.

Geoffrey F. Hyland
President and CEO, ShawCor Ltd.
Alton, Ontario

Mr. Hyland, 58, joined the Fortis Inc. Board in May 2001. In addition to serving on the Board of ShawCor Ltd., he also serves as a Director of Enerflex Systems Ltd. and Exco Technologies Limited.

Linda L. Inkpen
Medical Practitioner
St. John's, Newfoundland and Labrador

Dr. Inkpen, 55, joined the Fortis Inc. Board in 1994. She was appointed Chair of the Board of Fortis Properties Corporation in 2000 and is past Chair of Newfoundland Power Inc. Dr. Inkpen is a member of the National Roundtable on the Economy and the Environment.

H. Stanley Marshall
President & CEO, Fortis Inc.
St. John's, Newfoundland and Labrador

Mr. Marshall, 52, has served on the Fortis Inc. Board since 1995. He joined Newfoundland Power Inc. in 1979 and was appointed President and CEO of Fortis Inc. in 1996. Mr. Marshall serves on the Boards of all Fortis Companies and is a Director of Toromont Inc. and the Conference Board of Canada.

John S. McCallum
Professor of Finance, University of Manitoba
Winnipeg, Manitoba

Dr. McCallum, 59, joined the Fortis Inc. Board in May 2001. He was Chairman of Manitoba Hydro from 1991 to 2000 and Policy Advisor to the Federal Minister of Finance from 1984 to 1991. Dr. McCallum also serves as a Director of Investors Group Inc., Toromont Inc. and Wawanesa.

Roy P. Rideout
Corporate Director
Halifax, Nova Scotia

Mr. Rideout, 55, joined the Fortis Inc. Board in May 2001. He retired as Chairman and CEO of Clarke Inc. in October 2002. Prior to 1998, Mr. Rideout served as President of Newfoundland Capital Corporation Limited. He also serves as a Director of the Halifax International Airport Authority.

Investor Information

Transfer Agent and Registrar

Computershare Trust Company of Canada ("Computershare") is responsible for the maintenance of shareholder records and the issue, transfer and cancellation of stock certificates. Transfers can be effected at their Halifax, Montreal and Toronto offices. Computershare also distributes dividends and shareholder communications. Inquiries with respect to these matters and corrections to shareholder information should be addressed to the Transfer Agent.

Computershare Trust Company of Canada
9th Floor, 100 University Avenue
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T: 1-800-564-6253
F: 416-263-9394 or 1-888-453-0330
E: caregistryinfo@computershare.com
W: www.computershare.com

Direct Deposit of Dividends

Shareholders may obtain automatic electronic deposit of dividends to their designated Canadian financial institutions by contacting the Transfer Agent.

Valuation Day

For capital gains purposes, the valuation day prices are as follows:

December 22, 1971	$ 6.125
February 22, 1994	$ 28.625

Dividend Reinvestment Plan and Consumer Share Purchase Plan

Fortis Inc. offers a Dividend Reinvestment Plan (1) and a Consumer Share Purchase Plan (2) to Common Shareholders as a convenient method of increasing their investments in Fortis Inc. Participants have dividends plus any optional cash payments (minimum of $25; maximum of $20,000 annually) automatically deposited in the Plans to purchase additional Common Shares. Shares are sold quarterly on March 1, June 1, September 1, and December 1 at the average market price then prevailing on the Toronto Stock Exchange. Inquiries should be directed to the Transfer Agent, Computershare Trust Company of Canada.

(1) All registered shareholders of Common Shares who are residents of Canada are eligible to participate in the Dividend Reinvestment Plan. Shareholders residing outside Canada may also participate unless participation is not allowed in that jurisdiction. Residents of the United States, its territories or possessions are not eligible to participate.

(2) The Consumer Share Purchase Plan is offered to residents of the provinces of Newfoundland and Labrador and Prince Edward Island.

Share Listings

Toronto Stock Exchange
Common Shares: FTS

Stock Prices

	High	Low	Close
2002	53.10	43.05	52.50
2001	47.55	34.25	46.95
2000	36.75	27.50	36.00
1999	39.70	29.15	31.40
1998	48.10	35.00	38.25
1997	42.50	31.30	42.00
1996	34.70	27.00	34.00
1995	27.75	24.25	27.25
1994	30.00	23.75	25.75
1993	29.25	23.50	28.63

Duplicate Annual Reports

While every effort is made to avoid duplications, some shareholders may receive extra reports as a result of multiple share registrations. Shareholders wishing to consolidate these accounts should contact the Transfer Agent.

Dividend* and Earnings Dates

Expected Dividend Record Dates

May 9, 2003	August 8, 2003
November 7, 2003	February 6, 2004

Expected Dividend Payment Dates

June 1, 2003	September 1, 2003
December 1, 2003	March 1, 2004

Expected Earnings Release Dates

April 30, 2003	August 5, 2003
October 30, 2003	February 10, 2004

**The declaration and payment of dividends are subject to Board of Directors' approval.*

Annual General Meeting

Wednesday, May 14, 2003
11:00 a.m., Newfoundland Standard Time
Delta St. John's
120 New Gower Street
St. John's, NL, Canada

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W: www.maritimeelectric.com

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F: 501-223-0891
W: www.bel.com.bz

Belize Electric Company Limited
2 1/2 Miles Northern Highway
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Belize City, Belize
Central America
T: 501-824-3016
F: 501-824-4512

Caribbean Utilities Company, Ltd.
PO Box 38 GT
Grand Cayman, Cayman Islands
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F: 345-949-4621
W:www.cuc-cayman.com

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