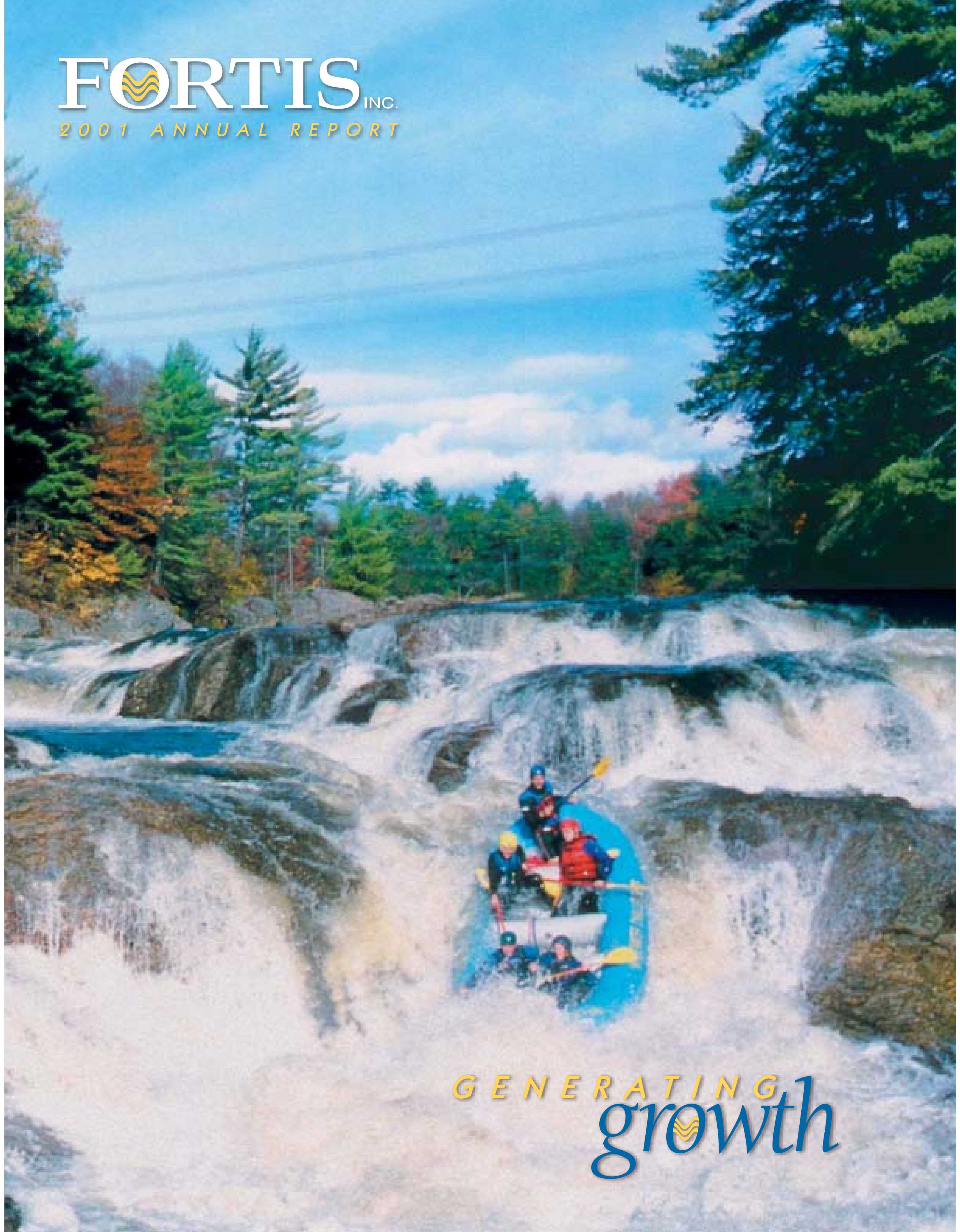
FORTIS INC.

2001 ANNUAL REPORT



GENERATING growth

Corporate Profile

Fortis Inc. ("the Corporation") is a diversified electric utility holding company with assets exceeding $1.6 billion and annual sales of more than $628 million. With a team of over 2,500 employees, the Corporation has investments in five electric distribution utilities and two hydroelectric generating companies. Through its non-utility company, Fortis Properties Corporation ("Fortis Properties"), Fortis has investments in commercial real estate and hotels.

The Corporation holds 100 per cent of the common shares of Newfoundland Power Inc. ("Newfoundland Power") and Maritime Electric Company, Limited ("Maritime Electric"), the principal distributors of electricity in the provinces of Newfoundland and Labrador and Prince Edward Island, respectively; 67 per cent of the outstanding shares of Belize Electricity Limited ("Belize Electricity"), the distributor of electricity in Belize, Central America; 50 per cent of the common shares of Canadian Niagara Power Company, Limited ("Canadian Niagara Power"), an integrated electric utility serving customers in Fort Erie, Ontario and supplying energy to customers in the United States; and 20 per cent of the common shares of Caribbean Utilities Company, Ltd. ("Caribbean Utilities"), the sole provider of electricity in Grand Cayman, Cayman Islands.

Fortis holds a 95 per cent interest in Belize Electric Company Limited ("BECOL") which owns and operates the Mollejon hydroelectric facility, a 25-megawatt ("MW") generating plant which sells its entire output to Belize Electricity. Through Maritime Electric, the Corporation holds a 100 per cent interest in FortisUS Energy Corporation ("FortisUS Energy") which operates four hydroelectric generating stations with a combined capacity of 23 MW in upper New York State.

Fortis holds a 100 per cent interest in Fortis Properties, the largest owner/operator of commercial real estate and hotels in Atlantic Canada.

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Cover Photo: *FortisUS Energy is proud to support the American Whitewater Annual Moose River Festival, one of North America's premiere whitewater kayaking festivals.*
(Photographer: Alan E. Lincourt, lincourt@capital.net)

It has been a year of stellar performance for Fortis, both in terms of financial results achieved and strategic milestones reached. For the second consecutive year, Fortis has delivered record earnings

Report to Shareholders

to shareholders. The Corporation's strategy of profitable growth resulted in earnings of $53.4 million in 2001, 1.5 times the previous record earnings of $36.8 million achieved in 2000. Earnings per common share grew to $3.59, 32 per cent higher than earnings per share of $2.72 attained in 2000.

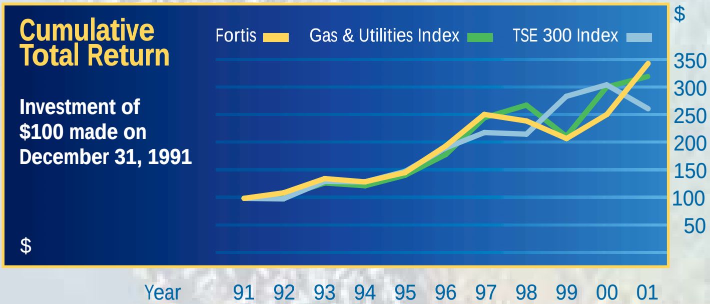
Capital investment in system improvements contribute to increased quality and reliability of service.

Newfoundland Power achieved operating earnings of $28.9 million in 2001, nine per cent higher than earnings of $26.5 million last year. A $40 million agreement reached with Aliant Telecom Inc. ("Aliant Telecom") in the first quarter of 2001, to acquire the telecommunications company's poles and related infrastructure in Newfoundland, contributed to the growth in earnings. This acquisition represents an eight per cent increase in Newfoundland Power's rate base and will enable the Company to achieve continuing efficiency gains and to more effectively manage its electricity distribution system.

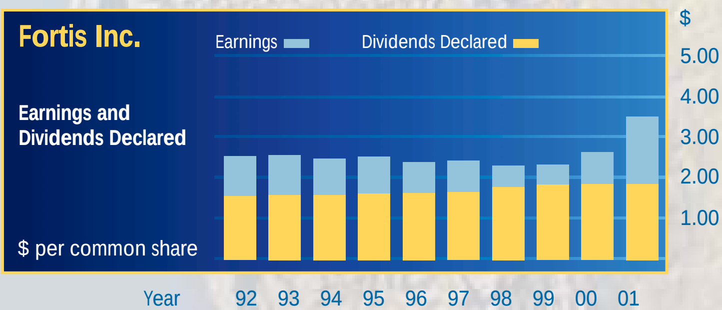
Application of the annual automatic adjustment formula approved by the Newfoundland and Labrador Board of Commissioners of Public Utilities will reduce Newfoundland Power's midpoint for its rate of return on rate base from 10.28 per cent to 10.06 per cent in 2002 and will result in an electricity rate decrease of approximately 0.6 per cent. The formula is tied to a ten-day average of actual yields for long-term Government of Canada bonds in October and November.

In 2001, Newfoundland Power reached a record 90 per cent customer satisfaction rating while realizing its lowest operating cost per customer in a decade. The Company attained significant customer service efficiencies and received national recognition for its customer care solutions, reflecting its focus on employee development and leveraging technology. Newfoundland Power also received a provincial award in recognition of its demonstrated commitment to environmental awareness and protection in conducting business.

Maritime Electric, including the operations of FortisUS Energy, realized operating earnings of $6.1 million in 2001 compared to a loss of $0.2 million in 2000. The growth in earnings was primarily attributable to the enactment of regulations by the Government of Prince Edward Island in October 2001, enabling adjustments to basic electricity rates in Prince Edward Island. Under the legislation, which has application as of January 1, 2001, Maritime Electric's base rates will continue to be limited to 110 per cent of the rates charged by New Brunswick Power Corporation



Financial Highlights



Annual Comparison (Dollars in Millions)

	2001	2000
Operating revenues	**628.3**	580.2 (1)
Earnings applicable to common shares	**53.4**	36.8
Total assets	**1,624.8**	1,478.6
Common shareholders' equity	**448.9**	412.1
Cash from operations (2)	**120.7**	79.1 (1)

(1) Amounts restated to reflect results of discontinued operations of Fortis Trust.
(2) Before working capital adjustments.

Quarterly Earnings & Dividends Paid per Common Share

(Dollars in Millions)

	2001		2000	
Quarter Ended	**Earnings**	**Dividends**	Earnings	Dividends
March 31	**1.03**	**0.46**	0.80 (1)	0.46
June 30	**1.11**	**0.47**	0.81 (1)	0.46
September 30	**0.79**	**0.47**	0.46 (1)	0.46
December 31	**0.66**	**0.47**	0.65 (1)	0.46
Annual Totals	**3.59**	**1.87**	2.72	1.84

(1) Quarterly earnings for 2000 have been restated for Belize Electricity.

Electric Distribution Utilities *(Service Areas)*

- Newfoundland Power *(Newfoundland and Labrador)*
- Maritime Electric *(Prince Edward Island)*
- Belize Electricity *(Belize)*
- Canadian Niagara Power *(Fort Erie, Ontario)*
- Caribbean Utilities *(Grand Cayman)*

Hydroelectric Generating Companies *(Service Areas)*

- BECOL *(Belize)*
- FortisUS Energy *(upper New York State)*

Non-Utility Company *(Operating Areas)*

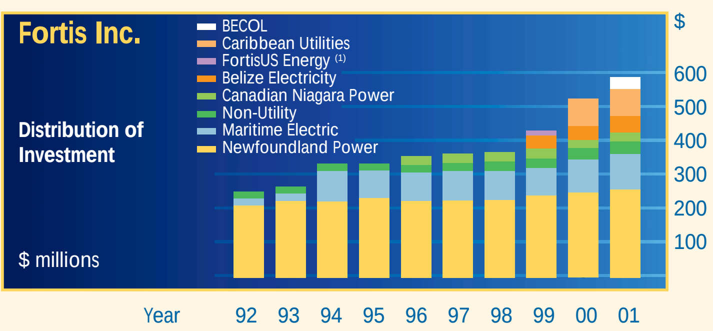
- Fortis Properties *(Newfoundland and Labrador, Nova Scotia and New Brunswick)*

H. Stanley Marshall, President and Chief Executive Officer, Fortis Inc. (left) and Dr. Angus A. Bruneau, Chair of the Board, Fortis Inc. (right)

("NB Power") for equivalent service in New Brunswick. However, the new regulations permit Maritime Electric to partially recover increased operating costs. These regulations will significantly reduce Maritime Electric's exposure to volatility in energy prices and will restore the Company's rate of return to a level consistent with other well-run Canadian electric utilities. Maritime Electric will now be able to conduct necessary capital programs, particularly in the area of generation, that are important to attract future investment to Prince Edward Island.

Belize Electricity contributed $6.3 million to earnings of Fortis in 2001, 14.5 per cent higher than earnings of $5.5 million in the previous year. Energy sales increased 12 per cent year-over-year, driven mainly by growth in the commercial and industrial sectors as well as continuation of a Government Rural Electrification Program. In January, the Belize Public Utilities Commission extended Belize Electricity's license to generate, transmit and supply electricity in Belize. The license, originally due to expire in 2008, is now valid for a 15-year period effective July 1, 2000 through June 30, 2015.

Approximately 2,600 customers of Belize Electricity were impacted by Hurricane Iris which struck southern Belize in October. The impact of the Category IV hurricane was severe but localized. Approximately 25 per cent of the Company's distribution system within the region impacted by Hurricane Iris was damaged; however, no damage was sustained to Belize Electricity's generation assets. Fortis donated approximately $40,000 to the Belize Red Cross to assist with the agency's hurricane relief efforts. Other Fortis subsidiaries have had to deal with natural disasters on occasion and, at times like this, it is important to support customers and the communities served.



(1) FortisUS Energy became a wholly owned subsidiary of Maritime Electric on December 1, 2000.

Fortis acquired a 95 per cent interest in BECOL in January 2001, thereby realizing a strategic objective to diversify geographically by expanding in Belize. BECOL owns and operates the Mollejon hydroelectric facility, a 25-MW generating plant capable of delivering average annual energy of 80 gigawatt hours ("GWh"). It is the only commercial hydroelectric generating facility in the country. This $103.1 million acquisition is a good strategic fit with transmission and distribution operations in Belize and was accretive to the overall earnings of Fortis from the onset, contributing $6.7 million to the bottom line this year.

Canadian Niagara Power grew its operating earnings 3.9 per cent to $5.3 million in 2001 compared to $5.1 million in the previous year.

The Company signed a $15.6 million, ten-year lease agreement with the City of Port Colborne in July to lease the electricity distribution business of Port Colborne Hydro Inc. Under the terms of the lease agreement, subject to Ontario Energy Board ("OEB") approval, Canadian Niagara Power Inc., a wholly owned subsidiary of Canadian Niagara Power, will receive all revenues from Port Colborne Hydro Inc. in exchange for assuming responsibility for the operation of the business. This investment is consistent with the Corporation's strategy to grow the assets of Canadian Niagara Power in Ontario. Canadian Niagara Power has been aggressive and creative in overcoming the challenges presented by the restructuring of the electric utility business in the province and continues to be singularly successful as an investor-owned electric utility in expanding its business in Ontario.

Dividends of $4.2 million were received from Caribbean Utilities in 2001 compared to $3.1 million in 2000. On October 26, 2001, the Company increased its regular quarterly dividend to US$0.155 from US$0.145 per Class A Ordinary Share. On an annualized basis, dividends per share increased seven per cent to US$0.62.

Fortis Properties achieved record financial results for the fourth consecutive year. The Company contributed $8.7 million to the Corporation's bottom line in 2001 compared to $4.1 million in 2000.

Fortis Properties expanded its presence in Atlantic Canada in 2001 with its $8.3 million acquisition of a portfolio of properties in downtown St. John's, Newfoundland and Labrador, including the 96,300 square foot Class A office property known as TD Place, and with its official opening of its first hotel in Halifax, Nova Scotia. The $15 million, 178-room hotel is the first Four Points by Sheraton property in Atlantic Canada. As the largest market in Atlantic Canada, Halifax is integral to Fortis Properties' strategy to grow its hospitality operations in the region.

Fortis secured US$45 million (Canadian equivalency of $71.7 million) in ten-year debt, with no recourse to

Fortis supports environmentally responsible initiatives such as the Government of Prince Edward Island's five-MW wind-generated facility.

Listening to customers is an integral component of daily operations.

Fortis Inc., from a syndicate of lenders in 2001, representing the first major US dollar long-term financing obtained by the Fortis Group of Companies. The financing has been used to replace bridge financing obtained for investment in BECOL. The success in securing this debt demonstrates the confidence of the lending community in the operations of BECOL and in the growth opportunities of the country of Belize.

Fortis entered into an agreement with Abitibi-Consolidated Inc. in June 2001 to develop additional capacity at Abitibi-Consolidated's hydroelectric plant at Grand Falls-Windsor and to redevelop the forestry company's hydroelectric plant at Bishops Falls, Newfoundland and Labrador. The $65 million project will increase annual energy production from the two hydroelectric plants by approximately 30 per cent to 600 GWh. This project is consistent with the strategy and expertise of Fortis with respect to small hydroelectric plants and will provide Newfoundland with additional energy supply from existing resources.

Fortis and Scotiabank entered into an agreement mid-year for Scotiabank to acquire the business of our financial company, Fortis Trust Corporation. Fortis realized an after-tax gain of $0.5 million on disposal of this non-strategic asset.

Acquisitions and investments made by Fortis and its operating companies throughout 2001 have delivered earnings and added value for shareholders. As a result, in the first quarter the Corporation increased its dividend to $1.88 from $1.84 on an annualized basis.

Towards year-end, the National Environmental Appraisal Committee, appointed by the Government of Belize, granted environmental clearance for construction of the Chalillo Project which will double the production of the Mollejon hydroelectric facility. The Chalillo Project will greatly enhance the self-sufficiency of Belize to meet its increasing energy demand which is currently growing at a rate of approximately ten per cent per year.

Fortis companies invest in state-of-the-art technology to enhance the quality of service provided to our customers.

The people and democratic government of Belize have a world-class reputation for preserving their natural environment. Fortis has built its reputation upon its commitment to operate in the most economically and environmentally responsible manner possible. Through its operating companies, Belize Electricity and BECOL, Fortis will continue to work closely with the Government of Belize to develop the energy resources of Belize. Each and every investment opportunity considered by the Fortis Group of Companies is evaluated in terms of its ability to return value to shareholders, to improve quality of service to customers and to mitigate environmental impacts to ensure a balance between the need for progress and the need for preservation.

Fortis is strongly committed to working with local businesses to develop economical and efficient cogeneration sources of energy supply to meet the growing long-term energy supply needs of Belize. Fortis will continue to be sensitive to the environmental objectives and concerns of Belize.

Fortis assisted the Belize Red Cross Hurricane Iris Relief Fund.

The strong performance of the Fortis Group of Companies is largely attributable to the strong performance of the Corporation's employees. On behalf of management, we extend our appreciation and congratulations on the results of hard work, commitment and determination of Fortis employees to provide customers with a superior level of service.

We also extend our gratitude and best wishes to Mr. David Scales who retired from our Board of Directors in 2001 and we welcome Messrs. Geoffrey Hyland, John McCallum and Roy Rideout who joined our Board this year. To all members of the Board of

The Holiday Inn St. John's is a landmark property situated in the heart of St. John's, Newfoundland and Labrador.

Directors, we thank you for your guidance, insight and commitment which steer us along our strategic course.

Our disciplined acquisition strategy continues to produce positive results and to provide our shareholders with a healthy return. Our goal is to deliver record earnings to our shareholders for a third consecutive year while continuing to provide our customers with quality service at reasonable costs.

On behalf of the Board of Directors,

Angus A. Bruneau
Chair of the Board
Fortis Inc.

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

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

Vision

Fortis, through its operating companies, has been a generator and distributor of electricity since 1885. It was structured as a holding company in 1987 to pursue profitable growth. Our electricity business now consists of investments in three provinces of Canada (Newfoundland and Labrador, Prince Edward Island and Ontario) as well as in Belize, Grand Cayman, and New York. We have grown our non-utility operation, Fortis Properties, into the leading owner and operator of commercial real estate and hotels in Atlantic Canada. While pursuing growth and diversification, we have strengthened Fortis and greatly enhanced earnings.

To continue to enhance value for our shareholders, we believe Fortis should build upon its long history of sound financial performance and continue to grow without significantly disturbing the risk-reward balance traditionally associated with the operation of electric utilities. Therefore, we have adopted the following objectives:

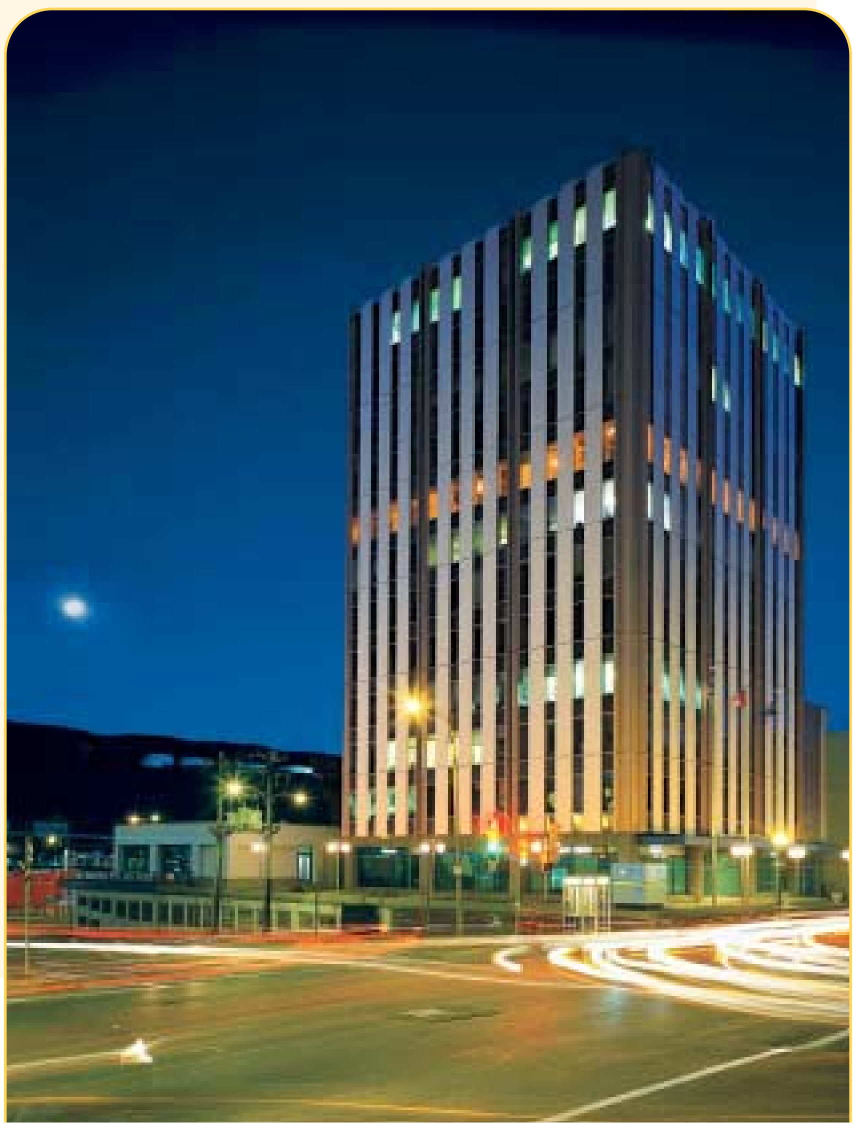
i) Our return on equity should continue at a rate commensurate with those of other well-run Canadian utilities.

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

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

The principal business of Fortis will remain the ownership and operation of electric distribution utilities. We will be proactive and innovative in responding to the challenges and opportunities presented by changes in

The corporate headquarters of Fortis Inc. is located in the Fortis Building in historic St. John's, Newfoundland and Labrador.



the electricity industry. While the continued profitable expansion of the electric utilities in the Fortis family is our first priority, we will also pursue opportunities to acquire other utilities in Canada, the Caribbean and the northeastern United States.

Fortis has considerable experience and knowledge in the construction and operation of small hydroelectric generating facilities. We will leverage this expertise by undertaking new developments and joint ventures with others wanting to redevelop their existing facilities.

Our vision is to be the world leader in the segments of the electricity industry in which we operate.

Fortis Properties will continue to grow in size and profitability to provide the financial and tax flexibility needed for expansion in the regulated utility area. To fulfill its strategic purpose, Fortis Properties will comprise 15 to 25 per cent of the total enterprise.

Fortis continues to build on our proven track record of delivering high quality services and value to our customers and providing good returns to our shareholders. We are the leading service provider in the jurisdictions in which we operate. Our employees are empowered to respond to the needs of our customers within an agile, highly decentralized organization. Autonomy, integrity and accountability are our core values. The competency and commitment of our employees are the cornerstones of our strength.

Employee and public safety is a corporate priority in all Fortis operations.

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 operates an integrated generation, transmission and distribution system throughout the island portion of Newfoundland and Labrador. The Company serves approximately 220,000 customers, constituting 85 per cent of all electricity consumers on the Island and meets a peak demand of 1,001 MW.

Newfoundland Power has an installed generating capacity of 148 MW comprised of hydroelectric, diesel and gas turbine generation with the bulk, 95 MW, coming from hydroelectric facilities. The balance of energy required by the Company is purchased from Newfoundland and Labrador Hydro, a Crown corporation.

In September, Newfoundland Power acquired 70,000 joint use distribution poles from Aliant Telecom in a $40 million transaction. The investment represents approximately eight per cent growth in the Company's rate base and will be completed over a five-year period, with 50 per cent of the transaction completed by year-end. An additional 32,000 non-joint use poles were purchased by a non-regulated subsidiary of Fortis Inc. for approximately $6 million. Through its subsidiaries, the Corporation now owns approximately 90 per cent of all distribution poles on the island portion of Newfoundland and Labrador.

Despite the challenges posed in the first quarter of the year by a record breaking winter that brought with it more than 600 centimeters of snow, Newfoundland Power achieved its lowest operating cost per customer in a decade while reaching a record 90 per cent customer satisfaction rating. The Company made significant improvements in system reliability and implemented more value-added services for customers including a number of 24-hour electronic self-service options. Customer satisfaction has increased 27 per cent since 1996.

Newfoundland Power successfully reduced the number and length of service interruptions by 20 per cent and 37 per cent, respectively, compared to 2000. Investments in electrical system upgrades, vegetation management and technology such as maintenance-free reclosers contributed to reliability improvements.

By listening to customers and responding to their changing service expectations, the Company was able to implement a number of new, more convenient ways of doing business in 2001. Newfoundland Power launched an upgraded website featuring more on-line service options than ever before which enables customers to access data electronically 24 hours a day. From reviewing account history on-line and learning how to get the most

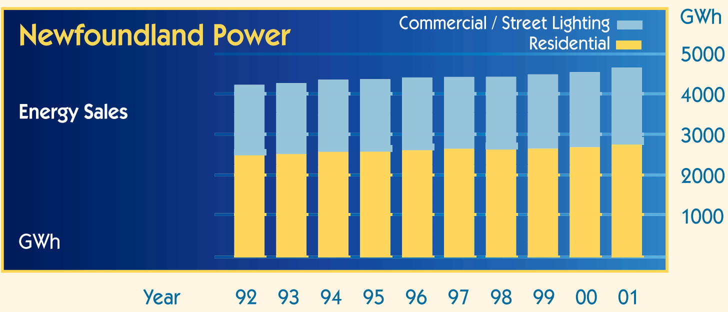
Providing a high level of comfort and safe, reliable electricity at low cost is the basis of Newfoundland Power's business.

Newfoundland Power's investment in state-of-the-art System Control and Data Acquisition technologies enables the Company to remotely control more of its electrical system than ever before.

out of their energy dollar to opening an account or submitting a meter reading with the simple click of a mouse, customers can now carry out more business when and where they want.

Technology used at the Company's Customer Call Centre provides ease of interaction for both employees and customers through seamless information sharing and one-stop shopping. Newfoundland Power's focus on employee training and leveraging technology has resulted in increasingly efficient customer service solutions as well as national recognition for having the best customer care solution in Canada. The Company was presented with the prestigious Canadian Information Productivity Award ("CIPA") of Excellence for Customer Care and the CIPA premier Best of Category Award. Newfoundland Power was also awarded the St. John's Board of Trade Business Excellence Award and Award of Excellence for Productivity and Quality Improvements.

The broad use of technology within the Company's business is critical to providing customers with enhanced service at lower cost. Investments in systems operations technologies enable Newfoundland Power to increase its ability to remotely control its electrical system, monitor operations and improve operational efficiencies while enhancing safety.



The Company achieved compliance with ISO 14001 standard in 2001, a full year ahead of its corporate target. Newfoundland Power participated in an industry-wide

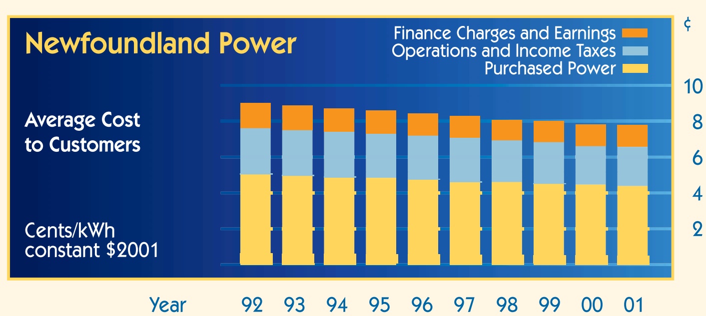
In 2001, Newfoundland Power received national and local recognition for customer care and business excellence.

Canadian Electricity Association Environmental Commitment and Responsibility audit and an ISO audit during the year. Reports from these audits were positive indicating no corrective action was required by the Company.

Newfoundland Power remains strongly committed to conducting its business in the most environmentally responsible manner possible. In June, the Company was presented with the Newfoundland and Labrador Provincial Environment Award for its demonstrated commitment to environmental awareness and protection.

Preventative maintenance programs, electrical safety training and public awareness campaigns continue to be integral components of Newfoundland Power's focus on safety. Enhanced transmission and distribution line inspection practices, ongoing maintenance of its Hydro Dam Safety Program and upgrades to hydroelectric plants and substations enabled the Company to deliver a greater level of safety to employees and the public throughout 2001.

Newfoundland Power believes investing in leadership is the first step in achieving a true growth environment for its employees. Leadership training, professional development assignments, job shadowing and strategic recruitment practices enable the Company to ensure its employees are among the best trained, most productive and customer-focused in the industry.



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 67,000 customers, constituting over 90 per cent of the electricity consumers in the province, and meets a peak demand of 193 MW. The Company supplies wholesale energy to the City of Summerside, operators of the only municipal electric utility on the Island.

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 two submarine cables under the Northumberland Strait. Most of the energy supplied to customers is purchased from NB Power and Emera Inc. ("Emera") through several energy purchase agreements. Maritime Electric maintains 100 MW of generating capacity on the Island.

This year was one of significant positive change for Maritime Electric as the Government of Prince Edward Island enacted regulations respecting adjustments to basic electricity rates. The new regulations came into effect on October 13, 2001 and were retroactive to January 1, 2001, permitting Maritime Electric to partially recover increased operating costs. These costs have had a significant negative impact on the Company's earnings over the last three years. The new regulations further define incentives for performance that are fundamental to the legislation under which Maritime Electric has carried out business since 1994.

Since 1994, when the Company moved to a form of price cap regulation, Maritime Electric's greatest risk has been its exposure to increases in purchased and produced energy costs which it was unable to recover and which were borne by the shareholder. The new regulations will restore the Company's earnings to levels commensurate with those of other investor-owned Canadian utilities.

Purchased and produced energy represents the largest single cost incurred by the Company. Over the

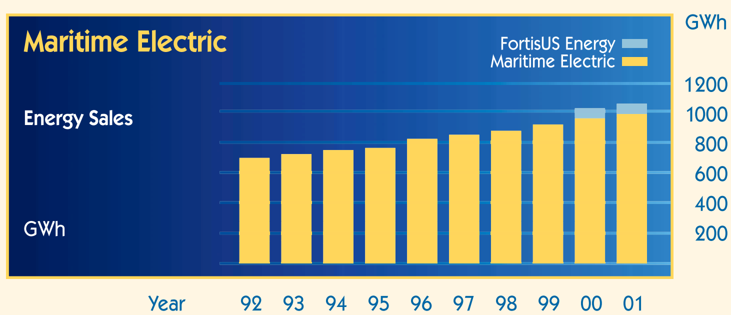
Maritime Electric serves approximately 67,000 customers on Prince Edward Island.

Maritime Electric is committed to providing fast and efficient service to customers.

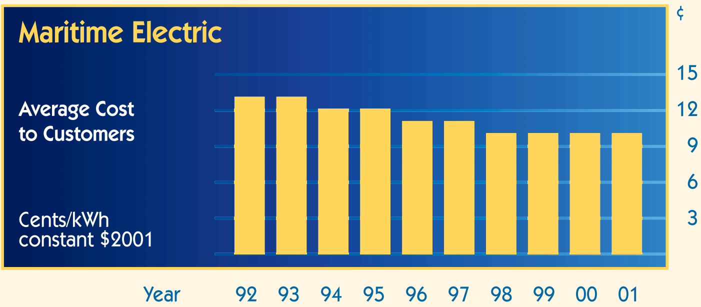
years, this cost has been closely linked to the price of Bunker C oil and the amount has fluctuated as a result of increases in oil prices and the cost of replacement energy during shutdowns at the NB Power Point Lepreau Nuclear Generating Station ("Point Lepreau") or curtailments in energy supply from NB Power. This exposure was significantly reduced in 2001 when the Energy Purchase Agreement, which was linked to oil prices and the availability of Point Lepreau, was replaced by contracts with NB Power and Emera for firm energy at fixed prices.

The Company continues to focus on improvements to its energy delivery system. Increased customer demand requires that new facilities be constructed and that existing facilities be maintained. System reliability in 2001 once again exceeded the Maritime Electric Company Limited Regulation Act benchmark of 5.5 hours of interrupted service as customers experienced, on average, 1.48 hours of interruptions.

Environmental protection remains a key corporate focus for Maritime Electric. The Company takes pride in its environmental stewardship role and works closely with government agencies to ensure its operations take into consideration any associated environmental impacts. During 2001, the Company worked with the Government of Prince Edward Island which commissioned a five-MW wind-generated facility at the western tip of the Island. The Province of Prince Edward Island and the Government of Canada have agreed to pay a "green power" premium for most of the electricity generated by the facility. The balance of the output will be marketed by Maritime Electric to its other customers.



The availability of natural gas in the Maritimes offers potential opportunities for Maritime Electric to further diversify its energy supply portfolio. The Government of Prince Edward Island has indicated its desire to make natural gas available to Islanders, thereby assuring that they have the same economic advantages as residents and businesses in other provinces. Maritime Electric continues

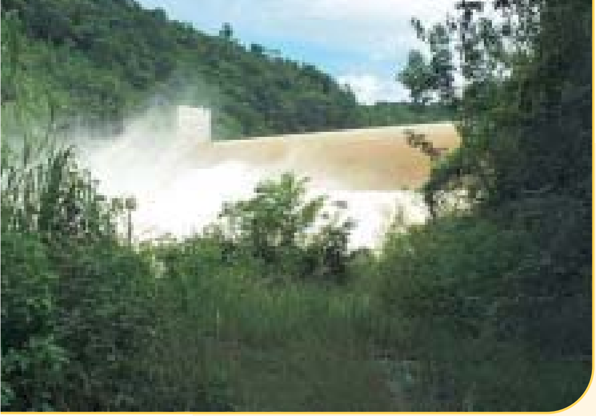


to work with the provincial government in its efforts to secure natural gas for Prince Edward Island.

As part of its commitment to ensure employees have the knowledge and skills necessary to meet the increasing challenges and demands inherent in the energy industry, the Company launched a number of training initiatives designed to ensure Maritime Electric's employees are among the most skilled in the business. Health and safety practices, environmental awareness and core skills training for supervisory personnel were included among the training initiatives offered.

FortisUS Energy, a wholly owned subsidiary of Maritime Electric, was established in 1999 as the vehicle by which Fortis could pursue the acquisition of utility assets in the United States. The Company owns and operates four hydroelectric generating stations (Moose River, Philadelphia, Dolgeville and Diana) in upper New York State with a total combined capacity of approximately 23 MW. The average annual energy output of these modern facilities is 85 GWh which is sold through a series of renewable contracts. Total production for FortisUS Energy was 68 GWh in 2001 compared to 67 GWh in 2000. Production was limited by the low water levels experienced as a result of lower-than-average rainfall and an extended outage at Dolgeville.

FortisUS Energy is proud to support the American Whitewater Annual Moose River Festival, attended by hundreds of kayaking enthusiasts from Canada and the United States.



BECOL owns and operates the Mollejon hydroelectric facility located on the Macal River.

Operations

BECOL

On January 26, 2001, Fortis acquired a 95 per cent interest in BECOL which owns and operates the Mollejon hydroelectric facility located on the Macal River in Western Belize. The facility is a 25-MW generating plant capable of delivering average annual energy of 80 GWh and is the only commercial hydroelectric facility in Belize. BECOL sells its entire output to Belize Electricity under a 50-year power purchase agreement.

With sales of 91 GWh, BECOL had its second best year of production in 2001 since commencing commercial operations in 1996. Strong river flow, increased countrywide demand and plant availability of more than 99 per cent were the primary reasons for the high level of power production.

The Company is committed to being a leader in environmental management in Belize and has embarked on a program to make its operations comply with ISO 14001 international environmental standards in 2002.

In November, BECOL received environmental clearance from the Government of Belize for the Chalillo Project, an upstream storage and generation facility that will increase energy production from an average of 80 GWh to 160 GWh. Hydroelectricity, a source of "green power", is recognized as one of the most environmentally preferred and least expensive sources of energy. 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 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 Project is scheduled to commence in 2002 with completion in 2004.

Equipment cooling water system

Control panel for Mollejon's three turbine generators

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 more than 57,000 customers, the Company meets the country's peak demand of 49 MW from multiple sources of energy which include power purchases from BECOL, from Comission Federal de Electricidad, the Mexican state-owned power company, and from its own diesel-fired generation. All major load centers are connected to the country's national electricity system which is connected to the Mexican electric grid, allowing the utility to optimize its power supply options. Fortis owns a 67 per cent interest in Belize Electricity.

Strong growth in the Company's customer base, which increased more than 7.5 per cent over 2000, make continuing improvements to service and productivity a top priority. With input from customers about their service needs and expectations, Belize Electricity implemented several initiatives which enhance communications by responding to customer inquiries more efficiently and which provide added convenience to customers through improved bill delivery and payment options. Leveraging the benefits of technology, an automated billing process was installed this year which has resulted in significant cost reductions and efficiency improvements in the Company's billing processes. Belize Electricity plans to implement future technological and customer service initiatives to further increase its Customer Satisfaction Index which was 82.5 per cent at year-end.

The Power III Project, a three-year rural electrification project being undertaken in partnership with the Government of Belize, extended first-time power to many rural areas in Belize. In 2001, more than 138 miles of distribution lines were installed connecting approximately 1,200 new customers and approximately 188 miles of sub-transmission lines were installed interconnecting isolated loads to the main electricity grid. Belize Electricity realized significant savings as a result of closing its last isolated diesel power station in northeastern Belize. The Company began construction of another 50 miles of sub-transmission lines to connect isolated loads in southern Belize which will result in the closure of two of its last three remaining isolated diesel power plants.

Personal customer visits are an integral part of Belize Electricity's daily operations.

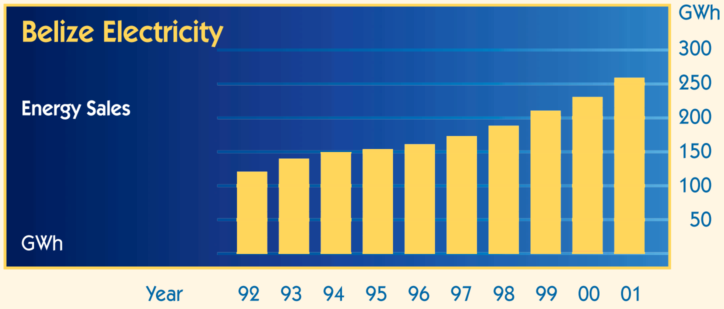
Belize Electricity employees restore service to customers affected by Hurricane Iris.

To finance these and other capital projects aimed at improving quality and reliability, Belize Electricity raised $15.6 million through a debenture offering in April 2001.

Hurricane Iris struck Belize in October, only the second major tropical storm to hit the country in more than 30 years. The Category IV storm impacted approximately 2,600 customers and caused an estimated $4.0 million in damage to the distribution system in southern Belize. Service was fully restored to customers in approximately three weeks. Contributing to the Company's success in restoring electricity to customers as quickly as possible was the assistance provided by BECOL, Caribbean Utilities and the Guatemalan government-owned utility Instituto Nacional de Electricidad. Belize Electricity redesigned the damaged distribution system to lessen the impact of similar hurricane conditions and to accommodate future electricity growth in the area.

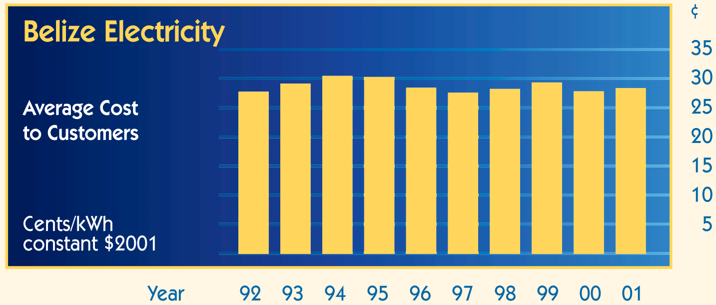
In addition to working to get the lights back on, employees worked hard in other ways to brighten the lives of individuals impacted by Hurricane Iris - by donating clothing, building shelters and helping to cook and serve food to the homeless. Fortis contributed approximately $40,000 to the Belize Red Cross Hurricane Iris Relief Fund to support that agency's relief efforts for hurricane victims.

As part of its ongoing initiatives to meet international environment standards, spill prevention systems were installed at Belize Electricity's two main diesel generating stations in Belize City and Belmopan. A comprehensive audit of its power plants was undertaken to establish a baseline for work towards meeting ISO 14001



compliance. Environmental cleanup was successfully completed at several decommissioned diesel generating plants and groundwater monitoring was implemented certifying that the environment around the decommissioned plants had been returned to normal. Environment management systems were implemented to reduce spills and to contain oil generated from operations and maintenance activities. As a result of these initiatives, the number and volume of spills have been reduced by more than 50 per cent.

The Company is also committed to meeting the highest international standards established for safety performance. In 2001, a comprehensive safety audit was conducted which set the foundation for the development of an aggressive and comprehensive five-year safety management plan.



Employee development remains integral to Belize Electricity's commitment to enhance customer service and improve productivity. With an emphasis on training pertaining to safety practices, environment management, customer service and information technology, the Company is committed to developing employees to be among the best service providers in the country.

Belize Electricity's new corporate headquarters in Belize City, Belize

Mardon J. Erbland, President and Chief Executive Officer (left), and Timothy B. Curtis, Vice President, Finance and Chief Financial Officer, Canadian Niagara Power Company, Limited (right)

Operations

Canadian Niagara Power

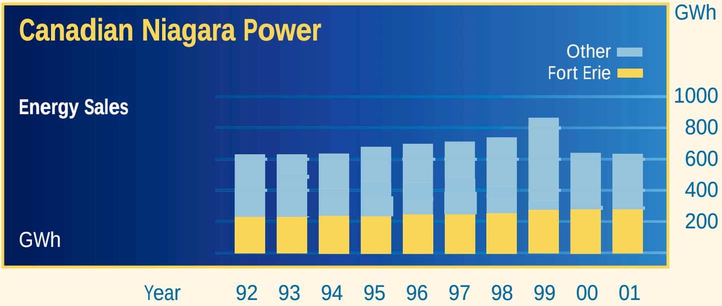
Canadian Niagara Power is one of only four investor-owned electric utilities operating in Ontario, a province where the electricity industry is dominated by Ontario Hydro successor companies. The Company operates the Rankine Generating Station in Niagara Falls, Ontario and transmits and distributes electricity to 15,000 customers in the Town of Fort Erie. Canadian Niagara Power owns international transmission facilities, sells power into the wholesale energy markets in the United States and engages in retail energy consulting activities in Ontario. Fortis owns a 50 per cent interest in Canadian Niagara Power with the remaining interest owned by National Grid USA.

The Company signed a letter of intent with the City of Port Colborne in July to lease the electricity distribution business of Port Colborne Hydro Inc. The lease agreement, the first of its kind in Ontario, is an innovative approach to Canadian Niagara Power's strategy to grow its business in Ontario. Located on the north shore of Lake Erie at the entrance to the Welland Canal, Port Colborne Hydro Inc. serves approximately 9,000 customers in the City of Port Colborne. Under the terms of the $15.7 million, ten-year agreement, the Company will receive all revenues from Port Colborne Hydro Inc. in exchange for assuming responsibility for the operation of the business. The City of Port Colborne will receive lease payments from Canadian Niagara Power which will finance and own all capital additions and which will hold an option to purchase the business for fair market value at the end of the ten-year term. The operating lease will commence following the required approval of the OEB, expected early 2002.

Canadian Niagara Power serves 15,000 customers in the Town of Fort Erie, Ontario.

The Company is seeking to further expand its distribution business in Ontario by acquiring municipal electric utilities. As a result of previous sales and various municipal electric utility mergers, there are now less than 95 municipal electric utilities in Ontario. The operating lease between Canadian Niagara Power and the City of Port Colborne provides a

Canadian Niagara Power operates the Rankine Generating Station at Niagara Falls, Ontario.



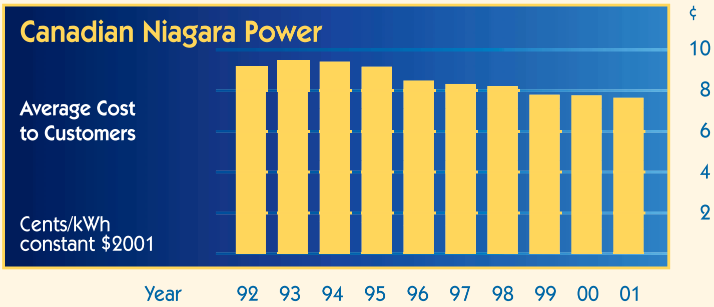
two other Ontario utilities: Bluewater Power and Westario Power.

In December, the OEB approved the Company's distribution rates and cost of power rates. After market opening, the electricity that Canadian Niagara Power supplies to its Fort Erie customers will come from the open market rather than from the Rankine Generating Station. The Company will sell all its generation to the wholesale markets. The OEB has also approved Canadian Niagara Power's transmission revenue requirement which will come into effect on market opening and which will provide a 9.88 per cent return on transmission rate base.

potential model for future growth. A 33 per cent transfer tax that applies against all sale proceeds must be paid by a selling municipality.

Investing significantly in its customer billing, retail settlement, wholesale settlement and financial systems during 2001, the Company was one of only 22 utilities to certify to the OEB that it met all the requirements for opening of the Ontario electricity market to competition anticipated May 1, 2002. Canadian Niagara Power is assisting with the implementation of its integrated market-ready customer service and financial system at

A significant capital investment in system improvements throughout the year contributed to increased quality and reliability of the transmission and distribution services. A new distribution station was

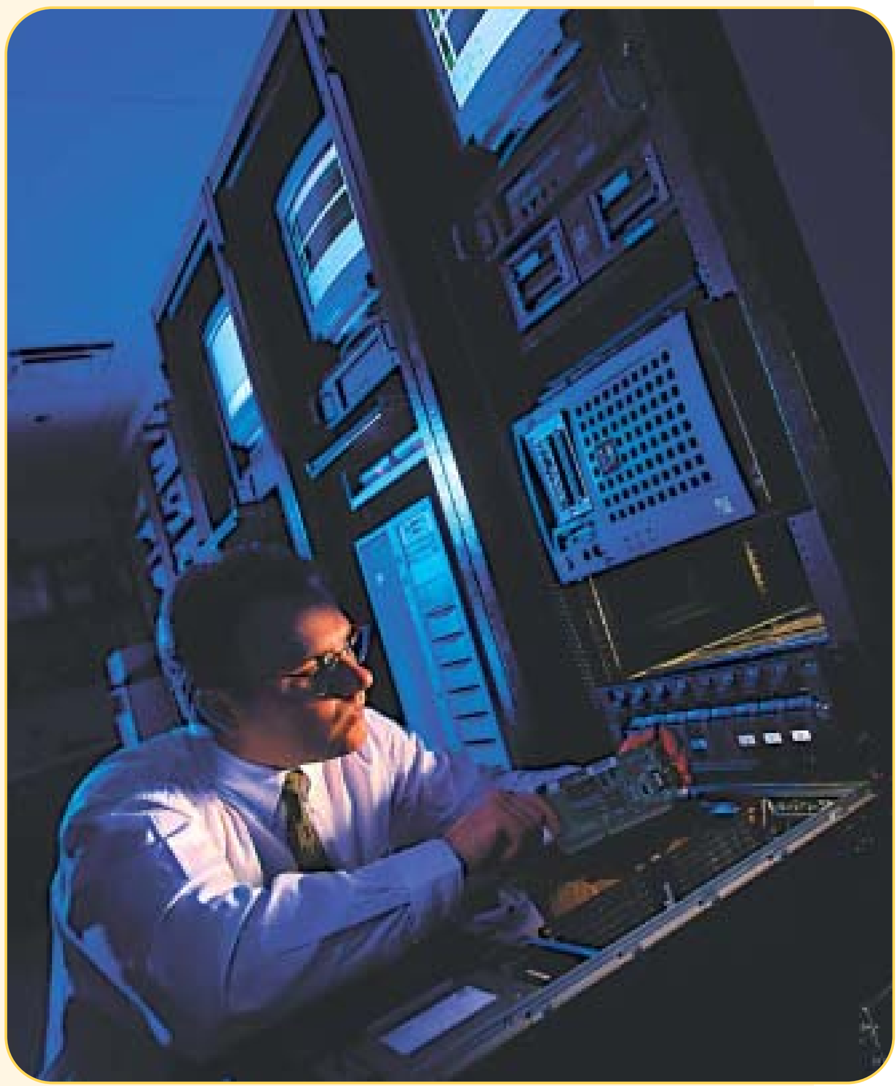


completed which more effectively redistributes the electricity load to customers of Fort Erie. A Voltage Conversion Program, which will lead to a near doubling of voltage levels for the majority of the distribution system, was one of the key areas of focus to improve service quality and reduce system losses.

The Company has established aggressive corporate targets to ensure customers are provided with a superior level of service.

In 2001, Canadian Niagara Power significantly exceeded the performance standards set by the OEB with respect to response times, service connection and accessibility, including achieving a service level of answering over 90 per cent of customer calls within 30 seconds.

Safety of employees, customers and the general public is at the forefront of all Company business, both strategic and operational. In 2001, Canadian Niagara Power was recognized for its strong safety performance receiving two Electrical and Utilities Safety Association Certificate of Merit awards for achieving a full year of operations without any employee lost time due to injuries. The Company commenced implementation of its Safety Management System in 2001 to complement its previously implemented Environmental Management System.



Canadian Niagara Power has made significant investments in information capabilities to better serve customers.

Caribbean Utilities generates, transmits and distributes electricity to more than 19,500 customers on Grand Cayman, Cayman Islands. The Company is considered one of the most reliable and efficient electric utilities in the Caribbean. The electricity system of Caribbean Utilities is comprised of 18 generating units and five major transformer substations.

Caribbean Utilities

The Company has an installed capacity of 115 MW and meets a peak load of 75.99 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 acquired a 20 per cent interest in Caribbean Utilities in March 2000. The investment is a strong strategic fit with the operations of the Corporation's utility companies. Fortis has a strong, successful relationship with management of Caribbean Utilities spanning more than a decade. By providing strategic input and advice in such areas as training, technology, operations and customer service, Fortis will provide additional value to Caribbean Utilities and its shareholders. This investment positions Fortis to further grow and strengthen its presence in the Caribbean region.

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.

To enhance service reliability, Caribbean Utilities completed its first-ever submarine cable laying operation in 2001.

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. Growing steadily since 1989, Fortis Properties today has assets in excess of $229 million comprised of a commercial real estate portfolio of 2.3 million square feet and seven hotels including 1,250 rooms. The Company's assets and income are distributed between Newfoundland and Labrador, Nova Scotia and New Brunswick and are strategically diversified between the real estate and hotel operations, providing stability and opportunity for growth.

Landmark properties include, in Newfoundland and Labrador, the Fortis Building, the Fort William Building, and TD Place - all located downtown in the historic capital city of St. John's; in Nova Scotia, the Maritime Centre situated in downtown Halifax; and in New Brunswick, the Blue Cross Center in Moncton and Brunswick Square in Saint John. Hotel properties in Newfoundland and Labrador are the Holiday Inn St. John's, Mount Peyton and Holiday Inn Corner Brook; in Nova Scotia, the Delta Sydney, Days Inn Sydney and Four Points by Sheraton Halifax; and in New Brunswick, the Delta Brunswick.

The Company's real estate portfolio is comprised of market leading properties anchored by high quality tenants under long-term leases. These properties have maintained better-than-market occupancy levels with a year-end occupancy rate of 94.1 per cent. Over the next five years, exposure to lease renewals will remain low, averaging 6.5 per cent of leasable space.

Building on past performance, Fortis Properties achieved record earnings and revenue in 2001. With a disciplined approach to growth and a focus on improving operational performance, the Company performed solidly during a year of economic uncertainty. Despite the tragic global events of the past year and a general slowing of the economy, the hotel properties continued to perform well experiencing only a minimal disruption to occupancy.

Revenue per available room increased for the sixth consecutive year in 2001, growing 0.6 per cent to $55.58. Occupancy levels in 2001 declined marginally to 60.0 per cent compared to 62.6 per cent in 2000. The slight decline in average occupancy can be partially attributable to the inaugural period associated with the September opening of the Four Points by Sheraton Halifax which coincided with a downturn in the North American hospitality industry and a prolonged softening in the North American economy. Though the Hospitality Division ended 2001 with a lower occupancy level than 2000, a 4.5 per cent increase in average room rate helped achieve

Fortis Properties has assets comprised of a commercial real estate portfolio of 2.3 million square feet and seven hotels.

The Four Points by Sheraton Halifax hotel was officially opened in September and is centrally located in the heart of downtown Halifax, Nova Scotia.

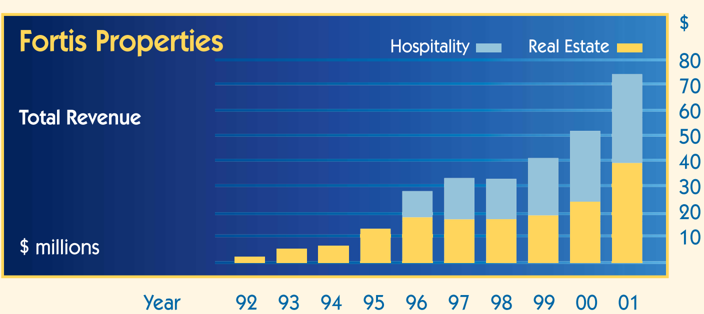
a modest year-over-year growth in revenue per available room. In 2002, occupancy levels are expected to remain stable while room rates should increase modestly.

In February, Fortis Properties assumed management of the Delta Brunswick hotel in Saint John, New Brunswick and, to enhance customer service, began an extensive capital program to upgrade rooms and high impact guest areas.

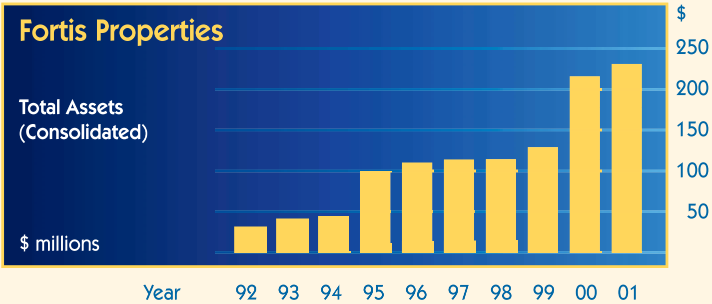
Fortis Properties sold the Centennial Building in Halifax, Nova Scotia in June for $11.5 million, realizing a one-time after-tax gain of approximately $2.6 million. The favorable price offered for the mature property provided an opportunity to capitalize on a strong sellers' market and realize an exceptional gain which will assist the Company to grow its real estate and hotel assets throughout Atlantic Canada.

The Four Points by Sheraton Halifax hotel, Fortis Properties' first ground-up construction project and first hotel in Halifax, Nova Scotia, was officially opened in September. Centrally located in the heart of downtown, the $15 million, 178-room hotel was completed within budget and opened two months ahead of schedule and further builds upon the Company's substantial real estate presence in the area.

Also in September, Fortis Properties acquired an $8.3 million portfolio of properties in downtown St. John's, Newfoundland and Labrador including the 96,300 square foot Class A office property TD Place. The acquisition, which produced immediate positive contributions to the Company's earnings, also included a small office building and six parcels of land with development potential. The investment adds to Fortis Properties' downtown holdings in St. John's, Newfoundland and Labrador and positions



The Blue Cross Center is a prominent landmark building in Moncton, New Brunswick.



the Company for future development opportunities as the market permits.

Fortis Properties' team of 725 employees works hard to provide their customers throughout Atlantic Canada with a level of service second-to-none. The Company's hotels achieved a number of customer service and quality excellence milestones in 2001 and all hotels continue to be leaders in their respective brands, results which are directly attributable to employees' attention to customer service details. The Nova Scotia Lung Association recognized the Four Points By Sheraton Halifax for its commitment to providing a smoke-free environment to hotel guests. The City of Saint John presented the Delta Brunswick with an award for outstanding efforts as an Employer of Persons with Disabilities. The Company's three hotels in Newfoundland and Labrador were all recognized by Hospitality Newfoundland and Labrador for their commitment to Superhost Customer Service Training.

Fortis Properties is well positioned for sustainable earnings and further growth in 2002. The Company will continue to maximize the potential of existing investments while selectively pursuing strategic growth opportunities in the real estate and hotel industries. Fortis Properties will continue to leverage its strengths in the areas of customer focus, market knowledge, quality properties in strategic locations and competitive cost structures as it fortifies its position as a market leader.

Fortis Properties employees provide customers with a level of service second-to-none.

Our Community

Fortis, in partnership with Fortis Properties and Maritime Electric, was the First Regional Sponsor in Atlantic Canada of the CIBC Run for the Cure.

Fortis is committed to helping improve the quality of life in the communities we serve. In the delivery of quality service of high value to customers, in the training and development of employees and in providing assistance to communities, we are a leader. We are proud that our employees, likewise, provide leadership through personal contributions to their communities.

In 2001, for example, Fortis was a major corporate sponsor of Festival 500 Sharing the Voices, the most widely represented international choral festival in the world. Thirty-one choirs from fifteen countries participated in this award-winning festival held this year in Newfoundland and Labrador.

Newfoundland Power was a major sponsor of Receiving the World - Celebrating Marconi's Achievements, a celebration of the 100th anniversary of Marconi's receipt of the first transatlantic wireless signal on Signal Hill in St. John's, Newfoundland and Labrador.

In partnership with Maritime Electric and Fortis Properties, Fortis was proud to become the First Regional Sponsor in Atlantic Canada of the CIBC Run for the Cure, pledging $75,000 over three years to support breast cancer research, education, early diagnosis and treatment. Over 200 Fortis employees and their families throughout Atlantic Canada hit the streets on Run Day raising an additional $19,000 in support of this worthwhile cause.

Belize Electricity employees devoted their personal time to helping victims of Hurricane Iris rebuild their communities. Fortis donated approximately $40,000 to the Belize Red Cross Hurricane Iris Relief Fund to help with the agency's relief efforts.

Through its School Safety Program, Canadian Niagara Power employees continued to educate young children about the importance of electrical safety.

We extend our congratulations to Fortis employees and to all community volunteers who devote their personal time, talent and energy to making our communities brighter and warmer.

1)

2)

3)

1) Belize Electricity participates in school environmental programs.

2) Canadian Niagara Power educates young children about the importance of electrical safety.

3) Newfoundland Power is a proud supporter of Habitat for Humanity.

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

Management Discussion & Analysis

The following material should be read in conjunction with the Consolidated Financial Statements and Notes to the Consolidated Financial Statements included in the 2001 Annual Report. The Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles.

Fortis Inc. ("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 Inc. cautions readers that should certain risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary significantly from those expected.

The Fortis Group of Companies is comprised of Newfoundland Power Inc. ("Newfoundland Power"), Maritime Electric Company, Limited ("Maritime Electric"), FortisUS Energy Corporation ("FortisUS Energy"), Belize Electric Company Limited ("BECOL"), Belize Electricity Limited ("Belize Electricity"), Canadian Niagara Power Company, Limited ("Canadian Niagara Power") and Fortis Properties Corporation ("Fortis Properties"). Each company operates as an autonomous unit, assumes profit and loss responsibility and is accountable for its own resource allocation. The Corporation holds a 20 per cent interest in Caribbean Utilities Company, Ltd. ("Caribbean Utilities") and accounts for this investment on the cost basis of accounting including in its results only dividend income.

Overview

Earnings Growth: Fortis achieved record results in 2001 as earnings grew 45.1 per cent to $53.4 million from $36.8 million in 2000. Earnings per common share grew to $3.59 from $2.72 in 2000.

Dividends: Dividends paid increased to $1.87 per common share in 2001 from $1.84 in 2000. Dividends per common share have increased annually since the inception of Fortis in 1987. The Corporation's dividend payout ratio declined to 52.1 per cent in 2001 compared to 67.6 per cent in 2000 and 80.8 per cent in 1999.

Return on Average Common Shareholders' Equity: Return on average common shareholders' equity increased to 12.4 per cent from 9.7 per cent in 2000.

Asset Growth: Total assets grew 9.5 per cent to $1.62 billion at year-end 2001 compared to $1.48 billion at year-end 2000.

Revenue Growth: Revenue growth continued to be strong in 2001, increasing 8.3 per cent to $628.3 million from $580.2 million in 2000.

Cash Flow from Operations: Cash flow from operations, before working capital adjustments, was $120.7 million in 2001 compared to $79.9 million in 2000.

Investment: In support of its long-term growth strategy, Fortis invested $252.5 million in acquisitions and capital expenditures in 2001.

Financing: The Corporation successfully negotiated a US$62 million short-term credit facility to finance the acquisition of BECOL. This deal represents the first time that Fortis secured US dollar borrowings. The short-term facility has been partially refinanced through the issue of US$45 million in long-term debt from a syndicate of international lenders. This financing demonstrates the confidence of the lending community in the operations of BECOL and in the growth opportunities of the country of Belize. Belize Electricity also issued $15.6 million in

Financial Highlights	2001	2000	Growth (%)
Recurring Earnings [1] ($ millions)	**49.8**	31.5	**58.1**
Non-recurring Items [1] ($ millions)	**3.6**	5.3	**(32.1)**
Earnings Applicable to Common Shares ($ millions)	**53.4**	36.8	**45.1**
Recurring Earnings per Common Share ($)	**3.35**	2.32	**44.4**
Earnings per Common Share ($)	**3.59**	2.72	**32.0**
Dividends per Common Share ($)	**1.87**	1.84	**1.6**
Return on Average Common Shareholders' Equity (%)	**12.4**	9.7	**27.8**
Total Assets ($ millions)	**1,625**	1,479	**9.9**
Revenue ($ millions)	**628.3**	580.2	**8.3**
Cash Flow from Operations [2] ($ millions)	**120.7**	79.9	**51.1**

(1) See Revenue and Earnings Contributions table on page 30 for breakdown of Recurring Earnings and Non-recurring Items. (2) Before working capital adjustments.

9.5 per cent unsecured debentures. Newfoundland Power's 11.5 per cent Series AB First Mortgage Sinking Fund Bonds, amounting to $13.5 million and originally due in 2005, were redeemed in light of more favorable financing rates currently available.

Acquisitions and Divestitures: In January 2001, Fortis acquired a 95 per cent interest in BECOL for an aggregate purchase price of US$62 million. The remaining five per cent is owned by the Government of Belize. BECOL owns and operates the Mollejon hydroelectric facility, a 25-megawatt ("MW") generating plant capable of delivering average annual energy of 80 gigawatt hours ("GWh"), and the only commercial hydroelectric facility in Belize.

During the third quarter, Newfoundland Power and a non-regulated wholly owned subsidiary of the Corporation closed a $46 million transaction to purchase 102,000 poles and related infrastructure on the island portion of Newfoundland and Labrador from Aliant Telecom Inc. ("Aliant Telecom"). The transaction will be completed over a five-year period and represents approximately eight per cent growth in Newfoundland Power's rate base, with 70 per cent of the acquisition completed by January 1, 2002.

Fortis Properties acquired a portfolio of properties in downtown St. John's, Newfoundland and Labrador for $8.3 million in September. The major asset in the portfolio is the 96,300 square foot Class A office property known as TD Place.

During the second quarter of 2001, Fortis Properties sold the Centennial Building in Halifax, Nova Scotia for $11.5 million, realizing an after-tax gain of $2.6 million.

The deposits and loans of Fortis Trust Corporation ("Fortis Trust") were sold to Scotiabank in June 2001. The sale resulted in an after-tax gain of $0.5 million.

Consolidated Financial Results

Earnings: Earnings applicable to common shares were $53.4 million, an increase of $16.6 million over earnings of $36.8 million in 2000. All operating companies reported increased earnings. Contributions arising from the acquisition of BECOL and acquisitions made by Fortis Properties late in 2000, the acquisition of poles and related infrastructure from Aliant Telecom and the implementation of changes to the regulations governing Maritime Electric positively impacted earnings.

Several items are considered to be non-recurring in nature. Earnings increased $2.6 million as a result of the gain on sale of the Centennial Building by Fortis Properties. The operations and disposal of Fortis Trust contributed $0.7 million to earnings. An income tax reassessment at Canadian Niagara Power resulted in a one-time gain of $0.3 million.

Earnings before non-recurring items increased 58.1 per cent to $49.8 million, or $3.35 per share, compared with $31.5 million, or $2.32 per share, in 2000.

Energy Sales: Energy sales totalled 6,701 GWh in 2001 compared to 6,447 GWh in 2000. The growth in energy sales was attributable to the first year of inclusion of energy sales of BECOL and increased energy sales at Newfoundland Power and Maritime Electric offset by reduced energy sales at Canadian Niagara Power.

Revenue: Annual revenue increased 8.3 per cent to $628.3 million in 2001. The growth in revenue was mainly due to the acquisition of income producing properties by Fortis Properties as well as increased energy sales at most utilities.

Segmented Results of Operations

The operational results of the Corporation are outlined below, segmented by company.

Revenue and Earnings Contributions

($ millions)	Revenue 2001	Revenue 2000	Earnings 2001	Earnings 2000
Newfoundland Power	**359.3**	348.4	**28.9**	26.5
Maritime Electric [1]	**97.5**	94.5	**6.1**	(0.2)
BECOL	**16.1**	-	**6.7**	-
Belize Electricity	**72.4**	63.6	**6.3**	5.5
Canadian Niagara Power	**20.3**	18.4	**5.3**	5.1
Caribbean Utilities	**4.2**	3.1	**4.2**	3.1
Fortis Properties	**73.9**	52.1	**6.1**	3.0
Corporate	**0.9**	0.2	**(13.8)**	(11.5)
Inter-segment Eliminations [2]	**(16.3)**	(0.1)	**-**	-
Recurring Earnings			**49.8**	31.5
Fortis Trust-Discontinued Operations			**0.2**	0.5
Gain on Sale of Fortis Trust			**0.5**	-
Interest on Income Tax Reassessment-CNP			**0.3**	-
Gain on Sale of Centennial Building			**2.6**	-
Future Income Tax Adjustment			**-**	2.6
Gain on Certain Trademark Rights			**-**	1.2
Gain on Sale of Surplus Land			**-**	1.0
Total	**628.3**	580.2	**53.4**	36.8

(1) Results of Maritime Electric include operations of FortisUS Energy.
(2) Represents inter-company sales, primarily 2001 energy sales from BECOL to Belize Electricity.

Newfoundland Power

Earnings: Earnings for 2001 were $28.9 million, an increase of $2.4 million over earnings of $26.5 million in 2000. Operating efficiencies, increased pole rental revenue, higher energy sales and a tax refund from Canada Customs and Revenue Agency ("CCRA") contributed to the increase in 2001 earnings.

Energy Sales: Energy sales were 4,667 GWh in 2001, a 2.5 per cent increase over energy sales of 4,555 GWh in 2000. Residential energy sales increased 2.5 per cent, or 68 GWh, due mainly to growth in average use. Commercial energy sales increased 2.4 per cent, or 44 GWh, over 2000 levels due mainly to growth in the service sector of the economy and the continued development of the oil industry in the province.

Revenue: Revenue for 2001 was $359.3 million, an increase of 3.1 per cent over 2000 revenue. Growth in revenue was attributed to higher energy sales, increased pole rental revenue associated with the purchase of approximately 70,000 joint-use poles from Aliant Telecom and $1.7 million in interest received as part of an income tax refund.

Expenses: Newfoundland Power purchases approximately 90 per cent of its energy requirements from Newfoundland and Labrador Hydro ("Newfoundland Hydro"). Purchased power expense in 2001 was $202.4 million, a $3.2 million or 1.6 per cent increase over 2000. This increase was primarily the result of higher energy sales. Other operating expenses in 2001 were $52.9 million, comparable to 2000. The Company maintained its operating cost per customer at $237 in 2001, its lowest level in a decade and down 24 per cent from 1992.

Regulation: Newfoundland Power operates under cost of service regulation as prescribed by orders of the Newfoundland and Labrador Board of Commissioners of Public Utilities ("PUB"). Earnings are regulated on the basis of rate of return on rate base. In 1998, an automatic adjustment formula was established by the PUB to annually determine the permitted rate of return on rate base.

The allowed rate of return on rate base for 2001 remained unchanged from the 2000 level of 10.28 per cent, permitting the Company to earn within a range of 10.10 per cent to 10.46 per cent.

In 2001 Newfoundland Power received $1.7 million of interest on a corporate tax refund from CCRA. This refund contributed to excess earnings of $0.9 million in 2001. This amount has been set aside in an excess revenue account and will be accounted for as ordered by the PUB.

On November 28, 2001, the PUB ordered that application of the automatic adjustment formula would reduce Newfoundland Power's allowed return on rate base for 2002 to 10.06 per cent, with a range of 9.88 per cent to 10.24 per cent to reflect a return on equity of 9.05 per cent. This change resulted in a 0.6 per cent reduction in electricity rates to be charged to customers in 2002. A review of the operation of the automatic adjustment formula will occur in 2002.

Outlook: Independent forecasters predict continued strong economic growth for Newfoundland and Labrador in 2002, placing the province among the country's economic leaders for the fifth consecutive year. Gross Domestic Product ("GDP") growth is projected to be 6.3 per cent in 2002, the highest of all provinces. The service sector component of GDP, which is more predictive of Newfoundland Power's energy sales, is forecast to grow at a more modest rate of 0.8 per cent.

An Energy Policy Review was initiated by the Government of Newfoundland and Labrador in 1998. This review is examining a number of issues that could affect Newfoundland Power's business including the appropriate form of utility regulation for the province. The Company supports a move to more flexible, incentive-based regulation that is reflective of global regulatory trends and is better aligned with the expectations of customers regarding reliability and price. It is expected that the results of the Energy Policy Review will be released for consultation in 2002.

On May 31, 2001, Newfoundland Hydro filed an application with the PUB which, if approved, would result in an increase in the rate charged to Newfoundland Power's customers in 2002 of approximately 6.4 per cent. The Company is concerned about the impact of these increases on its customers and the provincial economy. As a result, Newfoundland Power fully participated in the regulatory hearings on this issue, which started on September 24, 2001 and concluded on January 29, 2002.

The development of the natural gas industry in Atlantic Canada may affect energy supply options and may present new opportunities for energy generation. The Company will continue to strengthen its infrastructure and develop its expertise in energy services to be competitive in delivering low-cost environmentally friendly energy in an emerging competitive marketplace.

Maritime Electric

The results reported below include those of Maritime Electric and its wholly owned subsidiary, FortisUS Energy.

Earnings: Earnings were $6.1 million in 2001 compared to a loss of $0.2 million in 2000. The increase over 2000 reflects the implementation of regulations associated with amendments to the Maritime Electric Company Limited Regulation Act ("Regulation Act") and increased energy sales.

Energy Sales: Annual energy sales on Prince Edward Island were 987 GWh, a 29 GWh increase over energy sales of 958 GWh for the previous year. Growth in energy sales was driven largely by increases in sales to commercial customers. Commercial energy sales increased 3.9 per cent reflecting growth in the tourism industry, increased manufacturing and processing output and new development in the retail sector. Residential energy sales increased 1.7 per cent. Energy sales for the four plants owned by FortisUS Energy were 68 GWh compared to 67 GWh for the two plants owned throughout 2000. The Company purchased two plants, with a total capacity of 6.9 MW, in December 2000. These plants produced 18 GWh of energy in 2001. The lower overall production in 2001 was due to lower rainfall and a production shutdown in one of the plants for five months.

Revenue: Revenue for 2001 was $97.5 million, a $3.0 million or 3.2 per cent increase over 2000 revenue. Increased revenue was a direct result of higher energy sales.

Expenses: Maritime Electric purchases the majority of its annual energy requirements from New Brunswick Power ("NB Power") and Emera Inc. ("Emera") through several energy purchase agreements. Energy supply costs in 2001 were $53.5 million, an $11.8 million or 18.0 per cent decrease over 2000. The decrease from 2000 is a result of the deferral, pursuant to regulatory changes, of 90 per cent of all energy costs on Prince Edward Island above $0.05 per kilowatt hour ("kWh") in accordance with the Energy Cost Adjustment Mechanism of the Regulation Act. A total of $13.2 million in energy-related costs have been deferred with collection from customers to begin on April 1, 2002. This amount is primarily the result of premiums paid for replacement energy during the unscheduled shutdowns at the NB Power Point Lepreau Nuclear Generating Station ("Point Lepreau") and periods of curtailment in supply from NB Power.

Other operating expenses in 2001 were $13.3 million, a $3.1 million or 30.4 per cent increase over 2000 operating expenses. Approximately $1.4 million of the increase represented several one-time costs primarily associated with energy supply planning, an early retirement program and regulatory proceedings. As well, the two additional plants acquired by FortisUS Energy in December 2000 resulted in a $0.6 million increase in operating expenses.

Regulation: Under the terms of the Regulation Act, electricity rates on Prince Edward Island can be no greater than 110 per cent of New Brunswick electricity rates for equivalent service in New Brunswick. Legislative change proclaimed in May 2001 now provides the Company with the ability to defer and recover from customers 90 per cent of energy-related costs above $0.05 per kWh. In addition, the legislation provides for a further adjustment to rates to bring Maritime Electric's return on average common equity 75 per cent of the way toward a target return of 11.0 per cent on average common equity. These adjustments will 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 associated with its operations in Prince Edward Island in the form of common equity. At year-end 2001, the common equity component of Maritime Electric's Prince Edward Island capital structure was approximately 38 per cent. This result is temporarily below the prescribed limit due to the transition to the revised regulatory framework.

Outlook: Energy sales are forecast to remain strong in 2002, primarily due to new customer growth and expansion in the aerospace and tourism industries. The Prince Edward Island economy is forecast to grow by approximately 3.0 per cent in 2002.

During the year, the Company entered into energy purchase agreements with NB Power and Emera to replace the Energy Purchase Agreement which expired on October 31, 2001. These agreements provide for the purchase of up to 80 MW of firm energy at fixed prices. These new contracts have significantly reduced the Company's exposure to premiums associated with the interruption of its energy supply by replacing a majority of the interruptible energy with firm energy. The new agreements will also reduce the Company's exposure to oil prices. Under the old agreement, approximately 35 per cent of Maritime Electric's energy portfolio was tied to the price of oil. The new energy mix will reduce that exposure to approximately 13 per cent.

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 believes that the declining wholesale energy prices will reduce the market prices of hydroelectric assets which should lead to further acquisition opportunities for FortisUS Energy.

BECOL

Earnings: Fortis purchased a 95 per cent interest in BECOL in January 2001. BECOL's contribution to earnings was $6.7 million in 2001.

Energy Sales: Energy production was 91 GWh in 2001 compared to 93 GWh in 2000. BECOL sells its entire output to Belize Electricity under a 50-year power purchase agreement.

Revenue: Revenue for the year was $16.1 million.

Expenses: Operating expenses for 2001 were $2.0 million. Financing costs were $5.4 million for the year. The use of short-term debt to finance the initial acquisition has resulted in lower financing costs for the majority of 2001. In November 2001, management replaced US$45 million of the short-term facility with 9.45 per cent long-term debt, with no recourse to Fortis Inc. The interest rate on the short-term facility prior to the issue of the long-term debt averaged 4.86 per cent.

Outlook: In November 2001, BECOL received preliminary environmental clearance for the Chalillo Project, an upstream storage and generation facility which is expected to increase annual energy production from an average of 80 GWh to 160 GWh. This Project is expected to commence in the second half of 2002 and will be completed by 2004. A major benefit of the Project is that it will improve the reliability of the energy supply in Belize and will reduce the country's dependence on energy imports from Mexico and diesel-fired generation.

Belize Electricity

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

Earnings: Earnings for 2001 increased to $9.3 million from $8.2 million in 2000. Earnings increased due to significant growth in energy sales offset somewhat by increases in finance and amortization costs related to the Company's ongoing capital expenditures program.

Energy Sales: Energy sales grew 12.2 per cent to 257 GWh in 2001 from 229 GWh in 2000. The Power III Project, a multi-year project that is being implemented in partnership with the Government of Belize, continued to provide first-time power to many rural areas in Belize. During the year, 138 miles of distribution lines were installed to connect more than 1,200 customers. Commercial and industrial energy sales increased 7.0 per cent, or 7.6 GWh, reflecting increased economic activity in Belize and a strategic effort to connect self-generating businesses such as citrus companies. Residential energy sales increased 16.0 per cent, or 16.3 GWh, over sales in 2000.

Revenue: Revenue for 2001 was $72.4 million, an increase of 13.8 per cent over 2000, and was primarily the result of higher energy sales.

Expenses: Belize Electricity purchases the majority of its energy requirements from Comision Federal de Electricidad, the Mexican state-owned power company, and from BECOL. Purchased power expense in 2001 was $34.8 million, a 13.7 per cent increase over purchases in 2000. The increase in purchased power expense was primarily the result of higher energy sales.

Other operating expenses were $14.2 million, a 4.4 per cent increase over expenses in 2000. The main reason for the increase was the implementation of a Loss Reduction

Program designed to ensure all energy sales are appropriately measured and billed to customers.

Amortization expense was $7.8 million in 2001 compared to $6.8 million in 2000. The increase in amortization expense is a result of the Company's ongoing capital initiatives which are required to keep pace with the significant growth in energy demand.

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 the setting of electricity rates and establish minimum quality of service standards. The quality of service standards will be monitored and formalized over a transition period from January 1, 2000 through June 30, 2005 and will become effective July 1, 2005.

Effective January 1, 2000, the Company and the PUC established a Cost of Power Rate Stabilization Account ("CPRSA") designed to normalize changes in the price of electricity due to fluctuating fuel costs. The CPRSA will stabilize electricity rates for consumers while providing the Company with a mechanism which permits the recovery of its cost of electricity over time. At December 31, 2001, the balance in this account was $9.2 million owing from customers.

The Company's license to generate, transmit, distribute and supply electricity in Belize expires in 2015. Under the terms of the license, the Company has the 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.

Outlook: Belize Electricity anticipates growth of electricity demand to remain high at approximately 8.0 per cent for 2002 due to economic growth and the Company's continuing drive to increase industrial use and connect self-generators.

The GDP of Belize is forecast to grow by approximately 4.5 per cent in 2002. This growth will be driven by increased activity in the construction, tourism and shrimp farming industries.

The Company's long-term strategy is to mitigate the impact of fuel price increases by diversifying its sources of energy supply. The Company has signed a Memorandum of Intent with Belize Sugar Industries to purchase excess energy produced by a proposed bagasse-fueled generation facility by the sugar company.

Canadian Niagara Power

Fortis owns a 50 per cent interest in Canadian Niagara Power with the remaining interest owned by National Grid USA. The Corporation's 50 per cent interest is reported on a proportionate consolidation basis. The results reported below represent Canadian Niagara Power's total operations.

Earnings: Earnings for 2001 were $11.1 million, a decrease of $1.3 million over earnings in 2000. Excluding a $2.1 million gain on the sale of land in 2000 and a one-time gain associated with an income tax reassessment in 2001, earnings increased by $0.4 million or 3.9 per cent.

Energy Sales: Canadian Niagara Power sells all of its entitlement from its Rankine Generating Station. Energy sales were 631 GWh in 2001 compared to 638 GWh in 2000. Actual sales will vary slightly from year to year due to estimated line losses.

Revenue: Revenue for 2001 was $40.6 million compared to $36.9 million in 2000. The annual increase in revenue resulted from higher prices on energy sales into the United States for the first half of the year.

Expenses: Operating expenses in 2001, excluding purchased power, were $14.8 million, a $1.5 million increase over 2000. The increase was largely due to higher pension and benefit costs.

Regulation: In 1998, the Government of Ontario passed the Electricity Act, 1998 to initiate restructuring of the Ontario electricity industry. To meet the regulatory requirements of this legislation, Canadian Niagara Power incorporated a new subsidiary in 1999, Canadian Niagara Power Inc. ("CNPI"), to hold and operate its transmission and distribution business.

The regulatory structure contemplates separating Ontario electricity rates between distribution, transmission and the energy commodity. Distribution rates will be established for each local distributor based on applications made to the Ontario Energy Board ("OEB"). A non-competitive service rate, which will include transmission, ancillary services, stranded debt and other fixed charges, will also be established by the OEB for each service area while the energy commodity charges will be determined in a competitive market environment.

On November 29, 2000, the Company applied to the OEB to increase its distribution rates. In December 2001, the OEB approved a rate increase of 3.0 per cent effective January 1, 2002. The OEB also approved Canadian Niagara Power's transmission revenue requirement effective May 1, 2002.

The electricity market in Ontario is expected to open for competition on May 1, 2002. At that time, all of Canadian Niagara Power's energy generation will be sold in the competitive markets and the Company will no longer be the supplier for Fort Erie. On market opening, Canadian Niagara Power will also no longer be subject to $1.6 million in facility and load balancing charges as these services will be provided by the Independent Electricity Market Operator and charged directly to customers.

Outlook: In the medium- to long-term, Canadian Niagara Power anticipates improved earnings performance on its distribution and transmission activities as a result of the changing regulatory structure in Ontario.

Canadian Niagara Power will continue to explore growth opportunities arising from the restructuring of Ontario's electricity industry. In July 2001, CNPI signed an agreement to lease the electricity distribution business of Port Colborne Hydro Inc. for ten years with an option to purchase such assets at the end of its lease term for fair market value. The total value of the transaction is estimated at $15.7 million and is subject to approval by the OEB.

Caribbean Utilities

In March 2000, Fortis acquired a 20 per cent interest in Caribbean Utilities. This investment is accounted for on a cost basis and, therefore, only dividend income received from Caribbean Utilities is included in the income of the Corporation.

Dividend Income: Dividend income received from Caribbean Utilities in 2001 totalled $4.2 million compared to $3.1 million in 2000. On October 26, 2001, Caribbean Utilities increased its regular quarterly dividend to US$0.155 from US$0.145 per Class A Ordinary Share. On an annualized basis, dividends per share increased 7.0 per cent to US$0.62 from US$0.58. Fortis holds 4.78 million Class A Ordinary Shares.

Financial Results: For the fiscal year ended April 30, 2001, earnings applicable to common shares were US$19.3 million, an increase of US$1.3 million or 7.2 per cent over earnings of US$18.0 million in 2000. Earnings applicable to common shares for the nine months ended January 31, 2002 were US$15.5 million, an increase of US$0.7 million, or 4.7 per cent, over the same period in 2001.

Generation: The Company continues to achieve new records in net generation. In August 2001, demand peaked at 75.99 MW, an 8.3 per cent increase over the summer peak in 2000. Caribbean Utilities currently serves more than 19,500 customers.

Regulation: Caribbean Utilities operates the only public electrical 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 with fuel prices passed through to customers.

Outlook: Caribbean Utilities anticipates growth of energy demand to remain high at approximately 6.0 per cent over the next year. Developments currently planned for Grand Cayman support this growth outlook.

Fortis Properties

Earnings: Fortis Properties achieved record earnings in 2001. Earnings were $8.7 million, a $4.6 million increase over earnings of $4.1 million in 2000. On a recurring basis, earnings were $6.1 million compared to $3.0 million in 2000. The results reflect increased earnings for each of the Company's operating divisions and contributions from new acquisitions.

***Real Estate Division*:** Earnings before interest, income taxes, depreciation and amortization from the Real Estate Division were $18.0 million in 2001 compared to $9.8 million in 2000. Revenue increased 64.3 per cent to $39.6 million in the period.

Results of acquisitions made in December 2000 provided the largest contribution to overall growth in the Real Estate Division. All operating regions reported growth with new acquisitions having an immediate positive impact on earnings.

Operating expenses in 2001 were $21.6 million compared to $14.3 million in 2000. The increase was primarily due to the operating costs of the new properties acquired.

The vacancy rate of the Real Estate Division remained stable. The overall vacancy rate was 5.9 per cent in 2001 compared to 5.8 per cent in 2000. Exposure to lease renewals averages less than 6.5 per cent per annum over the next five years.

Hospitality Division: Earnings before interest, income taxes, depreciation and amortization from the Hospitality Division were $8.8 million in 2001 compared to $7.1 million in 2000. Revenue increased 22.7 per cent to $34.3 million in the period.

The Company's hotel properties continued to perform well in 2001, experiencing growth in revenue per available room ("RevPar") for the sixth consecutive year. RevPar for the Hospitality Division was $55.58 in 2001 compared to $55.27 in 2000. The contribution resulting from the 100 per cent ownership of Delta Brunswick, the expansion of Holiday Inn St. John's, the opening of the Four Points by Sheraton Halifax and the improved performance from existing operations contributed to growth in earnings of the Hospitality Division.

Operating expenses in 2001 were $25.5 million compared to $20.8 million in 2000. The increase in operating expenses in the period was primarily due to the increased ownership of Delta Brunswick, a full year's result from the expansion of Holiday Inn St. John's and the opening of the Four Points by Sheraton Halifax hotel.

Outlook: Earnings are anticipated to remain strong in 2002. In the Real Estate Division, absorption of vacant space is expected to continue to be positive in all regions, with the possible exception of the rural markets in Newfoundland and Labrador. Declining vacancy levels are expected to continue to place moderate upward pressure on rental rates and reduce expenditures on tenant inducements. No significant new construction is anticipated in these markets during the year.

In the Hospitality Division, modest growth is forecast in room rates and RevPar. Occupancy levels will remain stable while the Company absorbs the 242 additional rooms associated with the Holiday Inn St. John's and the Four Points by Sheraton Halifax.

Following the events of September 11, 2001, the global hospitality industry experienced a downturn. These events coincided with an economic slowdown that had already weakened the hospitality industry. Though the near-term environment remains difficult to predict, the hospitality industry in Atlantic Canada has not been as severely affected as other areas of North America.

Corporate

On an annual basis, corporate expenses were $13.8 million compared to $11.5 million in 2000. The $2.3 million increase in corporate expenses was primarily attributable to business development costs and a full year of financing costs associated with acquisitions made in 2000. Financing costs were $7.8 million in 2001 compared to $7.4 million in 2000. Administration expenses for the year were $3.2 million compared to $2.0 million in the prior year. Corporate costs also included dividends on preferred shares and the amortization of goodwill.

Liquidity and Capital Resources

Operating Activities: Cash from operations, before working capital adjustments, increased 51.1 per cent to $120.7 million in 2001 from $79.9 million in 2000. The increase in cash from operations in 2001 was primarily attributable to the growth in earnings as well as the deferral of future income taxes by Fortis Properties associated with asset growth in the last fourteen months. Cash from operations by operating segment is presented in the following table.

Cash from Operations by Operating Segment (1)

($ millions)	2001	2000
Newfoundland Power	**56.6**	47.5
Maritime Electric (2)	**24.2**	9.2
BECOL	**8.7**	-
Belize Electricity	**16.5**	15.5
Canadian Niagara Power	**7.7**	6.4
Fortis Properties	**13.9**	8.3
Corporate and Other	**(6.9)**	(7.0)
TOTAL	**120.7**	79.9

(1) Before working capital adjustments
(2) Cash flows of Maritime Electric include those of FortisUS Energy.

Financing Activities: Cash from financing activities was $141.4 million compared to $150.2 million last year.

During the fourth quarter of 2001, BECOL successfully secured $71.7 million in long-term debt financing to replace a portion of the $93.0 million short-term bridge financing put in place in early 2001 to finance the Corporation's investment in BECOL.

Newfoundland Power redeemed its 11.5 per cent Series AB Bonds in 2001. These bonds, originally due in 2005, were redeemed in light of more favourable financing rates available. None of Newfoundland Power's remaining bond issues have similar favourable redemption terms. Belize Electricity successfully issued $15.6 million in 9.5 per cent unsecured debentures in 2001.

The securing of the BECOL financing represents the Corporation's first successful negotiation of US dollar long-term financing to finance foreign acquisitions. This demonstrates the confidence of the lending community in the operations of BECOL and the growth opportunities of the country of Belize.

Short-term debt and cash on hand is initially used to finance capital programs, projects and acquisitions. Fortis and its operating companies have $255.0 million in short-term credit facilities to support financing requirements. Short-term debt is subsequently refinanced with an appropriate balance of long-term debt, preferred shares and common shares.

As the Corporation continues to grow, an appropriate capital structure will be maintained in order to access capital markets at the lowest possible cost. The capital structure of Fortis is presented in the following table.

Capital Structure	2001 ($ millions)	2001 %	2000 ($ millions)	2000 %
Total Debt, Net of Cash	**882.3**	**63.9**	706.2	60.4
Preferred Shares	**50.0**	**3.6**	50.0	4.3
Common Shareholders' Equity	**448.9**	**32.5**	412.1	35.3
Total	**1,381.2**	**100.0**	1,168.3	100.0

The Corporation paid $28.0 million in Common Share dividends in 2001, or $1.87 per Common Share, compared to $25.7 million, or $1.84 per Common Share, in 2000. Fortis has increased its dividends per Common Share every year since its inception in 1987. The dividend payout ratio declined to 52.1 per cent in 2001 from 67.6 per cent in 2000.

The Corporation received $7.1 million in 2001 for Common Shares issued through its Dividend Reinvestment Plan, Consumer Share Purchase Plan, Employee Share Purchase Plan, Executive Stock Option Plan and Director Stock Option Plan compared to $4.9 million in the prior year. The $2.2 million increase over 2000 results predominantly from exercise of stock options in 2001.

Investing Activities: Cash used in investing activities totalled $239.7 million in 2001 compared to $240.7 million in 2000. Fortis invested $103.0 million in acquiring new business interests and $149.5 million in capital expenditures during 2001.

In January 2001, Fortis acquired a 95 per cent interest in BECOL for an aggregate purchase price of $103.1 million. In September 2001, the Corporation, through Newfoundland Power and another subsidiary, closed a transaction to purchase poles and related infrastructure from Aliant Telecom for an aggregate purchase price of $46 million.

In September 2001, Fortis Properties acquired a portfolio of properties including TD Place, in downtown St. John's, Newfoundland and Labrador, for $8.3 million. During 2001, Fortis Properties sold the Centennial Building in Halifax, Nova Scotia for proceeds of $11.5 million and realized an after-tax gain of $2.6 million. The Corporation received $5.5 million in proceeds and realized an after-tax gain of $0.5 million on the sale of the assets and liabilities of Fortis Trust.

Capital expenditures excluding acquisitions, by operating segment, are presented in the following table.

Capital Expenditures, excluding acquisitions ($ millions)	2001	2000
Newfoundland Power	**48.1**	43.7
Maritime Electric	**14.6**	12.6
Belize Electricity	**27.6**	21.0
Canadian Niagara Power	**3.5**	3.4
Fortis Properties	**16.8**	16.9
Other	**4.7**	0.5
Total	**115.3**	98.1

Newfoundland Power's capital expenditures focused on improving the reliability of the electricity system throughout the province of Newfoundland and Labrador. Maritime Electric's capital expenditures focused on initiatives to strengthen its energy delivery system to meet increased load. Belize Electricity's capital expenditures predominately pertain to the Power III Project, which is designed to extend electrical services to 13,000 new customers by 2003. Fortis Properties' capital expenditures were mainly associated with construction of the $15 million Four Points by Sheraton Halifax hotel in Halifax, Nova Scotia.

Business Risk Management

The primary business risks for Fortis are related to regulation, energy prices, weather, foreign exchange, interest rates, market conditions and credit. The increasing geographic and business diversity of the Corporation's portfolio of assets effectively reduces its relative exposure to any particular negative event. In 1987, when Fortis was incorporated, Newfoundland Power represented 100 per cent of the Corporation's assets. As of December 31, 2001, the assets of Newfoundland Power represented 42.2 per cent of the total assets of the Corporation.

Regulation: The Corporation's utilities are subject to regulatory risk. The impact of this risk to Fortis is mitigated by the diversity of regulatory environments in which the Corporation's operating companies operate. The rate of return on rate base of Newfoundland Power is subject to adjustment based on a formula. As a result of the current automatic adjustment formula, Newfoundland Power's maximum allowable earnings for 2002 will decrease from that in 2001. The evolving electric utility environment in New Brunswick, to which Maritime Electric is tied by legislation, may necessitate regulatory changes for the Company. Recent amendments to the Regulation Act permit Maritime Electric to recover energy costs above an established benchmark and provide for a cost of capital adjustment mechanism. Significant changes to customer rates resulting from these adjustment mechanisms could lead to pressure on Maritime Electric's allowed return. Belize Electricity is subject to the risk associated with the uncertainties inherent in a regulatory environment undergoing transformation. The Company is working closely with the Government of Belize to implement the new regulatory framework. Canadian Niagara Power is subject to the risk associated with the uncertainty of the changing regulatory environment in Ontario.

***Energy Prices*:** Most Fortis utilities purchase electricity for resale and, consequently, are exposed somewhat to energy price risk.

The energy rate charged to Newfoundland Power by Newfoundland Hydro was last set by the PUB in 1992. Newfoundland Hydro has requested a rate increase from the PUB. Newfoundland Power has the ability to pass through increases in rates from Newfoundland Hydro to customers. Further, a Rate Stabilization Account limits Newfoundland Power's exposure to ongoing changes in energy prices as price increases flow through to customers.

Maritime Electric has exposure to increases in the price of oil as the cost of energy purchased under the Energy Purchase Agreement with NB Power is based upon the price of residual fuel oil. The Company is also exposed to increases in energy costs associated with curtailment of supply by NB Power. However, with the recent renegotiation of its energy contracts, Maritime Electric has been able to reduce its exposure to volatility in the price of oil. Under the expired Agreement, approximately 35 per cent of Maritime Electric's energy portfolio was tied to the price of oil. The new energy mix will reduce that exposure to approximately 13 per cent. The remaining exposure to increases in the price of oil is mitigated by the recent changes in the legislation governing Maritime Electric. Under the legislation, Maritime Electric can pass through increases in the cost of energy above an established benchmark to customers. The Company is participating in discussions regarding formation of a Regional Transmission Organization, which would provide Maritime Electric with additional options to purchase electricity.

In 2000, the PUC in Belize established a CPRSA which limits Belize Electricity's exposure to changes in energy prices. The Company purchases energy from Comision Federal de Electricidad, the Mexican state-owned power company, and BECOL under long-term contracts.

Canadian Niagara Power has water and power exchange agreements with Ontario Power Generation Inc. and Hydro One Inc. which limit the Company's exposure to changes in energy prices. Canadian Niagara Power uses forward contracts to sell its excess electricity into the United States, thereby limiting exposure to changing market conditions.

Weather: The assets of Belize Electricity are exposed to hurricane risk. The Company's plant and equipment, with the exception of its transmission and distribution assets, are fully insured. Transmission and distribution assets are covered under a self-insurance scheme which is supplemented by a standby financing arrangement with one of the Company's commercial bankers.

In October 2001, Belize was hit by Hurricane Iris causing an estimated US$2.5 million in damages to the Company's electricity system. Revenue loss was approximately US$200,000 to US$300,000.

The results of BECOL are highly sensitive to rainfall levels. Over the longer term, rainfall amounts should average out but there may be significant variations in any given year.

All Fortis utilities are exposed to climatic factors which are generally addressed by regulatory mechanisms. The Corporation uses a centralized insurance management function to enable a higher level of insurance expertise and to reduce the liability exposure of the Fortis Group of Companies.

***Foreign Exchange*:** Earnings from Belize Electricity, BECOL, Caribbean Utilities and FortisUS Energy are denominated in US dollars. Both the Cayman Island dollar and the Belizean dollar are pegged to the US dollar. The Cayman Island dollar is equal to 1.2 US dollars while the Belizean dollar is equal to 0.5 US dollars. Foreign earnings derived in currencies other than the US dollar must be converted into US dollars before repatriation. 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. In December 2000, the Corporation significantly reduced its exposure to foreign currency exchange rate fluctuations by entering into a US dollar currency swap. Through the use of the currency swap, the interest payment on the $100 million debenture was converted into a US dollar interest payment, providing a currency match between US dollar income and the financing costs.

Also, the Corporation obtained a US$62 million short-term credit facility to finance the acquisition of BECOL. In November 2001, US$45 million of this short-term credit facility was replaced by BECOL with ten-year debt. The ability to raise financing in the currency of the underlying investment provides a natural hedge against foreign currency exchange rate risk.

The Corporation continues to be exposed to foreign currency fluctuations to the extent that earnings from foreign subsidiaries exceed financing costs. For every one cent appreciation in the Canadian dollar, consolidated earnings would decline approximately $50,000.

Interest Rates: The Corporation has exposure to interest rate risk as movement in interest rates associated with short-term debt facilities and refinancing of long-term debt impact future earnings. Fortis has limited exposure to interest rate risk as less than 17 per cent of the Corporation's total debt at December 31, 2001 was subject to variable interest rates. Newfoundland Power's allowed return is at risk to changes in interest rates as the automatic adjustment formula used to set the Company's allowed return is based on long-term Canada bond rates.

Market Conditions: The Fortis Group of Companies is exposed to economic risks. The growth of each company is partially dependent on the economic conditions of its operating territory. The impact to the Corporation of an economic slowdown in a particular operating territory is mitigated by the geographic diversification of the Fortis Group of Companies.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying Consolidated Financial Statements of Fortis Inc. and all information in the 2001 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 2001 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 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, 2001 Consolidated Financial Statements and Management Discussion and Analysis contained in the 2001 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 2001 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,

Fortis Inc.

We have audited the Consolidated Balance Sheets of Fortis Inc. as at December 31, 2001 and 2000 and the Consolidated Statements of Earnings, Retained Earnings and Cash Flows for the years then ended. These Consolidated Financial Statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these Consolidated 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, 2001 and 2000 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 18, 2002

FORTIS INC.

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

CONSOLIDATED BALANCE SHEETS

As at December 31

ASSETS	2001	2000
	(in thousands)	
Current Assets		
Cash	**$ 14,285**	$ 18,432
Accounts receivable	**102,156**	76,506
Materials and supplies	**18,173**	16,731
Assets of discontinued operations	**321**	54,145
	134,935	165,814
Other Assets		
Corporate income tax deposit	**6,949**	13,636
Deferred charges (Note 1)	**83,224**	67,112
	90,173	80,748
Utilities' Capital Assets (Note 2)	**1,064,257**	908,790
Income Producing Properties (Note 3)	**220,338**	205,565
Long-Term Investments (Note 4)	**82,211**	81,515
Goodwill	**32,838**	36,164
	$ 1,624,752	$ 1,478,596
LIABILITIES		
Current Liabilities		
Short-term borrowings (Note 5)	**$ 129,882**	$ 34,446
Accounts payable and accrued charges	**122,776**	128,934
Current installments of long-term debt (Note 6)	**20,644**	11,881
Liabilities of discontinued operations	**11**	49,170
	273,313	224,431
Long-Term Debt (Note 6)	**796,092**	728,349
Deferred Credits (Note 7)	**70,283**	82,174
Non-Controlling Interest (Note 8)	**36,135**	31,502
SHAREHOLDERS' EQUITY		
Common shares (Note 9)	**216,440**	209,294
Foreign currency translation adjustment	**5,380**	1,163
Retained earnings	**227,109**	201,683
Shareholders' equity	**448,929**	412,140
	$ 1,624,752	$ 1,478,596

Commitments (Note 22)

Contingent liability (Note 23)

Subsequent event (Note 24)

Approved on Behalf of the Board:

See accompanying notes to consolidated financial statements.

Angus A. Bruneau, Director

Bruce Chafe, Director

FORTIS INC.
CONSOLIDATED STATEMENTS OF EARNINGS
For the Year Ended December 31

	2001	(in thousands)	2000
Operating Revenues	**$ 628,254**		$ 580,197
Expenses			
Operating	**418,347**		417,607
Amortization	**62,495**		52,513
	480,842		470,120
Operating Income	**147,412**		110,077
Finance Charges			
Interest and amortization (Note 10)	**62,655**		52,737
Dividends on preference shares	**2,975**		2,975
	65,630		55,712
Earnings Before Income Taxes and Undernoted Items	**81,782**		54,365
Income Taxes (Note 11)	**28,088**		17,228
Earnings Before Undernoted Items	**53,694**		37,137
Gain on Sale of Income Producing Property (Note 12)	**2,557**		-
Income Tax Reassessment-Canadian Niagara Power	**257**		-
Gain on Sale of Certain Trademark Rights (Note 13)	**-**		1,209
Gain on Sale of Surplus Land (Note 14)	**-**		1,029
Earnings Before Non-Controlling Interest and Discontinued Operations	**56,508**		39,375
Non-Controlling Interest	**(3,787)**		(3,149)
Earnings Before Discontinued Operations	**52,721**		36,226
Results of Discontinued Operations (Note 15)	**721**		533
Earnings Applicable to Common Shares	**$ 53,442**		$ 36,759
Average Common Shares Outstanding (Note 9)	**14,878**		13,517
Earnings per Common Share ($) (Note 9)			
Before discontinued operations	**$ 3.54**		$ 2.68
After discontinued operations	**$ 3.59**		$ 2.72

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
For the Year Ended December 31

	2001	(in thousands)	2000
Balance at Beginning of Year	**$ 201,683**		$ 190,661
Earnings applicable to common shares	**53,442**		36,759
	255,125		227,420
Dividends on common shares	**(28,016)**		(25,737)
Balance at End of Year	**$ 227,109**		$ 201,683

See accompanying notes to consolidated financial statements.

FORTIS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Year Ended December 31

	2001	*(in thousands)*	2000
Cash from Operations			
Earnings before non-controlling interest and discontinued operations	**$ 56,508**		$ 39,375
Items not Affecting Cash			
Amortization	**62,495**		52,513
Future income taxes	**12,207**		(1,582)
Accrued employee future benefits	**(8,543)**		(9,041)
Other	**(1,922)**		(1,387)
	120,745		79,878
Change in non-cash working capital (Note 18)	**(25,737)**		20,394
Cash from Continuing Operations	**95,008**		100,272
Cash used in Discontinued Operations	**(893)**		(2,773)
	94,115		97,499
Cash used in Investing			
Capital additions	**(149,455)**		(157,652)
Proceeds on sale of capital assets	**10,940**		1,542
Business acquisitions, net of cash (Note 17)	**(102,087)**		(4,705)
Long-term investments	**(901)**		(81,515)
Net proceeds on sale of certain trademark rights	**-**		1,209
Proceeds on sale of investment	**5,500**		-
Change in corporate tax deposit	**6,687**		1,959
Change in deferred charges and credits	**(10,410)**		(1,536)
	(239,726)		(240,698)
Cash from External Financing			
Issue of common shares	**7,146**		55,350
Proceeds from long-term debt	**105,052**		199,289
Repayment of long-term debt	**(32,489)**		(23,368)
Change in short-term borrowings	**89,287**		(58,157)
Contributions in aid of construction	**2,362**		4,706
Dividends			
Common shares	**(28,016)**		(25,737)
Subsidiaries to non-controlling shareholders	**(1,897)**		(1,924)
	141,445		150,159
Effect of exchange rate changes on cash	**19**		181
Change in Cash	**(4,147)**		7,141
Cash, Beginning of Year	**18,432**		11,291
Cash, End of Year	**$ 14,285**		$ 18,432

See accompanying notes to consolidated financial statements.

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

SUMMARY OF ACCOUNTING POLICIES

Consolidated Financial Statements

Consolidated financial statements include the accounts of Fortis Inc. (the "Corporation") and the following subsidiaries:

Newfoundland Power Inc. ("Newfoundland Power")
Maritime Electric Company, Limited ("Maritime Electric")
and its wholly owned subsidiary, FortisUS Energy Corporation ("FortisUS Energy")
Belize Electric Company Limited ("BECOL") (Note 17)
Belize Electricity Limited ("Belize Electricity")
Fortis Properties Corporation ("Fortis Properties")
Fortis Trust Corporation ("Fortis Trust") (Note 15)
11003 Newfoundland Limited ("11003 NF")
Central Newfoundland Energy Inc. ("CNE")

The accounts of Fortis Properties include its proportionate share of its 50% interest in Brunswick Square Limited to December 14, 2000 plus its 100% interest from December 15, 2000 thereafter (Note 17).

The Corporation's 50% interest in a joint venture, Canadian Niagara Power Company, Limited ("Canadian Niagara Power"), is reported on a proportionate consolidation basis. The accounts of Canadian Niagara Power include its wholly owned subsidiaries, Canadian Niagara Power Company Inc. and 1161557 Ontario Inc. Canadian Niagara Power wound up the operations of Ziegler Energy Demand Ltd. in September 2001.

Other Investments

Investments in which the Corporation exercises significant influence would be accounted for on the equity basis. 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.

Reporting Currency

All amounts presented are in Canadian dollars unless otherwise stated.

Goodwill

Goodwill, representing the excess of the acquisition cost of shares of Maritime Electric and Canadian Niagara Power over the assigned value of identifiable net assets acquired, is being amortized on a straight-line basis over twenty-five and twelve years, respectively. The Corporation evaluates the carrying value of goodwill for potential permanent impairment through ongoing review and analysis of fair market value and expected earnings. Should a permanent impairment in the value of goodwill be identified, it will be written off against earnings in the period such impairment is recognized.

Employee Future Benefits

The Corporation maintains defined benefit pension plans, 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 Newfoundland and Labrador Board of Commissioners of Public Utilities ("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.

Newfoundland Power has not accrued the costs associated with non-pension post employment benefits. In accordance with regulatory requirements the cost of these benefits is recorded in the year incurred.

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.

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

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.

The accounting policies which follow relate to the utility operations of the Corporation.

Regulation

Newfoundland Power is regulated by the PUB. Accounting policies conform to Canadian generally accepted accounting principles and to accounting requirements established from time to time by the PUB for Newfoundland Power.

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 2000, the Company exceeded the maximum allowed rate of return resulting in excess revenue of $6.7 million and $1.0 million in Harmonized Sales Tax being subsequently refunded to customers. Further to reassessments issued by Canada

Customs and Revenue Agency ("CCRA") in 2000, that confirmed the deductibility of general expenses capitalized ("GEC"), Newfoundland Power received a refund related to GEC for the 1994 through 1998 taxation years. This refund contributed to the excess earnings of $0.9 million in 2001. This amount has been set aside in an Excess Revenue Account and will be accounted for as ordered by the PUB.

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 Corporation for comparable services in New Brunswick. Adjustments to base rates (commencing April 1, 2002), as a result of legislative changes to the Regulation Act, will enable Maritime Electric to recover from/return to customers 90% of energy-related costs above/below $0.05 per kilowatt hour ("kWh"). In 2001, 90% of energy costs above $0.05 per kWh totalled $13.2 million. This amount will be collected from customers over a twelve-month period commencing on April 1, 2002. 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 rebated commencing on April 1, 2002 is $0.2 million. Monies collected through a 4.53% rate increase implemented on January 1, 2001, amounting to $3.7 million, are being set aside to be returned to customers through an offset to recoverable energy costs over a twelve-month period commencing on April 1, 2002. On April 1, 2002, the 4.53% rate increase implemented on January 1, 2001 will be eliminated. The Regulation Act also includes service reliability and capital requirements related to the power system on Prince Edward Island. At December 31, 2001, 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.

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.

Canadian Niagara Power operates under the Electricity Act (Ontario).

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.

Revenue

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, FortisUS Energy, BECOL and Canadian Niagara Power is recognized on the accrual basis.

Utilities' 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 utilities are stated at cost. The cost of capital assets retired, less net salvage, is charged to accumulated amortization.

Maintenance and repairs are charged against revenue, while renewals and betterments are capitalized.

Amortization

Amortization is provided on a straight-line method based on the estimated service life of capital assets.

Amortization rates range from 2.1% to 9.3%. The composite rate of amortization before reduction for amortization of contributions in aid of construction is 3.6% (2000 - 3.7%).

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.

Contributions in Aid of Construction

Contributions represent the cost of property, plant and equipment 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.

Weather Normalization Account

The PUB has ordered provision of a Weather Normalization Account for Newfoundland Power to adjust for the effect of variations in weather and streamflow when compared to long-term averages. The balance in the Weather Normalization Account is subject to annual approval by the PUB.

Cost of Power Rate Stabilization Adjustment

Effective January 1, 2000, Belize Electricity and the PUC established a Cost of Power Rate Stabilization Account ("CPRSA"). Through the CPRSA, Belize Electricity is allowed to recover excess energy costs over an established benchmark. These amounts are recovered as a surcharge on basic rates over a four-year period.

Materials and Supplies

Materials and supplies are recorded at average cost.

Deferred Charges

Deferred charges are amortized as follows:

Debt discount and expenses - over the life of each issue.

Capital stock issue expenses - over a twenty-year period from date of issue at Newfoundland Power except for retractable preference shares which are amortized over the retraction period.

Capital charge - Point Lepreau - over the remaining useful life of the Point Lepreau Nuclear Generating Station.

Income Taxes

The Corporation and its subsidiaries, except Newfoundland Power, 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 and 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. Commencing January 1, 1981, the PUB allowed the tax allocation method with respect to the timing difference between amortization and capital cost allowances for all depreciable assets. Since the full tax allocation method of accounting has not always been followed, Newfoundland Power has an unrecorded future income tax liability of $76.8 million at December 31, 2001 (2000 - $72.0 million).

The accounting policies which follow relate to the real estate operations of the Corporation.

Revenue

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. An allocated portion of the Corporation's overhead costs are recovered from tenants and recorded as revenue. The Corporation's overhead costs are recorded as operating expenses.

Income Producing Properties

Income producing properties, which include office buildings, shopping malls, hotels and land, are recorded at cost.

Amortization

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 range from three to twenty years.

1. Deferred Charges		2001	*(in thousands)*	2000
Deferred pension costs	$	**57,330**	$	48,357
Weather normalization account		**9,900**		8,740
Unamortized debt discount and expenses		**7,413**		6,020
Capital charge - Point Lepreau		**5,229**		-
Other		**1,026**		1,655
Deferred recoverable costs		**1,799**		1,743
Unamortized capital stock issue expenses		**527**		597
	$	**83,224**	$	67,112

2. Utilities' Capital Assets		2001	*(in thousands)*	2000
Utilities' capital assets	$	**1,662,616**	$	1,466,133
Accumulated amortization		**598,359**		557,343
	$	**1,064,257**	$	908,790

3. Income Producing Properties		2001	*(in thousands)*	2000
Land, buildings and tenant inducements	$	**244,083**	$	228,009
Accumulated amortization		**23,745**		22,444
	$	**220,338**	$	205,565

4. Long-Term Investments		2001	*(in thousands)*	2000
Caribbean Utilities Company, Ltd.	$	**80,326**	$	79,901
Other investments		**1,885**		1,614
	$	**82,211**	$	81,515

The quoted market value of the Corporation's interest in Caribbean Utilities is $92.8 million at December 31, 2001 (2000 - $85.5 million).

5. 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 2.5% to 4.0% at December 31, 2001 (2000 - 5.8% to 7.5%). The Corporation and its subsidiaries had authorized lines of credit of $255 million of which $125 million was unused at year end.

6. Long-Term Debt

(in thousands)	2001	2000
Fortis Inc.		
2,000,000 5.95% First Preference Shares, Series B	**$ 50,000**	$ 50,000
7.40% Senior Unsecured Debentures, due 2010	**100,000**	100,000
	150,000	150,000
Newfoundland Power		
First mortgage sinking fund bonds:		
11.500% Series AB due 2005	**-**	13,500
11.875% Series AC due 2007	**33,870**	34,270
10.550% Series AD due 2014	**33,753**	34,153
10.900% Series AE due 2016	**36,000**	36,400
10.125% Series AF due 2022	**36,400**	36,800
9.000% Series AG due 2020	**37,200**	37,600
8.900% Series AH due 2026	**38,035**	38,435
6.800% Series AI due 2028	**48,500**	49,000
	263,758	280,158
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		
8.030% Term loan due 2002	**19,282**	20,000
6.823% First mortgage due 2003	**24,275**	25,615
8.150% First mortgage due 2010	**19,625**	20,258
7.500% First mortgage bonds due 2017	**46,770**	47,669
7.320% Senior secured notes due 2019	**21,483**	22,050
Obligations under capital leases	**9,536**	5,572
5.000% Note payable, repaid during the year	**-**	300
	140,971	141,464
Canadian Niagara Power		
Term loan due 2005	**14,000**	16,000
BECOL		
Term loan due 2011	**71,676**	-
Belize Electricity		
Caterpillar Financial Services Corporation due 2004	**1,482**	1,197
Term loan due 2006	**3,076**	1,756
12.000% Fixed rate debentures due 2012	**13,607**	12,818
9.500% Fixed rate debentures due 2021	**15,553**	-
Caribbean Development Bank (“CDB”)	**20,719**	21,021
European Investment Bank (“EIB”)	**4,599**	4,950
International Bank for Reconstruction and Development (“IBRD”)	**16,914**	17,798
All-First Bank (“AFB”)	**7,789**	-
Other loans	**592**	1,068
	84,331	60,608
	816,736	740,230
Less: Current installments	**20,644**	11,881
	$ 796,092	$ 728,349

Fortis Inc.

First Preference Shares, Series B are retractable at the holder's option by depositing such shares with the Corporation's transfer agent on or before November 25, 2002 for redemption by the Corporation on December 2, 2002 at $25.00 per share together with all accrued and unpaid dividends thereon. The Corporation may redeem any or all of the outstanding First Preference Shares, Series B, at any time on or after December 2, 2002 for a redemption price of $25.00 together with all accrued and unpaid dividends thereon.

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 distribution and redemption and the prepayment of subordinated debt.

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 and term loan are secured by specific income producing properties.

Canadian Niagara Power

The Canadian Niagara Power term loan is secured by a general security agreement covering all its assets 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 $10.0 million of indebtedness. The contract has the effect of fixing the rate of interest at 6.2725% on $10.0 million of the $14.0 million term loan. The remaining $4.0 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, 2001, there was an unrecognized loss of $0.7 million (2000 - $0.3 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.

BECOL

The BECOL term loan is secured by security 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, 2001, there was an unrecognized loss of $0.9 million 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 or not 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 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 CDB loans bear interest at rates ranging from 2.0% to 8.5% and mature from 2004 to 2014.

The EIB loan bears interest at 5.0% and matures in 2014.

The AFB loan bears interest at three months LIBOR plus 0.085% and matures in 2006.

The other loans bear interest at 8.0%, 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:

2002	$20.6 million
2003	$23.4 million
2004	$23.4 million
2005	$38.3 million
2006	$28.3 million

While the Corporation's liability with respect to long-term debt is $817 million (2000 - $740 million), the estimated fair value of the long-term debt is $893 million at December 31, 2001 (2000 - $818 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.

7. Deferred Credits

	2001	*(in thousands)* 2000
Contributions in aid of construction	**$ 38,655**	$ 58,063
Future income taxes	**21,467**	14,385
Post retirement benefits	**10,161**	9,726
	$ 70,283	$ 82,174

8. Non-Controlling Interest

The non-controlling interest at December 31, 2001 consists of the non-controlling interest in the net assets of Belize Electricity, BECOL (Note 17) and preference shares of Newfoundland Power as follows:

	2001	*(in thousands)* 2000
Non-controlling interest in Belize Electricity	**$ 25,707**	$ 23,072
Non-controlling interest in BECOL	**2,173**	-
Preference shares of Newfoundland Power	**8,255**	8,430
	$ 36,135	$ 31,502

9. 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.

Issued and Outstanding	2001	*(in thousands)* 2000
14,980,507 common shares (2000 - 14,778,198)	**$ 216,440**	$ 209,294

Common shares were issued during the year for cash as follows:

	2001		2000	
	Number of Shares	**Amount** *(in thousands)*	Number of Shares	Amount *(in thousands)*
Opening balance	**14,778,198**	**$ 209,294**	13,118,881	$ 153,944
Additional issue	**-**	**-**	1,500,000	50,432
Consumer Share Purchase Plan	**41,564**	**1,626**	49,434	1,559
Dividend Reinvestment Plan	**48,365**	**1,881**	56,128	1,783
Employee Share Purchase Plan	**33,011**	**1,243**	38,099	1,174
Director Stock Option Plan	**5,000**	**146**	-	-
Executive Stock Option Plan	**74,369**	**2,250**	15,656	402
	14,980,507	**$ 216,440**	14,778,198	$ 209,294

At December 31, 2001, 2,363,169 common shares remained in the reserve for issue under the terms of the above plans.

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.

Number of Options:	2001	2000
Outstanding at beginning of year	**353,743**	220,363
Granted	**180,639**	149,036
Exercised	**(79,369)**	(15,656)
Cancelled	**(18,165)**	-
	436,848	353,743
Range of Exercise Prices:		
Granted	**$ 38.27**	$ 29.15
Exercised	**$27.49 - 36.83**	$ 24.60 - 27.49
Outstanding at end of year	**$29.15 - 45.67**	$ 27.49 - 45.67

Details of stock options outstanding are as follows:

Number of Shares	Exercise Price	Expiry Date
6,800	$33.10	2002
49,709	$45.67	2003
35,000	$45.12	2003
66,230	$36.83	2004
98,470	$29.15	2005
35,000	$38.27	2006
145,639	$38.27	2011
436,848		

Earnings per share

The Corporation calculates earnings per Common Share on the weighted average number of Common Shares outstanding of 14,877,876 and 13,517,236 in 2001 and 2000, respectively. Fully diluted earnings per Common Share are calculated using the treasury method.

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

Earnings per Common Share	2001	2000
Basic		
Before discontinued operations	**$ 3.54**	$ 2.68
After discontinued operations	**$ 3.59**	$ 2.72
Fully diluted		
Before discontinued operations	**$ 3.53**	$ 2.68
After discontinued operations	**$ 3.58**	$ 2.72

10. Interest and Amortization

	2001	*(in thousands)* 2000
Amortization of debt and stock issue expenses	**$ 231**	$ 233
Interest - long-term debt	**63,010**	52,438
- other	**2,550**	1,809
Interest charged to construction	**(2,026)**	(490)
Interest earned	**(1,110)**	(1,253)
	$ 62,655	$ 52,737

11. Income Tax Rate

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

	2001	(per cent)	2000
Statutory income tax rate	**42.5**		43.4
Large corporations tax	**2.7**		3.4
Goodwill amortization	**1.7**		2.3
Pension costs	**(4.5)**		(7.6)
Dividends on preference shares	**1.5**		2.5
Impact of change in tax rates on future income taxes	**(0.6)**		(4.4)
Difference between Canadian statutory rates and those applicable to foreign subsidiaries	**(7.7)**		(5.7)
Other	**(1.3)**		(2.1)
Effective income tax rate	**34.3**		31.8

12. Gain on Sale of Income Producing Property

On July 4, 2001, Fortis Properties sold an income producing property for proceeds of $11.5 million, resulting in an after-tax gain of $2.6 million.

13. Gain on Sale of Certain Trademark Rights

On October 11, 2000, the Corporation sold certain Canadian trademark rights allowing the purchaser to use the name 'Fortis' in respect of insurance and financial services in Canada. Proceeds on the sale were $1.5 million, which resulted in an after-tax gain of $1.2 million.

14. Gain on Sale of Surplus Land

On December 12, 2000, Canadian Niagara Power sold surplus land for proceeds of $2.9 million, resulting in a gain, before income taxes, of $2.6 million. The Corporation's share of the after-tax gain was $1.0 million.

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 2000 consolidated balance sheet, statements of earnings, retained earnings and cash flows have been reclassified to conform with the 2001 presentation. The assets and liabilities of discontinued operations have been reported elsewhere in these consolidated financial statements.

The results of discontinued operations, which have been included in the consolidated statements of earnings, are as follows:

Statements of Earnings		2001	(in thousands)	2000
Operating revenues	**$**	**2,112**	$	4,378
Earnings from discontinued operations, net of income taxes of $172 (2000 - $405)	**$**	**216**	$	533
Gain on disposal of discontinued operations, net of income taxes of $349		**505**		-
Results of discontinued operations	**$**	**721**	$	533

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, group RRSPs and defined benefit plans providing other retirement benefits to its employees.

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

	Pension Benefit Plans		Other Retirement Benefit Plans	
(in thousands)	**2001**	2000	**2001**	2000
Accrued benefit obligation				
Balance, beginning of year	**$ 157,272**	$ 135,021	**$ 9,640**	$ 9,180
Assumption changes	**-**	7,855	**-**	-
Current service cost	**3,534**	2,891	**1,257**	680
Interest cost	**10,732**	10,379	**453**	445
Benefits paid	**(11,097)**	(11,050)	**(1,329)**	(317)
Actuarial (gains) losses	**4,094**	9,497	**122**	(23)
Curtailments	**-**	-	**-**	(168)
Plan amendments	**3,079**	2,679	**-**	(157)
Balance, end of year	**167,614**	157,272	**10,143**	9,640
Plan assets				
Fair value, beginning of year	**173,672**	159,094	**-**	-
Expected return on plan assets	**13,849**	12,723	**-**	-
Benefits paid	**(11,097)**	(11,050)	**-**	-
Actuarial gains (losses)	**(18,702)**	(1,019)	**-**	-
Contributions to plan	**13,878**	13,924	**-**	-
Fair value, end of year	**171,600**	173,672	**-**	-
Funded status - surplus (deficit)	**3,986**	16,400	**(10,143)**	(9,640)
Actuarial gains (losses)	**527**	(701)	**(47)**	(86)
Unamortized amounts	**31,858**	10,392	**-**	-
Transitional assets	**20,959**	22,266	**-**	-
Accrued benefit asset (liability)	**$ 57,330**	$ 48,357	**$ (10,190)**	$ (9,726)
Significant assumptions used				
Discount rate (%)	**6.75-7.0**	7.0-7.5	**7.0**	7.0
Expected long-term rate of return on plan assets (%)	**7.5-8.0**	8.0	**-**	-
Rate of compensation increase (%)	**4.5-5.0**	5.0	**-**	-
Average remaining service period of active employees (years)	**18-21**	18-24	**14-19**	14-19

	Pension Benefit Plans			Other Retirement Benefit Plans	
	2001	2000	*(in thousands)*	**2001**	2000
Net benefit expense for the year					
Current service cost	**$ 2,356**	$ 1,682		**$ 275**	$ 680
Interest cost	**10,732**	10,379		**453**	445
Actuarial gains (losses)	**17**	-		**122**	(23)
Curtailment gains (losses)	**-**	-		**-**	(168)
Expected return on plan assets	**(13,849)**	(12,723)		**-**	-
Amortization of transitional obligation and amendments	**4,366**	3,984		**-**	-
Amortization of actuarial gain	**-**	-		**-**	-
Net benefit expense	**$ 3,622**	$ 3,322		**$ 850**	$ 934

17. Business Acquisitions

2001

BECOL

On January 26, 2001, the Corporation acquired a 95% interest in BECOL. BECOL owns and operates the 25-megawatt 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 $103,077,000 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.

2000

Zeigler Energy Demand Ltd.

On October 30, 2000, Canadian Niagara Power acquired 100% of Zeigler Energy Demand Ltd., a gas marketing company in the Niagara Region. The total consideration was $100,000 cash and a $100,000 note bearing an interest rate of 6% payable on October 30, 2001. The acquisition was accounted for using the purchase method, whereby the results of operations have been included in the consolidated financial statements commencing from that date.

Income Producing Properties

On December 14, 2000, Fortis Properties purchased the remaining 50% of the common shares of Brunswick Square Limited for $6,150,000 in cash. This business acquisition has been accounted for using the purchase method, whereby the results of operations of Brunswick Square Limited have been proportionately consolidated to December 14, 2000 and consolidated thereafter.

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

2001	*(in thousands)*	**BECOL**	**Total**
Cost		**$ 103,077**	**$ 103,077**
Fair value assigned to net assets:			
Utilities' capital assets		**92,881**	**92,881**
Cash		**990**	**990**
Current assets		**11,114**	**11,114**
Current liabilities		**(95)**	**(95)**
Non-controlling interest		**(1,813)**	**(1,813)**
		$ 103,077	**$ 103,077**

2000 *(in thousands)*	Zeigler Energy Demand Ltd.	Income Producing Properties	Total
Cost	$ 100	$ 6,150	$ 6,250
Fair value assigned to net assets:			
Utilities' capital assets	11	-	11
Income producing properties	-	17,029	17,029
Cash	-	1,545	1,545
Current assets	27	797	824
Future income tax asset	-	1,642	1,642
Unearned revenue	(18)	-	(18)
Current liabilities	(26)	(1,383)	(1,409)
Long-term debt	-	(13,480)	(13,480)
Goodwill	106	-	106
	$ 100	$ 6,150	$ 6,250

18. Supplementary Information to Consolidated Statements of Cash Flows

(in thousands)	2001	2000
Interest paid	**$ 63,100**	$ 57,100
Income taxes paid	**$ 26,900**	$ 21,200

Change in non-cash working capital

(in thousands)	2001	2000
Current assets	**$ (27,092)**	$ (11,960)
Acquisition of current assets (Note 17)	**11,114**	824
Current liabilities	**(6,158)**	35,435
Acquisition of current liabilities (Note 17)	**(95)**	(1,409)
Deferred charges and other assets	**(3,506)**	(2,496)
	$ (25,737)	$ 20,394

19. Joint Ventures

The Corporation and National Grid USA each own 50% of the outstanding shares of Canadian Niagara Power. Both companies share equally in management and earnings. In addition, Fortis Properties owned 50% of the common shares of Brunswick Square Limited until December 14, 2000 at which time the remaining 50% was acquired (Note 17). The Corporation, through its wholly owned subsidiary, Central Newfoundland Energy, has entered into a joint venture with Abitibi-Consolidated Inc. to redevelop additional capacity at two of Abitibi-Consolidated Inc.'s hydroelectric plants (Note 22). The project is under development and there has been no impact on earnings in the current year.

The effect of the proportionate consolidation is summarized as follows:

	(in thousands)	2001	2000
Earnings	Operating revenues	**$ 20,293**	$ 28,956
	Operating expenses	**9,544**	16,165
	Finance charges	**1,146**	2,052
	Income taxes	**4,064**	3,226
		5,539	7,513
	Gain on sale of surplus land	**-**	1,029
	Earnings	**$ 5,539**	$ 8,542
Assets and Liabilities	Current assets	**$ 3,967**	$ 3,054
	Other assets	**5,334**	2,310
	Capital assets	**26,800**	25,072
	Long-term investment	**1,885**	1,616
		$ 37,986	$ 32,052
	Current liabilities	**$ 5,759**	$ 4,009
	Long-term liabilities	**20,038**	18,892
		$ 25,797	$ 22,901
Cash Flows	Operations	**$ 9,708**	$ 5,078
	Investing	**(6,819)**	(3,524)
	Financing	**(1,667)**	(3,879)
	Net cash flows	**$ 1,222**	$ (2,325)

20. Segmented Information

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

2001 *(in thousands)*	Newfoundland Power	Maritime Electric	Canadian Niagara Power	Belize Electricity	BECOL	Non-Utility	Corporate	Inter-Segment Eliminations	Consolidated
Operating revenues	$ 359,305	$ 97,488	$ 20,293	$ 72,355	$ 16,100	$ 73,859	$ 5,103	$ (16,249)	$ 628,254
Operating expenses	255,387	66,840	8,085	48,976	2,043	47,105	3,311	(13,400)	418,347
Amortization	34,003	10,260	1,459	7,805	1,636	3,621	3,711		62,495
Operating income	69,915	20,388	10,749	15,574	12,421	23,133	(1,919)	(2,849)	147,412
Finance charges	26,700	9,513	1,146	5,381	5,391	12,240	8,108	(2,849)	65,630
Income taxes	13,730	4,759	4,321	893		4,796	(411)		28,088
Gain on sale of income producing property (Note 12)						2,557			2,557
Income tax reassessment - Canadian Niagara Power			257						257
Results of discontinued operations (Note 15)						721			721
Non-controlling interest	623			2,962	313		(111)		3,787
Earnings	$ 28,862	$ 6,116	$ 5,539	$ 6,338	$ 6,717	$ 9,375	$ (9,505)		$ 53,442
Identifiable assets	$ 684,981	$ 249,952	$ 34,448	$ 216,816	$ 114,579	$ 238,146	$ 121,580	$ (35,750)	$ 1,624,752
Capital expenditures	$ 68,081	$ 14,565	$ 3,495	$ 30,226	$ 475	$ 32,563	$ 50		$ 149,455

2000 *(in thousands)*	Newfoundland Power	Maritime Electric	Canadian Niagara Power	Belize Electricity	BECOL (Note 17)	Non-Utility	Corporate	Inter-Segment Eliminations	Consolidated
Operating revenues	$ 348,413	$ 94,498	$ 18,444	$ 63,561		$ 52,101	$ 3,263	$ (83)	$ 580,197
Operating expenses	251,752	77,580	7,120	44,141		35,099	1,998	(83)	417,607
Amortization	29,625	8,229	1,350	6,846		3,315	3,148		52,513
Operating income	67,036	8,689	9,974	12,574		13,687	(1,883)		110,077
Finance charges	26,641	8,510	1,046	3,642		7,616	8,257		55,712
Income taxes	13,296	(1,435)	3,747	779		1,923	(1,082)		17,228
Gain on sale of certain trademark rights (Note 13)							1,209		1,209
Gain on sale of surplus land (Note 14)			1,029						1,029
Results of discontinued operations (Note 15)						533			533
Non-controlling interest	626			2,634			(111)		3,149
Earnings	$ 26,473	$ 1,614	$ 6,210	$ 5,519		$ 4,681	$ (7,738)		$ 36,759
Identifiable assets	$ 648,087	$ 219,474	$ 32,050	$ 178,771		$ 271,029	$ 129,185		$ 1,478,596
Capital expenditures	$ 43,680	$ 19,702	$ 3,350	$ 20,979		$ 69,425	$ 516		$ 157,652

21. Financial Instruments

Risk Management

The Corporation has exposure to foreign currency exchange rate fluctuations associated with its US 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 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 counterparties to its derivative financial instruments. Non-performance is not anticipated since these counterparties 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.

22. Commitments

On September 13, 2001, Newfoundland Power and 11003 NF closed a $46 million transaction to purchase 102,000 poles and related infrastructure from Aliant Telecom Inc. in Newfoundland. The $46 million transaction will be completed over a five-year period. Payments to December 31, 2001 totalled $23 million. Remaining payments are as follows:

January 1, 2002	$9.2 million
January 1, 2003	$4.6 million
January 1, 2004	$4.6 million
January 1, 2005	$4.6 million

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, will hold 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 $65 million of which $5.9 million was incurred as of December 31, 2001. The project will be financed principally with non-recourse debt.

In July 2001, Canadian Niagara Power entered into a ten-year operating lease agreement to lease the assets of Port Colborne Hydro Inc. Under the terms of a $15.7 million lease, the Corporation will be required to make monthly rental payments of $121,000. The transaction is subject to review and approval by the Ontario Energy Board. The lease term will commence once regulatory approval is received.

Maritime Electric has two take-or-pay contracts for either capacity or energy related to purchased power. 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 $74 million through December 31, 2004.

23. Contingent Liability

In 2000, the CCRA issued Notices of Reassessment to Newfoundland Power confirming the deductibility of certain amounts capitalized by Newfoundland Power for regulatory and accounting purposes, and reconfirming a 1995 reassessment, which included in income the value of electricity consumed in December but not billed until January. Newfoundland Power's practice, which has been consistent and is in accordance with regulatory requirements, is to record revenue on a billed basis.

Newfoundland Power believes it has reported its tax position appropriately and has filed a Notice of Objection with the Minister of National Revenue. 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 position, a liability of approximately $14.4 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. The application may include a request to change the current accounting practice of recognizing revenue when billed. If the PUB approves this change in accounting practice, electricity, valued at approximately $20.6 million, consumed in December but not billed until January 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 2000 reassessment is approximately $7 million.

24. Subsequent Event

On January 31, 2002, Fortis Properties purchased a high-rise tower in downtown St. John's, Newfoundland and Labrador for $14.3 million in cash.

Historical Financial Summary

	2001	2000	1999	1998
Statements of Earnings (in thousands $)				
Operating Revenues	**628,254**	580,197	505,218	472,725
Operating Expenses	**418,347**	417,607	356,227	339,429
Amortization	**62,495**	52,513	45,407	42,428
Finance Charges: Interest and amortization	**62,655**	52,737	43,090	40,662
Dividends on preference shares	**2,975**	2,975	2,975	2,975
Income Taxes	**28,088**	17,228	27,476	22,998
Results of Discontinued Operations and Other Unusual Items	**3,535**	2,771	(57)	3,696
Equity Income				
Non-Controlling Interest	**3,787**	3,149	803	515
Earnings Applicable to Common Shares	**53,442**	36,759	29,183	27,414
Balance Sheets (in thousands $)				
Current Assets	**134,935**	165,814	92,862	94,123
Long-Term Investments	**82,211**	81,515		
Other Assets	**123,011**	116,912	160,998	162,487
Capital Assets and Income Producing Properties	**1,284,595**	1,114,355	984,737	780,582
Total Assets	**1,624,752**	1,478,596	1,238,597	1,037,192
Current Liabilities	**273,313**	224,431	229,569	147,764
Long-Term Debt	**746,092**	678,349	487,828	424,275
Preference Shares	**50,000**	50,000	50,000	50,000
Deposits Due Beyond One Year			15,640	15,745
Deferred Credits	**70,283**	82,174	82,366	52,301
Non-Controlling Interest	**36,135**	31,502	29,381	8,430
Shareholders' Equity	**448,929**	412,140	343,813	338,677
Cash Flows (in thousands $)				
Operations	**94,115**	97,499	84,679	68,898
External Financing	**171,358**	177,820	66,797	15,858
Investing Activities	**239,726**	240,698	122,469	65,882
Dividends	**29,913**	27,661	24,303	23,824
Financial Statistics				
Return on Average Common Shareholders' Equity	**12.41%**	9.73%	8.55%	8.24%
Capitalization Ratios (year-end)				
Long-Term Debt	**58.2%**	57.8%	53.5%	51.7%
Non-Controlling Interest	**2.8%**	2.7%	3.2%	1.0%
Preference Shares	**3.9%**	4.3%	5.5%	6.1%
Common Shareholders' Equity	**35.1%**	35.2%	37.8%	41.2%
Interest Coverage				
Debt	**2.3**	2.1	2.3	2.2
All Fixed Charges	**2.2**	1.9	2.1	2.0
Capital Expenditures (in thousands $)	**149,455**	**157,652**	86,475	65,468
Common Share Data				
Book Value per Share (year-end) ($)	**29.97**	27.89	26.21	26.09
Average Common Shares Outstanding (in thousands)	**14,878**	13,517	13,047	12,908
Earnings per Common Share ($)	**3.59**	2.72	2.24	2.12
Dividends Declared per Common Share ($)	**1.88**	1.84	1.82	1.80
Dividends Paid per Common Share ($)	**1.87**	1.84	1.81	1.80
Dividend Payout Ratio	**52.1%**	67.6%	80.8%	84.9%
Price Earnings Ratio	**13.1**	13.2	14.0	18.0
Share Trading Summary				
Closing Price ($) (TSE)	**46.95**	36.00	31.40	38.25
Volume (in thousands) (TSE & ME)	**5,365**	6,690	2,256	3,089

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

1997	1996	1995	1994	1993	1992	1991
486,662	474,293	447,035	388,558	343,252	337,405	324,774
341,024	334,388	315,003	271,607	241,310	240,045	232,081
41,147	35,993	37,998	32,722	27,513	26,396	24,942
38,658	38,487	37,246	28,814	25,885	24,778	23,531
6,232	7,325	4,448	4,350	4,350	4,350	4,350
29,449	28,029	20,334	23,040	18,827	16,480	15,632
369						
				2,396	2,387	1,920
515	1,026	1,414	1,062	1,480	1,931	2,316
30,006	29,045	30,592	26,963	26,283	25,812	23,842
78,603	70,456	72,659	78,230	57,504	62,176	53,095
				36,574	35,526	30,755
160,445	160,470	120,289	94,618	57,398	50,887	45,147
778,348	766,608	723,461	664,713	508,213	493,631	474,831
1,017,396	997,534	916,409	837,561	659,689	642,220	603,828
172,158	172,493	153,368	160,864	102,660	96,638	125,134
385,627	335,654	285,343	264,699	221,988	218,906	157,312
50,000	100,000	100,000	50,000	50,000	50,000	50,000
20,444	17,448	16,703	18,172	19,683	13,517	13,213
54,194	53,658	47,307	48,337	25,621	25,820	26,480
8,430	8,430	18,990	20,702	10,905	22,296	29,889
326,543	309,851	294,698	274,787	228,832	215,043	201,800
63,202	86,351	60,701	62,134	62,194	61,244	57,671
16,721	33,992	60,057	64,557	4,174	16,805	30,072
54,093	95,838	103,078	106,405	48,924	53,245	68,802
22,968	22,416	22,048	24,136	21,893	21,508	21,521
9.43%	9.61%	10.74%	10.71%	11.84%	12.38%	12.66%
50.0%	44.5%	41.8%	44.3%	43.6%	43.5%	41.2%
1.1%	1.1%	2.7%	3.3%	2.2%	4.4%	6.2%
6.5%	13.3%	14.1%	8.1%	9.7%	9.8%	10.4%
42.4%	41.1%	41.4%	44.3%	44.5%	42.3%	42.2%
2.6	2.6	2.4	2.8	2.7	2.8	2.8
2.0	1.9	2.0	2.2	2.2	2.2	2.0
49,773	53,420	89,893	51,249	43,752	46,916	45,052
25.58	24.83	24.18	23.29	22.13	21.10	20.04
12,623	12,319	12,100	10,949	10,270	10,131	9,907
2.38	2.36	2.53	2.46	2.56	2.55	2.41
1.77	1.72	1.70	1.64	1.56	1.50	1.48
1.76	1.72	1.69	1.62	1.54	1.49	1.48
73.9%	72.9%	66.8%	65.9%	60.2%	58.8%	61.4%
17.6	14.4	10.8	10.5	11.2	9.6	9.9
42.00	34.00	27.25	25.75	28.63	24.50	23.88
3,380	3,405	2,018	2,030	3,041	2,186	1,773

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), Frank J. Coleman, Rex V. Gibbons, Derrick E. Gill, Derek F. Hiscock, Frank P. Howard, Philip G. Hughes, James A. Lea, H. Stanley Marshall, Dell Texmo, Peter Woodward, Lynn R. Young

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

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 and Corporate Secretary
John D. Gaudet, Vice President, Operations

FortisUS Energy Corporation

Directors: H. Stanley Marshall (Chair), William J. Daley, Wendell H. Roberts

Officers:
James A. Lea, President and Chief Executive Officer
J. William Geldert, Vice President and Corporate Secretary
Darlene D. Auld, Treasurer

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
Michael Polonio, Vice President, Customer Services and Business Development
Joseph Sukhnandan, Vice President, Planning and Engineering
Felix Murrin, Vice President, Operations
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 W. Smith, Vice President
Philip G. Hughes, Vice President
John G. Evans, Vice President
Ronald W. McCabe, Secretary

Canadian Niagara Power Company, Limited

Directors: Richard Drouin (Chair), Gilbert S. Bennett, Albert J. Budney, William E. Davis, H. Stanley Marshall, Karl W. Smith

Officers:
Mardon J. Erbland, President and Chief Executive Officer
Timothy B. Curtis, Vice President, Finance and Chief Financial Officer
William J. Daley, Vice President, Corporate Development
Frederick J. O'Brien, Vice President, Operations
Ronald W. McCabe, Corporate Secretary

Caribbean Utilities Company, Limited

Directors: Joseph A. Imparato (Chairman), Frank J. Crothers (Vice Chair), Phillip A. Barnes, Ian L. Boxall, Bruce D.C. Drake, Robert D. Imparato, H. Stanley Marshall, David E. Ritch, Karl W. Smith, Peter A. Thomson, A. Joel Walton

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, Senior Vice President and Chief Information Officer
Ian L. Boxall, General Counsel
Deborah E. Bergstrom, Vice President, Human Resources and 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 and Engineering
J. Lee Tinney, Vice President, Transmission and Distribution

Fortis Properties Corporation

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

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, Employee and Hospitality Services
Wayne W. Myers, Vice President, Operations - Maritimes
Ronald W. McCabe, General Counsel and Corporate Secretary

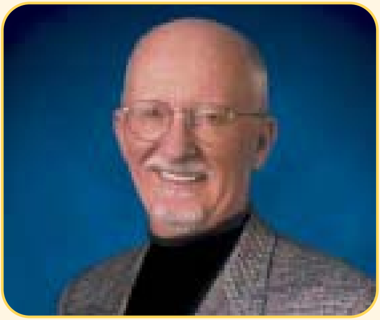
Board of Directors

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

Dr. Bruneau, 66, 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 and Canadian Institute of Child Health.

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

Mr. Chafe, 65, 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.

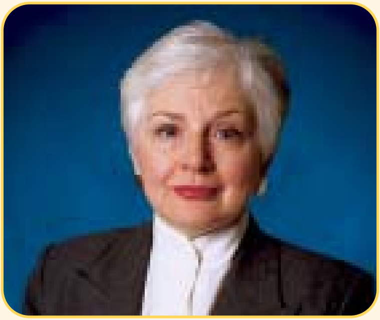


Darryl D. Fry
Corporate Director
Sarasota, Florida

Mr. Fry, 63, 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. He is a Director of EPMed Systems.

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

Mr. Hyland, 57, 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, 54, was elected to the Fortis Inc. Board in 1994. She is past Chair of the Board of Newfoundland Power Inc. Dr. Inkpen was appointed Chair of the Board of Fortis Properties Corporation in 2000. She is also a member of the Council for Canadian Unity.

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

Mr. Marshall, 51, 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

Mr. McCallum, 58, 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. Mr. McCallum also serves as a Director of Investors Group Inc., Toromont Inc. and Wawanesa.

Roy P. Rideout
Chairman and CEO, Clarke Inc.
Etobicoke, Ontario

Mr. Rideout, 54, joined the Fortis Inc. Board in May 2001. Prior to 1998, he served as President of Newfoundland Capital Corporation Limited. Mr. Rideout also serves as a Director of Halterm Ltd. and 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
Place Montreal Trust
6th Floor, 1800 McGill College Avenue
Montreal, Quebec H3A 3K9
T: 514-982-7555
T: 1-800-564-6253
F: 514-982-7635
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.

Dividend Reinvestment Plan and Consumer Share Purchase Plan

Fortis Inc. offers a Dividend Reinvestment Plan* and a Consumer Share Purchase Plan** 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.

** 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.*

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

Valuation Day

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

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

Share Listings

Toronto Stock Exchange
Common Shares: FTS
First Preference, Series B: FTS.PR.B

Stock Prices

	High	Low	Close
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
1992	25.38	21.25	24.50

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 Date

May 3, 2002	August 9, 2002
November 9 , 2002	February 7, 2003

Expected Dividend Payment Date

June 1, 2002	September 1, 2002
December 1, 2002	March 1, 2003

Expected Earnings Release Date

April 30, 2002	July 31, 2002
October 30, 2002	January 29, 2003

Annual General Meeting

Wednesday, May 15, 2002
11:00 a.m., Newfoundland Standard Time
Holiday Inn St. John's
180 Portugal Cove Road
St. John's, Newfoundland and Labrador, Canada

Analyst and Investor Inquiries

Manager, Investor and Public Relations
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F: 709-737-5307
E: investorrelations@fortisinc.com

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

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F: 709-737-5832
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Maritime Electric Company, Limited
180 Kent Street
PO Box 1328
Charlottetown, Prince Edward Island
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F: 902-629-3665
W: www.maritimeelectric.com

Belize Electric Company Limited
2 1/2 Miles Northern Highway
PO Box 327
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Central America
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F: 501-9-24512

Belize Electricity Limited
2 1/2 Miles Northern Highway
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Belize City, Belize
Central America
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F: 501-2-30891
W: www.bel.com.bz

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F: 905-871-8676
W: www.cnpower.com

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F: 315-348-6847

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

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F: 709-737-3785
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Printer: Robinson-Blackmore, St. John's, Newfoundland and Labrador
Design & Production: CCL Milestone, St. John's, Newfoundland and Labrador

Printed on recyclable paper

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