FORTIS INC.

Third Quarter Report 2003

Dear Shareholder:

Fortis is pleased to deliver earnings of $18.1 million for the third quarter.

The stability of the third quarter earnings reflects the diversification of our assets. The strong performance of Newfoundland Power, Maritime Electric, Caribbean Utilities and Fortis Properties mitigated the impact of lower-than-normal rainfall levels on earnings at BECOL, the impact of lower electricity prices on the earnings at FortisOntario and the effect of the depreciation of the US dollar on our foreign investments.

In September, Fortis entered into agreements to acquire all of the shares of Aquila Networks Canada (Alberta) Ltd. and Aquila Networks Canada (British Columbia) Ltd. for aggregate consideration of $1.36 billion, subject to certain adjustments. These regulated electricity businesses provide electricity to more than 525,000 customers primarily in southern and central Alberta and southern British Columbia. The acquisition, which is expected to close in the first half of 2004, gives Fortis a significant presence in the electric utility industry in Alberta and British Columbia which complements our utility operations in other provinces in Canada and in the Caribbean. It strategically positions Fortis as the leading Canadian electric distribution utility.

Fortis has obtained commitments from the Bank of Nova Scotia to provide the financing for this acquisition and, upon closing, Fortis intends to replace the acquisition financing with permanent financing in the form of common equity, preferred equity and long-term debt. To fulfill the common equity financing related to this acquisition, in October, Fortis raised gross proceeds of approximately $350 million through a public offering of Subscription Receipts.

We are pleased to announce that Mr. Philip Hughes, President and Chief Executive Officer of Newfoundland Power, will be moving to Alberta to lead the successful integration of these businesses into the Fortis Group of Companies. Mr. Karl Smith, Vice President, Finance and Chief Financial Officer of Fortis Inc., will become the new President and Chief Executive Officer of Newfoundland Power effective January 1, 2004.

The acquisition of these regulated electricity businesses in Western Canada is a continuation of our profitable growth strategy. It is a unique opportunity and a logical step in our development. We have a long record of success in utility operations. We remain committed to our strategy to grow our business profitably.

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

Fortis Inc. Financial Highlights Period Ended September 30				
($000s, except per share amounts)	Quarter		Year-to-date	
	2003	**2002**	**2003**	**2002**
Revenue	**191,445**	169,927	**632,456**	519,247
Cash flow from operations [(1)]	**35,270**	34,258	**112,309**	101,166
Earnings applicable to common shares	**18,114**	17,989	**58,870**	49,528
Earnings per common share ($)	**1.05**	1.05	**3.40**	3.10
	Electricity Sales (GWh)			
	Quarter		Year-to-date	
	2003	2002	**2003**	2002
Newfoundland Power	**845**	828	**3,701**	3,603
FortisOntario[(2)]	**441**	305	**1,405**	698
Maritime Electric [(3)]	**247**	226	**779**	763
Belize Electricity	**83**	74	**230**	207
BECOL	**21**	36	**35**	65

(1) *Before working capital adjustments. Certain comparative figures have been reclassified to conform with current year's classifications.*

(2) *Fortis' utility investments in Ontario, referred to as FortisOntario, include the operations of Canadian Niagara Power, Cornwall Electric and, as of April 1, 2003, the operating subsidiaries of Granite Power Corporation ("Granite Power"). Fortis acquired the remaining 50 per cent interest in Canadian Niagara Power on July 1, 2002 and its initial 50 per cent interest is reported on a proportionate consolidation basis up to July 1, 2002. Effective May 1, 2002, FortisOntario's distribution and generation businesses were separated as required by restructuring of the Ontario electricity industry. FortisOntario's unregulated generation business now sells its production entirely into the Ontario electricity market and its regulated distribution business meets its sales requirements from power purchased from that market. Prior to May 1, 2002, FortisOntario's generation business supplied power directly to its distribution customers. Gross revenue and electricity sales are reported at 100 per cent in both years for Canadian Niagara Power and from date of acquisition for Cornwall Electric and Granite Power.*

(3) *Results of Maritime Electric include operations of FortisUS Energy.*

Note: Financial information in this release is presented in Canadian dollars unless otherwise specified.

Earnings applicable to common shares were $18.1 million compared to $18.0 million for the same period last year. Year-to-date earnings were $58.9 million compared to $49.5 million for the same period last year. Earnings per common share were $1.05 for the third quarter, consistent with the same period last year. Year-to-date earnings per share were $3.40 compared to $3.10 for the same period last year.

Significant Developments

Utility

In September, Fortis entered into agreements to acquire all of the shares of Aquila Networks Canada (Alberta) Ltd. and Aquila Networks Canada (British Columbia) Ltd. for aggregate consideration of $1.36 billion, subject to certain adjustments. The closing of the transaction is subject to regulatory approvals and is expected to occur in the first half of 2004. These companies provide electricity to more than 525,000 customers primarily in southern and central Alberta and southern British Columbia.

The transaction will more than double the customer base of Fortis to approximately 900,000 and will expand its service territories across Canada to 5 provinces. Fortis' total assets will increase approximately 75 per cent to surpass $3.6 billion. Its regulated asset base will increase to approximately $2.8 billion, of which approximately 85 per cent will be located in Canada.

Fortis has obtained commitments from the Bank of Nova Scotia to provide the financing for this acquisition and, upon closing, Fortis intends to replace the acquisition financing with permanent financing in the form of common equity, preferred equity and long-term debt. To fulfill the common equity financing related to this acquisition, in October 2003, Fortis issued 6,310,000 Subscription Receipts at $55.50 each for gross proceeds of $350,205,000.

Non-Utility

In October, Fortis Properties acquired 4 hotels in Ontario, located in Cambridge, Kitchener, Sarnia and Peterborough, for an aggregate purchase price of $43.2 million. This acquisition increases the Company's hotel portfolio 50 per cent and closely reflects the customer and operational profile of Fortis Properties' other hotels located throughout Atlantic Canada. This acquisition marks a milestone as the Company's first acquisition outside Atlantic Canada.

The following table outlines Fortis' segmented results for the third quarter 2003 and year-to-date compared to the same periods last year.

Fortis Inc.
Earnings Contributions (Unaudited)
Period Ended September 30

($ millions)	Quarter		Year-to-date	
	2003	**2002**	**2003**	**2002**
Earnings (Loss)				
Newfoundland Power	**4.2**	3.9	**24.6**	23.3
FortisOntario(1)	**4.6**	4.8	**13.4**	7.3
Maritime Electric (2)	**1.9**	1.6	**6.1**	5.2
Belize Electricity	**1.9**	2.3	**4.9**	5.3
BECOL	**0.7**	3.1	**(1.6)**	3.6
Caribbean Utilities	**2.7**	1.3	**7.4**	3.7
Fortis Properties	**4.2**	3.5	**8.4**	6.9
Corporate	**(2.1)**	(2.5)	**(4.3)**	(5.8)
Earnings applicable to common shares	**18.1**	18.0	**58.9**	49.5
Basic earnings per common share ($)	**1.05**	1.05	**3.40**	3.10

(1) Represents contribution to Fortis from the dates of acquisitions of Canadian Niagara Power, Cornwall Electric and Granite Power.
(2) Results of Maritime Electric include operations of FortisUS Energy.

UTILITY OPERATIONS

Newfoundland Power

Newfoundland Power Financial Highlights (Unaudited) Period Ended September 30				
	Quarter		Year-to-date	
	2003	2002	2003	2002
Electricity Sales (GWh)	**845**	828	**3,701**	3,603
($ Millions)				
Revenue	**71.4**	68.8	**289.8**	275.7
Energy Supply Costs	**39.2**	35.3	**165.2**	149.5
Operating Expenses	**12.1**	12.5	**38.8**	37.8
Amortization	**6.1**	7.8	**24.1**	29.5
Finance Charges	**7.4**	6.6	**22.4**	19.7
Corporate Taxes and Non-controlling Interest	**2.4**	2.7	**14.7**	15.9
Earnings Contribution	**4.2**	3.9	**24.6**	23.3

Earnings: Newfoundland Power's earnings for the third quarter were $4.2 million compared to $3.9 million for the same period last year. Year-to-date earnings were $24.6 million compared to $23.3 million last year. Increased energy sales and a decrease in depreciation expense were partially offset by the reduction in electricity rates, higher finance charges and increased regulatory and insurance costs.

Electricity sales: Electricity sales for the third quarter were 845 gigawatt hours ("GWh") compared to 828 GWh for the same period last year. Year-to-date electricity sales were 3,701 GWh, 2.7 per cent higher than the same period last year. The Company's year-to-date residential electricity sales increased 2.7 per cent as a result of growth in the number of customers and average use. Year-to-date commercial electricity sales grew 2.8 per cent primarily as a result of growth in the number of customers and average use.

Revenue: Revenue for the third quarter was $71.4 million compared to $68.8 million for the same period last year. Year-to-date revenue was $289.8 million compared to $275.7 million for the same period last year. The increase was attributable to both higher dectricity sales and a 3.68 per cent electricity rate increase effective September 2002. The rate increase was associated with a flow through of a 6.5 per cent increase in purchased power costs from Newfoundland and Labrador Hydro ("Newfoundland Hydro"). These increases were partially offset by an average 0.15 per cent reduction in rates effective August 1, 2003. The Newfoundland and Labrador Board of Commissioners of Public Utilities ("PUB") issued an order with respect to Newfoundland Power's 2003 General Rate Application ("GRA") in June 2003. The Order included a final determination of rates for 2003 and resulted in a $2.7 million rebate to customers, recorded in the second quarter, as well as a 0.15 per cent reduction in rates.

Energy Supply Costs: Energy supply costs for the third quarter were $39.2 million compared to $35.3 million for the same period last year. Year-to-date energy supply costs were

$165.2 million compared to $149.5 million last year. This increase was due to both higher electricity sales and the increase in the purchased power rate from Newfoundland Hydro in September 2002.

Operating Expenses: Operating expenses for the third quarter were $12.1 million compared to $12.5 million for the same period last year. The decrease in operating expenses for the third quarter was due to productivity gains. Year-to-date operating expenses were $38.8 million compared to $37.8 million last year. The increase was due to higher insurance costs and higher regulatory costs associated with the GRA.

Amortization Expense: Amortization expense for the third quarter was $6.1 million compared to $7.8 million for the same period last year. Year-to-date amortization expense was $24.1 million compared to $29.5 million last year. The decrease was the result of the PUB's decision to reduce depreciation rates to reflect longer asset lives and to amortize, over a 3-year period, approximately $17.2 million in excess accumulated amortization.

Finance Charges: Finance charges for the third quarter were $7.4 million compared to $6.6 million for the same period last year. Year-to-date finance charges increased $2.7 million compared to last year. In the fourth quarter of 2002, Newfoundland Power raised $75 million through the issue of 30-year, 7.52 per cent First Mortgage Sinking Fund Bonds. The funds were used to repay lower rate short-term borrowings, resulting in an increase in finance charges.

FortisOntario

FortisOntario includes the operations of Canadian Niagara Power, Cornwall Electric and, as of April 1, 2003, the operating subsidiaries of Granite Power. Fortis acquired the remaining 50 per cent interest in Canadian Niagara Power in July 2002 and, on October 17, 2002, the Corporation acquired a 100 per cent interest in Cornwall Electric. Fortis' initial 50 per cent interest in Canadian Niagara Power is reported on a proportionate consolidation basis up to July 1, 2002. Fortis' utility investments in Ontario were reorganized during the second quarter of 2003 and operations continue under FortisOntario Inc., a wholly owned subsidiary of Fortis Inc.

The Ontario electricity industry was restructured in 2002. On May 1, 2002, FortisOntario's distribution and generation businesses were separated as required by regulation. The Company's unregulated generation business now sells its entire production into the Ontario electricity market and its regulated distribution business meets its sales requirements with power purchased from that market. Prior to May 1, 2002, FortisOntario's generation business supplied power directly to its distribution customers. Its remaining generation was then sold into the wholesale electricity market in New York. As a result of the acquisitions completed in 2002, increases in wholesale electricity prices and the industry restructuring, electricity sales, revenue and energy supply costs are significantly higher this year compared to last year.

The following table summarizes FortisOntario's electricity sales and earnings for the third quarter. To enhance comparability, electricity sales, revenue, expenses and earnings for 2002 are reported assuming 100 per cent for Canadian Niagara Power for the entire year.

Information for Cornwall Electric and Granite Power is provided from the dates of acquisitions only.

FortisOntario Financial Highlights (Unaudited) Period Ended September 30								
	Electricity Sales (GWh)				Revenue/Earnings ($ millions)			
	Quarter		Year-to-date		Quarter		Year-to-date	
	2003	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**
Wholesale	**164**	164	**488**	388	**7.7**	10.8	**27.7**	18.6
Distribution	**277**	141	**917**	310	**31.5**	17.2	**86.8**	30.7
Transmission(1)	**-**	-	**-**	-	**1.3**	1.4	**3.8**	2.2
Other Revenue (2)	**-**	-	**-**	-	**0.7**	0.3	**2.8**	0.6
Total Sales/Revenue(Gross)	**441**	305	**1,405**	698	**41.2**	29.7	**121.1**	52.1(3)
Energy Supply	**(270)**	(141)	**(899)**	(218)	**(25.4)**	(14.3)	**(69.9)**	(18.4)
Total Sales/Revenue (Net)	**171**	164	**506**	480	**15.8**	15.4	**51.2**	33.7
Operating Expenses					**4.4**	5.4	**15.6**	12.7
Amortization					**2.4**	1.1	**7.5**	2.7
Finance Charges					**2.4**	0.9	**7.0**	2.2
Corporate Taxes					**2.0**	3.2	**7.7**	6.3
Earnings					**4.6**	4.8	**13.4**	9.8 (3)

(1) *Effective May 1, 2002, FortisOntario derives revenue from its portion of total transmission assets in Ontario.*
(2) *Includes interest on investments, gains/losses on disposals, foreign exchange, heating and miscellaneous electricity sales.*
(3) *Total revenue reported by Fortis in 2002 was $40.9 million. The earnings contribution reported by Fortis in 2002 was $7.3 million.*

Earnings: FortisOntario's earnings were $4.6 million for the third quarter compared to $4.8 million for the same period last year. Year-to-date, FortisOntario contributed $13.4 million compared to $7.3 million for the same period last year. The third quarter earnings decreased as a result of lower wholesale electricity prices in Ontario compared to the same period last year, offset by lower operating costs. The year-to-date growth in earnings results from the acquisition of the remaining 50 per cent interest in Canadian Niagara Power, increased wholesale electricity prices in Ontario in the first half of the year and the acquisition of Cornwall Electric and Granite Power. Earnings were negatively affected by the amortization of water rights which commenced upon the acquisition of the remaining 50 per cent interest in Canadian Niagara Power.

Electricity Sales: Electricity sales for the third quarter were 441 GWh compared to 305 GWh for the same period last year. Year-to-date electricity sales were 1,405 GWh compared to 698 GWh last year. The increase in wholesale electricity sales arises from the establishment of a wholesale electricity market in Ontario as a result of industry restructuring. The increase in distribution electricity sales relates to sales made by Port Colborne Hydro, Cornwall Electric and Granite Power.

Revenue: Revenue from wholesale electricity sales for the third quarter was $7.7 million compared to $10.8 million for the same period last year. Year-to-date revenue was $27.7 million compared to $18.6 million last year. The decrease in revenue from wholesale electricity sales in the third quarter relates to lower wholesale electricity prices compared to the same period last year. The average price received was $45.87 per megawatt hour ("MWh") compared to $65.82 per MWh for the same period last year. The year-to-date increase was due to the increase in electricity sales as well as an increase in average price received. Year-to-date, the average price received was $56.41 per MWh compared to $48.00 per MWh for the same period last year.

Revenue from distribution sales for the third quarter was $31.5 million compared to $17.2 million for the same period last year. Year-to-date revenue was $86.8 million compared to $30.7 million last year. The increase was a result of distribution sales at Port Colborne Hydro, Cornwall Electric and Granite Power.

Revenue from transmission services for the third quarter was $1.3 million compared to $1.4 million for the same period last year. Year-to-date revenue from transmission services was $3.8 million compared to $2.2 million last year. As a result of the restructuring of the Ontario electricity industry, FortisOntario now derives revenue from its portion of total transmission assets in the Province.

Other revenue for the third quarter was $0.7 million compared to $0.3 million for the same period last year. Year-to-date, other revenue was $2.8 million compared to $0.6 million last year. The increase relates to heating sales from the Cornwall District Heating cogeneration facility, which was acquired in the fourth quarter of 2002.

Energy Supply Costs: Energy supply costs for the third quarter were $25.4 million compared to $14.3 million for the same period last year. Year-to-date energy supply costs were $69.9 million compared to $18.4 million last year. The increase relates to the acquisition of Cornwall Electric and Granite Power. As well, prior to May 1, 2002, no expense was associated with purchased power at Canadian Niagara Power as distribution sales were fully supplied from the entitlement associated with the Rankine Generating Plant. Effective May 1, 2002, Canadian Niagara Power began purchasing its power from the Independent Market Operator to supply its distribution businesses in Fort Erie and Port Colborne. Cornwall Electric purchases most of its power from Hydro Quebec while Granite Power purchases most of its power from Hydro One Networks Inc.

Operating Expenses: Operating expenses for the third quarter were $4.4 million compared to $5.4 million for the same period last year. Year-to-date operating expenses were $15.6 million compared to $12.7 million last year. The decrease in the third quarter primarily relates to lower water rights fees associated with wholesale electricity sales. On a year-to-date basis, the overall increase relates to operating expenses associated with companies acquired in 2002.

Amortization: The $4.8 million year-to-date increase in amortization expense is associated with the acquisition of Cornwall Electric and Granite Power and the amortization of water rights.

Finance Charges: The $4.8 million increase in finance charges year-to-date is associated with financing the acquisitions of Cornwall Electric and Granite Power and the lease costs of Port Colborne Hydro.

Maritime Electric[1]

Maritime Electric Financial Highlights (Unaudited) Period Ended September 30				
	Quarter		Year-to-date	
Electricity Sales (GWh)	**2003**	2002	**2003**	**2002**
Maritime Electric	**243**	226	**723**	703
FortisUS Energy	**4**	0	**56**	60
($ Millions)				
Revenue	**24.6**	23.4	**74.5**	71.7
Energy Supply Costs	**13.6**	12.7	**39.8**	38.6
Operating Expenses	**3.0**	3.1	**9.9**	9.4
Amortization	**2.4**	2.2	**7.2**	7.1
Finance Charges	**2.3**	2.3	**7.0**	6.9
Corporate Taxes	**1.4**	1.5	**4.5**	4.5
Earnings Contribution	**1.9**	1.6	**6.1**	5.2

Earnings: Earnings for the third quarter were $1.9 million compared to $1.6 million for the same period last year. Year-to date earnings were $6.1 million compared to $5.2 million last year. The increase in earnings results from increased electricity sales and increased wholesale electricity prices received by FortisUS Energy.

Electricity Sales: Electricity sales for the third quarter on Prince Edward Island were 243 GWh, 7.5 per cent higher than the same period last year. Year-to-date electricity sales were 723 GWh, 2.8 per cent higher than the same period last year. The modest year-to-date increase was due to the departure of the City of Summerside as a wholesale customer on April 1, 2002. The City of Summerside contributed 26.2 GWh for the same period last year. Excluding the electricity sales to the City of Summerside, year-to-date residential sales increased 6.0 per cent and commercial sales increased 7.9 per cent. The increase in residential sales was due to an increase in average use, up 4.1 per cent compared to same period last year, and the increase in commercial sales was primarily the result of increased consumption in the potato processing sector.

Electricity sales for the third quarter for FortisUS Energy were 4 GWh compared to 0.4 GWh for the same period last year. Year-to-date electricity sales were 56 GWh compared to 60 GWh last year. The Company experienced lower production in the first quarter as a result of colder-than-normal weather conditions which led to reduced runoff in the watershed area.

Revenue: Revenue for the third quarter was $24.6 million compared to $23.4 million for the same period last year. Year-to-date revenue was $74.5 million compared to $71.7 million last year. The loss in revenue from the City of Summerside was offset by the increase in both residential and commercial sales and a 2.1 per cent basic rate increase on April 1, 2003. Also, the Company derived transmission revenues from a third party for the use of its

[1] Unless otherwise stated, results of Maritime Electric include operations of FortisUS Energy.

transmission system. Lower year-to-date production at FortisUS Energy was offset by higher wholesale electricity prices which averaged US$38.08 per MWh compared to US$23.94 per MWh for the same period last year.

Energy Supply Costs: Maritime Electric purchases the majority of its energy from New Brunswick Power Corporation ("NB Power") and Emera Inc. through several energy purchase agreements. The $1.2 million year-to-date increase in energy supply costs was the result of increased electricity sales partially offset by a 3.2 per cent decrease in the unit cost for purchased and produced energy compared to the same period last year.

Maritime Electric continues to plan for the construction of a new 50-MW generating facility on Prince Edward Island. This facility, which will operate on light oil or natural gas, will address submarine cable loading issues and reduce reliance on imported electricity. The targeted in-service date is late 2005. During the third quarter, management successfully negotiated an Energy Purchase Agreement with NB Power to replace the current agreement that expires on October 31, 2003. It will also replace the Emera Energy Agreement upon its expiry on December 31, 2004. The main benefit will be a significant reduction in volatility associated with the price of purchased electricity.

Operating Expenses: Operating expenses for the third quarter were $3.0 million compared to $3.1 million for the same period last year. Year-to-date operating expenses were $9.9 million compared to $9.4 million last year. The year-to-date increase in operating expenses was primarily due to higher insurance premiums, higher post-retirement benefit costs and increased property maintenance costs.

Amortization: The slight increase in amortization expense relates to amortization of deferred expenses associated with generation planning which commenced in the third quarter of 2003.

Belize Electricity

Belize Electricity Financial Highlights (Unaudited) Period Ended September 30				
	Quarter		Year-to-date	
	2003	2002	2003	2002
Electricity Sales (GWh)	**83**	74	**230**	207
($ Millions)				
Revenue	**19.2**	20.2	**55.6**	58.4
Energy Supply Costs	**9.9**	10.1	**28.3**	28.4
Operating Expenses	**3.1**	2.8	**9.4**	10.1
Amortization	**1.7**	2.1	**5.5**	6.3
Finance Charges	**1.4**	1.6	**4.5**	5.0
Corporate Taxes and Non-controlling Interest	**1.2**	1.3	**3.0**	3.3
Earnings Contribution	**1.9**	2.3	**4.9**	5.3

Earnings: Earnings for the third quarter were $1.9 million compared to $2.3 million for the same period last year. Year-to-date earnings were $4.9 million compared to $5.3 million for the same period last year. Increased electricity sales were offset by reduced electricity rates, increased operating expenses and depreciation of the US dollar relative to the Canadian dollar.

Electricity Sales: Electricity sales for the third quarter were 83 GWh, 12 per cent higher than the same period last year. Year-to-date electricity sales were 230 GWh, 11 per cent higher than last year. The increase was driven by growth in the residential and streetlight segments.

Revenue: Revenue for the third quarter was $19.2 million compared to $20.2 million for the same period last year. Year-to-date revenue was $55.6 million compared to $58.4 million last year. Reduced electricity rates and the depreciation of the US dollar relative to the Canadian dollar were the main reasons for the decrease..

Excluding the effect of the depreciation of the US dollar, year-to-date revenue increased 6.1 per cent compared to last year. The increase relates to increased electricity sales which were partially offset by a reduction in electricity rates of $0.02 per kilowatt hour ("kWh") implemented in July 2002 and a reduction in electricity rates of $0.01 per kWh implemented in July 2003. This reduction in rates is part of Fortis' commitment to reduce basic rates by $0.05 over a 5-year period. Rates have been reduced by $0.04 per kWh in total since Fortis acquired the Company in October 1999.

Energy Supply Costs: Energy supply costs for the third quarter were $9.9 million compared to $10.1 million for the same period last year. Year-to-date costs were $28.3 million compared to $28.4 million last year. The increase in energy costs associated with higher electricity sales was offset by depreciation of the US dollar relative to the Canadian dollar.

Operating Expenses: Operating expenses for the third quarter were $3.1 million compared to $2.8 million for the same period last year. The increase in operating expenses relates to increased insurance costs and increased provision for bad debts, partially offset by the depreciation of the US dollar relative to the Canadian dollar.

Other: Year-to-date, the decrease in operating expenses, amortization and financing charges is primarily associated with the depreciation of the US dollar relative to the Canadian dollar.

BECOL

BECOL Financial Highlights (Unaudited) Period Ended September 30				
	Quarter		Year-to-date	
	2003	2002	2003	2002
Energy Sales (GWh)	**21**	36	**35**	65
($ Millions)				
Revenue	**3.3**	6.2	**6.6**	12.3
Operating Expenses	**0.4**	0.4	**1.3**	1.2
Amortization	**0.4**	0.6	**1.3**	1.4
Finance Charges	**1.7**	1.9	**5.5**	5.8
Non-controlling Interest	**0.1**	0.2	**0.1**	0.3
Earnings Contribution	**0.7**	3.1	**(1.6)**	3.6

BECOL's energy production in the third quarter was 21 GWh compared to 36 GWh for the same period last year. Year-to-date, energy production was 35 GWh compared to 65 GWh last year. Lower-than-normal rainfall levels caused this decrease in production resulting in lower revenues and earnings.

In April 2003, the Public Utilities Commission ("PUC") approved construction of the Chalillo Project, a hydroelectric facility which will provide BECOL with greater water storage, thereby improving the Company's ability to meet growing energy demand and enhance reliability of supply. The PUC's approval follows the recent Court of Appeal decision which upheld the ruling of the Supreme Court of Belize confirming that appropriate approval of the Chalillo Project had been received. Construction of the Chalillo Project commenced in the second quarter with completion expected in 2005.

Caribbean Utilities

Caribbean Utilities Earnings Contribution (Unaudited) Period Ended September 30				
($ Millions)	Quarter		Year-to-date	
	2003	2002	2003	2002
Earnings Contribution	**2.7**	1.3	**7.4**	3.7

In the first quarter of 2003, Fortis increased its investment in Caribbean Utilities to approximately 38 per cent from approximately 22 per cent. As a result, Fortis commenced accounting for its investment in Caribbean Utilities on an equity basis. Previously, the Corporation accounted for this investment on a cost basis whereby only the dividends received from Caribbean Utilities were recorded in earnings.

NON-UTILITY OPERATIONS

Fortis Properties

Fortis Properties Financial Highlights (Unaudited) Period Ended September 30				
($ Millions)	Quarter		Year-to-date	
Revenue	2003	2002	2003	2002
Real Estate	**12.7**	12.7	**38.1**	36.0
Hospitality	**17.4**	13.3	**42.6**	31.5
Total Revenue	**30.1**	26.0	**80.7**	67.5
Operating Expenses	**17.5**	15.1	**50.1**	41.5
Amortization	**1.1**	1.0	**3.2**	3.0
Finance Charges	**4.1**	3.7	**12.2**	10.5
Corporate Taxes	**3.2**	2.7	**6.8**	5.6
Earnings Contribution	**4.2**	3.5	**8.4**	6.9

Earnings: Earnings for the third quarter were $4.2 million compared to $3.5 million for the same period last year. Year-to-date earnings were $8.4 million compared to $6.9 million last year. The growth in earnings relates primarily to hotel properties acquired in 2002.

Revenue: Real estate revenue for the third quarter was $12.7 million, consistent with the same quarter last year. Year-to-date real estate revenue grew 5.8 per cent over the same period last year primarily due to the acquisition of Kings Place in 2002. The occupancy level in the Real Estate Division was 94.2 per cent at September 30, 2003 compared to 94.9 per cent at September 30, 2002.

Hospitality revenue for the third quarter grew to $17.4 million, a 30.8 per cent increase over the same period last year. Year-to-date hospitality revenue grew to $42.6 million, a 35.2 per cent increase over last year. The growth is primarily attributable to the acquisition of the Delta St. John's Hotel. Revenue per available room ("REVPAR") for the third quarter was $92.99 compared to $86.44 for the same period last year. The 7.6 per cent increase in REVPAR is attributable to an increase in average room rate as occupancy remained consistent with the previous year.

Operating Expenses: Operating expenses for the third quarter were $17.5 million compared to $15.1 million for the same period last year. Year-to-date operating expenses were $50.1 million compared to $41.5 million last year. The increase relates to the properties acquired in 2002.

Finance Charges: Finance charges for the third quarter were $4.1 million compared to $3.7 million for the same period last year. Year-to-date finance charges were $12.2 million compared to $10.5 million last year. The increase in finance charges relates to the additional debt incurred in 2002 to acquire Kings Place, Cabot Place and the Delta St. John's Hotel.

CORPORATE

Corporate Financial Highlights (Unaudited) Period Ended September 30				
($ Millions)	Quarter		Year-to-date	
	2003	2002	**2003**	**2002**
Total Revenue	**2.5**	1.4	**8.3**	4.1
Operating Expenses	**0.6**	2.0	**2.6**	2.7
Amortization	**0.1**	0.2	**0.4**	0.5
Finance Charges	**2.8**	2.9	**9.1**	9.1
Corporate Taxes	**(0.5)**	(1.2)	**(1.6)**	(2.4)
Preference Shares Dividends	**1.6**	-	**2.1**	-
Net Corporate Expenses	**(2.1)**	(2.5)	**(4.3)**	(5.8)

The Corporate segment captures a number of expense and revenue items not specifically related to any operating segment. Included in net corporate expenses are finance costs related to debt incurred directly by Fortis Inc., other corporate expenses net of recoveries from subsidiaries, miscellaneous revenues and income taxes.

Net corporate expenses for the third quarter totaled $2.1 million, $0.4 million lower than the same period last year. The increase in inter-company revenues and lower operating expenses was partially offset by an increase in dividends on preference shares. The preference share dividends are associated with the issuance of $125 million First Preference Shares, Series C in June 2003. The decreased operating expenses relates to deferral of acquisition costs, previously expensed in the second quarter, as well as timing differences compared to last year.

Year-to-date, net corporate expenses totaled $4.3 million compared to $5.8 million last year. The $1.5 million decrease is attributable to an increase in inter-company revenues partially offset by increased dividends on preference shares.

CONSOLIDATED FINANCIAL POSITION

The following table outlines the significant changes in the consolidated balance sheets as at December 31, 2002 and September 30, 2003.

Fortis Inc. Significant Changes in the Consolidated Balance Sheets as at December 31, 2002 and September 30, 2003		
($ Millions)	**Increase**	**Explanation**
Cash and cash held in escrow	**47.2**	Increased cash primarily relates to completion of the Fortis Properties refinancing of Brunswick Square in Saint John, New Brunswick and the completion of FortisOntario's $52 million financing during the third quarter of 2003.
Accounts receivable	**(5.1)**	The decrease primarily relates to seasonality of sales at both Newfoundland Power and Maritime Electric offset by an increase in receivables at FortisOntario as a result of the acquisition of Cornwall Electric in 2002.
Deferred charges	**17.2**	Increased deferred pension costs at Newfoundland Power resulting from funding of the pension plan in excess of pension accrual, increased deferred costs associated with the Chalillo Project, acquisition costs associated with the purchase of utilities in Alberta and British Columbia and issuance costs of Subscription Receipts.
Utility capital assets	**33.3**	Utility capital expenditures of $115 million year-to-date and the acquisition of Granite Power offset by regular amortization and decrease in the value of assets denominated in US dollars as a result of the appreciation of the Canadian dollar.
Investments	**70.9**	Increased investment in Caribbean Utilities.
Intangibles	**(2.5)**	Relates to amortization of water rights held by FortisOntario.
Goodwill	**5.8**	The increase primarily relates to the acquisition of Granite Power on April 1, 2003. The purchase price allocation of certain investments in Ontario was also revalued during the second quarter.
Short-term borrowings	**(69.6)**	The decrease primarily relates to certain short-term financing repaid with gross proceeds from preference share issue in June 2003. The timing of utility capital expenditures and lower unit energy prices at Maritime Electric also contributed to the decrease.
Accounts payable and accruals	**(2.6)**	The decrease in accounts payable relates to seasonality of electricity sales offset by an increase in property tax accrual at Fortis Properties.
Long-term debt (including current portion)	**87.9**	The increase is associated with financing activities in 2003. Fortis Inc. issued a US$10 million debenture, FortisOntario secured a $5 million revolving loan, Canadian Niagara Power and Cornwall Electric issued $52 million in Unsecured Notes, Fortis Properties completed a $35 million refinancing of the Brunswick Square complex in Saint John, New Brunswick and the Exploits Partnership and Belize Electricity drew down approximately $49 million on their project financings. The cash received from financing activities was partially offset by regular debt repayment, repayment of short-term debt, repayment of the Fortis Properties expiring debt, the payment of dividends on common shares and a reduction in the value of US denominated debt as a result of the appreciation of the Canadian dollar.
Future income taxes	**4.1**	The increase primarily relates to the Cornwall Electric purchase price reallocation adjustment completed in the second quarter.
Non-controlling interest	**(3.1)**	This decrease results from the depreciation of the US dollar relative to the Canadian dollar.
Shareholders' equity	**148.1**	A $125 million preference share issue completed in June 2003 and increased earnings contributed to the increase in shareholders' equity. This increase was partially offset by the $15.2 million decrease in the foreign currency translation adjustment account resulting from the depreciation of the US dollar relative to the Canadian dollar. 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 loss is accumulated under shareholders' equity.

LIQUIDITY AND CAPITAL RESOURCES

The following table outlines the summary of cash flow.

Fortis Inc. Summary of Cash Flow (Unaudited) Quarter Ended September 30		
($ Millions)	**2003**	**2002**
Cash, beginning of period	**34,222**	64,031
Cash provided by (used in)		
Operating activities	**54,328**	44,909
Investing activities	**(60,352)**	(77,996)
Financing activities	**51,040**	6,520
Foreign currency impact on cash balances	**(88)**	341
Cash, end of period	**79,150**	37,805

Operating Activities: Cash flow from operations for the third quarter, after working capital adjustments, was $54.3 million compared to $44.9 million for the same period last year. The improved working capital position at Newfoundland Power primarily contributed to this increase.

Investing Activities: Cash used in investing activities for the third quarter was $60.4 million compared to $78.0 million for the same period last year. The decrease in investing activities primarily relates to the acquisition of Canadian Niagara Power in the third quarter of 2002. Excluding this acquisition, investing activities increased $17.7 million compared to the same period last year. The increase relates to timing of utility capital asset additions as well as costs associated with the issuance of subscription receipts in September 2003.

Financing Activities: Cash provided from financing activities was $51.0 million compared to $6.5 million in the same period last year. During the third quarter of 2003, Canadian Niagara Power and Cornwall Electric, both regulated subsidiaries of FortisOntario, issued $52 million, 7.092 per cent Unsecured Notes due 2018. Fortis Properties completed a $35 million refinancing of the Brunswick Square complex in Saint John, New Brunswick. The Exploits Partnership and Belize Electricity drew down approximately $28.6 million on their existing project financings. The cash received from financing activities was partially offset by regular debt repayment, repayment of short-term debt, repayment of the Fortis Properties expiring debt and the payment of dividends on common shares.

Foreign Currency Impact: The decrease in cash as a result of foreign currency impact was $0.09 million compared to an increase of $0.3 million for the same period last year. This decrease was a direct result of the depreciation of the US dollar relative to the Canadian dollar.

Capital Structure

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

Fortis Inc. Capital Structure				
	September 30, 2003		December 31, 2002	
	($ Millions)	**Per cent**	($ Millions)	Per cent
Total Debt (net of cash)	**1,053.9**	**59.0**	1,082.9	64.8
Shareholders' Equity	**734.0**	**41.0**	585.8	35.2
Total	**1,787.9**	**100.0**	1,668.7	100.0

The improved capital structure results primarily from the completion of the public offering of 5 million preference shares for gross proceeds of $125 million.

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Fortis Inc.
Consolidated Balance Sheets (Unaudited)
As at
(in thousands)

	September 30 2003	December 31 2002
ASSETS		
Current assets		
Cash and cash equivalents	$ 79,150	$ 26,258
Accounts receivable	131,011	136,072
Materials and supplies	16,979	17,792
	227,140	180,122
Corporate income tax deposit	6,949	6,949
Cash held in escrow	7,792	13,458
Deferred charges	116,157	98,933
Utility capital assets	1,250,180	1,216,842
Income producing properties	289,154	289,447
Investments	166,719	95,751
Intangibles, net of amortization	23,340	25,823
Goodwill	65,435	59,674
	$ 2,152,866	$ 1,986,999
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	$ 87,538	$ 157,190
Accounts payable and accrued charges	142,652	145,236
Current installments of long-term debt	30,089	24,379
Future income taxes	5,782	7,662
	266,061	334,467
Long-term debt	1,023,177	940,910
Deferred credits	62,458	61,464
Future income taxes	30,327	24,360
Non-controlling interest	36,863	39,955
	1,418,886	1,401,156
Shareholders' equity		
Common shares	327,900	320,229
Preference shares	122,992	-
Contributed surplus	665	220
Equity portion of convertible debentures	1,741	1,390
Foreign currency translation adjustment	(8,945)	6,228
Retained earnings	289,627	257,776
	733,980	585,843
	$ 2,152,866	$ 1,986,999

See accompanying notes to the financial statements

Fortis Inc.
Consolidated Statements of Earnings (Unaudited)
For the period ended September 30
(in thousands, except per share amounts)

	Quarter Ended		Year-to-date	
	2003	2002	**2003**	2002
Operating revenues	**$ 191,445**	$ 169,927	**$ 632,456**	$ 519,247
Expenses				
Operating	**126,291**	108,087	**425,652**	334,293
Amortization	**14,395**	14,961	**49,341**	49,609
	140,686	123,048	**474,993**	383,902
Operating income	**50,759**	46,879	**157,463**	135,345
Finance charges				
Interest	**21,358**	17,656	**61,630**	51,660
Dividends on preference shares	**-**	744	**-**	2,232
Earnings before income taxes and non-controlling interest	**29,401**	28,479	**95,833**	81,453
Income taxes	**8,500**	9,027	**31,993**	28,681
Earnings before non-controlling interest	**20,901**	19,452	**63,840**	52,772
Non-controlling interest	**1,099**	1,463	**2,722**	3,244
Earnings	**19,802**	17,989	**61,118**	49,528
Dividends on preference shares	**1,688**	-	**2,248**	-
Earnings applicable to common shares	**$ 18,114**	$ 17,989	**$ 58,870**	$ 49,528
Average common shares outstanding	**17,333**	17,132	**17,291**	15,978
Earnings per common share				
Basic	**$ 1.05**	$ 1.05	**$ 3.40**	$ 3.10
Diluted	**$ 1.03**	$ 1.04	**$ 3.35**	$ 3.06

Consolidated Statement of Retained Earnings (Unaudited)
For the period ended September 30
(in thousands)

	2003	2002	**2003**	2002
Balance at beginning of period	**$ 280,593**	$ 244,365	**$ 257,776**	$ 227,701
Earnings applicable to common shares	**18,114**	17,989	**58,870**	49,528
	298,707	262,354	**316,646**	277,229
Dividends on common shares	**(9,080)**	(8,400)	**(27,019)**	(23,275)
Balance at end of period	**$ 289,627**	$ 253,954	**$ 289,627**	$ 253,954

See accompanying notes to the financial statements

Fortis Inc.
Consolidated Statements of Cash Flows (Unaudited)
For the nine months ended September 30
(in thousands)

	Quarter Ended		Year-to-date	
	2003	2002	**2003**	2002
Operating Activities				
Earnings before non-controlling interest	**$ 20,901**	$ 19,452	**$ 63,840**	$ 52,772
Items not affecting cash				
Amortization-capital assets, net of contributions in aid of construction	**13,051**	13,437	**45,849**	47,144
Amortization-intangibles	**641**	-	**2,483**	-
Amortization-other	**703**	1,525	**1,009**	2,465
Future income taxes	**2,715**	1,235	**3,210**	2,768
Accrued employee future benefits	**(1,335)**	(619)	**(3,868)**	(4,279)
Equity income, net of dividends	**(625)**	-	**(1,826)**	-
Stock-based compensation	**149**	-	**445**	-
Other	**(930)**	(772)	**1,167**	296
	35,270	34,258	**112,309**	101,166
Change in non-cash operating working capital	**19,058**	10,651	**3,268**	(3,566)
	54,328	44,909	**115,577**	97,600
Investing Activities				
Change in deferred charges and credits	**(9,609)**	252	**(17,321)**	(4,527)
Purchase of utility capital assets	**(50,002)**	(41,452)	**(115,060)**	(106,827)
Purchase of income producing properties	**(744)**	(1,414)	**(2,440)**	(45,880)
Proceeds on sale of capital assets	**3**	1	**505**	5
Business acquisitions, net of cash	**-**	(35,390)	**(8,830)**	(35,390)
Increase in investments	**-**	7	**(71,029)**	(12,334)
	(60,352)	(77,996)	**(214,175)**	(204,953)
Financing Activities				
Change in short-term borrowings	**(32,015)**	(10,213)	**(69,398)**	(24,077)
Proceeds from long-term debt, net of cash held in escrow	**115,640**	35,035	**155,666**	99,211
Repayment of long-term debt	**(26,779)**	(14,437)	**(36,517)**	(24,608)
Contributions in aid of construction	**3,336**	1,750	**4,310**	3,699
Advance from non-controlling interest	**601**	1,376	**895**	1,376
Issue of common shares	**1,432**	1,858	**7,671**	100,322
Issue of preference securities	**-**	-	**121,861**	-
Dividends				
Common shares	**(9,080)**	(8,400)	**(27,019)**	(23,275)
Non-controlling interests	**(2,095)**	(449)	**(3,542)**	(1,410)
	51,040	6,520	**153,927**	131,238
Effect of exchange rate changes on cash	**(88)**	341	**(2,437)**	(365)
Change in cash and cash equivalents	**44,928**	(26,226)	**52,892**	23,520
Cash and cash equivalents, beginning of period	**34,222**	64,031	**26,258**	14,285
Cash and cash equivalents, end of period	**$ 79,150**	$ 37,805	**$ 79,150**	$ 37,805

See accompanying notes to the financial statements

1. Basis of Presentation

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and do not include all of the disclosures normally found in the Fortis Inc. ("the Corporation") annual consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the Corporation's consolidated financial statements for the year ended December 31, 2002.

These financial statements have been prepared following the same accounting policies and methods as those used in preparing the most recent annual financial statements, except as noted below. The Newfoundland and Labrador Board of Commissioners of Public Utilities ("PUB") has ordered that pension costs of the defined benefit plans be actuarially determined using the projected benefits method prorated on service and best estimate assumptions, consistent with previous year. Accordingly, the plan assets are now valued using the market-related method for valuing assets. In the previous year, plan assets were valued at fair value. As a result, the annual pension expense will decrease by approximately $1.2 million in 2003. The PUB has ordered that this change be accounted for prospectively effective January 1, 2003.

2. Seasonal Nature of Operations

Interim results will fluctuate due to the seasonal nature of electricity demand and water flows as well as the timing and recognition of regulatory decisions. Consequently, interim results are not necessarily indicative of annual results.

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. As a result, operating revenues and expenses are reported on a weather-adjusted basis.

3. 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;
(c) an unlimited number of First Preference Shares, Series B without nominal or par value.
(d) an unlimited number of First Preference Shares, Series C without nominal or par value.

3. Capital Stock (continued)

a) Issued and Outstanding	September 30, 2003 Number of Shares	September 30, 2003 Amount (in thousands)	December 31, 2002 Number of Shares	December 31, 2002 Amount (in thousands)
Common Shares	**17,347,731**	**$ 327,900**	17,192,064	$ 320,229
Preference Shares, Series C	**5,000,000**	**122,992**	-	-

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

	Quarter Ended September 30, 2003 Number of Shares	Quarter Ended September 30, 2003 Amount (in thousands)	Year-to-date September 30, 2003 Number of Shares	Year-to-date September 30, 2003 Amount (in thousands)
Balance, beginning of period	**17,321,896**	**$ 326,468**	**17,192,064**	**$ 320,229**
Consumer Share Purchase Plan	**5,430**	**322**	**18,971**	**1,047**
Dividend Reinvestment Plan	**11,552**	**684**	**35,872**	**1,997**
Employee Share Purchase Plan	**4,454**	**264**	**23,841**	**1,294**
Directors' Stock Option Plan	**-**	**-**	**25,750**	**1,050**
Executive Stock Option Plan	**4,399**	**162**	**51,233**	**2,283**
	17,347,731	**$ 327,900**	**17,347,731**	**$ 327,900**

b) Preference Shares

On May 26, 2003, Fortis issued 5,000,000 cumulative redeemable convertible First Preference Shares, Series C ("Preference Shares") for gross proceeds of $125 million. Net proceeds after tax effected issuance costs totalled $123 million. The Preference Shares are entitled to fixed cumulative preferential cash dividends at a rate of $1.3625 per share per annum. On or after June 1, 2010, the Company may, at its option, redeem for cash the Preference Shares, in whole at any time or in part from time to time, at $25.75 per share if redeemed before June 1, 2011, at $25.50 per share if redeemed on or after June 1, 2011 but before June 1, 2012, at $25.25 per share if redeemed on or after June 1, 2012 but before June 1, 2013 and at $25.00 per share if redeemed on or after June 1, 2013 plus, in each case, all accrued and unpaid dividends up to but excluding the date fixed for redemption.

On or after June 1, 2010, the Corporation may, at its option, convert all, or from time to time any part of the outstanding Preference Shares into fully-paid and freely-tradeable common shares of the Corporation. The number of common shares into which each Preference Share may be so converted will be determined by dividing the then applicable redemption price per Preference Share, together with all accrued and unpaid dividends up to but excluding the date fixed for conversion, by the greater of $1.00 and 95 per cent of the then current market price of the common shares at such time.

3. Capital Stock (continued)

On or after September 1, 2013, each Preference Share will be convertible at the option of the holder on the third day of September, December, March and June of each year into that number of freely tradeable common shares determined by dividing $25.00, together with all accrued and unpaid dividends up to but excluding the date fixed for conversion, by the greater of $1.00 and 95 per cent of the then current market price of the common shares. If a holder of Preference Shares elects to convert any of such shares into common shares, the Corporation may elect to redeem such Preference Shares for cash or arrange for the sale of those shares to substitute purchasers.

c) Earnings per Common Share

The Corporation calculates earnings per common share on the weighted average number of common shares outstanding. The year-to-date weighted average common shares outstanding is 17,291,278 and 15,978,483 at September 30, 2003 and 2002, respectively. The quarter ended weighted average common shares outstanding is 17,333,440 and 17,131,840 at September 30, 2003 and 2002, respectively. Diluted earnings per common share is calculated using the treasury stock method for options and the "if-converted" method for convertible securities.

	Quarter Ended September 30			Year-to-date September 30		
Earnings per Common Share		**2003**	2002		**2003**	2002
Basic	**$**	**1.05**	1.05	**$**	**3.40**	3.10
Diluted	**$**	**1.03**	1.04	**$**	**3.35**	3.06

d) Stock Options

The Corporation is authorized to grant certain key employees and directors of Fortis Inc. and its subsidiaries options to purchase common shares of the Corporation. At September 30, 2003, the Corporation had the following stock-based compensation plans: the Executive Stock Option Plan, Directors' Stock Option Plan, 2002 Stock Option Plan and Employee Share Purchase Plan. The 2002 Stock Option Plan was adopted at the Annual and Special General Meeting on May 15, 2002 to ultimately replace the Executive and Directors' Stock Option Plans. The Executive and Directors' Stock Options Plans will cease to exist when all outstanding options are exercised or expire in or before 2011. At September 30, 2003, 1,986,237 common shares remained in the reserve for issue under the terms of the above plans.

3. Capital Stock (continued)

Number of Options:	**Quarter Ended September 30, 2003**	**Year-to-date September 30, 2003**
Outstanding at beginning of period	**615,425**	**499,630**
Granted	**-**	**188,379**
Exercised	**(4,399)**	**(76,983)**
Outstanding at end of period	**611,026**	**611,026**
Options vested at end of period		**195,402**

Weighted Average Exercise Prices:	
Outstanding at beginning of period	$ 41.86
Granted	$ 51.24
Exercised	$ 43.25
Outstanding at end of period	$ 44.57

Details of stock options outstanding are as follows:	**Number of Options**	**Exercise Price**	**Expiry Date**
	49,067	$36.83	2004
	32,341	$29.15	2005
	20,000	$38.27	2006
	141,691	$38.27	2011
	179,548	$48.14	2012
	188,379	$51.24	2013
	611,026		

e) Stock-based Compensation

On March 13, 2003, the Corporation issued 188,379 options on common shares under its 2002 Stock Option Plan at the 5-day average trading price of $51.24. These options vest evenly over a 4-year period on each anniversary of the date of grant. The options expire 10 years after the date of grant. The fair market value of the options granted was estimated on the date of grant using the Black-Scholes fair value option-pricing model and the following assumptions:

Dividend yield (%)	**4.16**
Expected volatility (%)	**13.30**
Risk-free interest rate (%)	**4.90**
Weighted-average expected life (years)	**7.5**

3. Capital Stock (continued)

The Corporation records compensation expense upon the issuance of stock options under its Stock Option Plans. Using the fair value method, the compensation expense is amortized over the 4-year vesting period of the options. Upon exercise, the proceeds of the option are credited to capital stock at the option price. Therefore, an exercise of options below the current market price has a dilutive effect on capital stock and shareholders' equity. Under the fair value method, compensation expense increased by $0.2 million for the quarter ended September 30, 2003 and $0.5 million for the 9 months ended September 30, 2003 compared to the same period last year with an offsetting credit to contributed surplus.

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4. Segmented Information

Information by reportable segment is as follows:

Quarter ended September 30, 2003 *(in thousands of dollars)*	**Newfoundland Power**	**Fortis Ontario**	**Maritime Electric**	**Belize Electricity**	**BECOL**	**Fortis Properties**	**Corporate[1]**	**Inter-segment eliminations**	**Consolidated**
Operating revenues	**71,443**	**41,188**	**24,566**	**19,256**	**3,347**	**30,081**	**5,264**	**(3,700)**	**191,445**
Operating expenses	**51,317**	**29,825**	**16,572**	**13,046**	**394**	**17,539**	**612**	**(3,014)**	**126,291**
Amortization	**6,141**	**2,435**	**2,436**	**1,716**	**418**	**1,142**	**107**	**-**	**14,395**
Operating income	**13,985**	**8,928**	**5,558**	**4,494**	**2,535**	**11,400**	**4,545**	**(686)**	**50,759**
Finance charges	**7,407**	**2,331**	**2,281**	**1,427**	**1,739**	**4,096**	**2,763**	**(686)**	**21,358**
Income taxes	**2,222**	**1,942**	**1,370**	**261**	**-**	**3,075**	**(370)**	**-**	**8,500**
Non-controlling interest	**147**	**7**	**-**	**898**	**94**	**-**	**1,641**	**-**	**2,787**
Earnings (Loss)	**4,209**	**4,648**	**1,907**	**1,908**	**702**	**4,229**	**511**	**-**	**18,114**
Goodwill	**-**	**45,577**	**19,858**	**-**	**-**	**-**	**-**	**-**	**65,435**
Identifiable assets, excluding goodwill	**740,865**	**167,289**	**254,560**	**222,300**	**85,898**	**346,484**	**300,345**	**(30,310)**	**2,087,431**
Capital expenditures	**17,161**	**4,753**	**3,683**	**18,172**	**841**	**744**	**5,392**	**-**	**50,746**

Quarter ended September 30, 2002 *(in thousands of dollars)*	Newfoundland Power	Fortis Ontario	Maritime Electric	Belize Electricity	BECOL	Fortis Properties	Corporate[1]	Inter-segment eliminations	Consolidated
Operating revenues	68,844	29,719	23,429	20,242	6,209	25,960	2,672	(7,148)	169,927
Operating expenses	47,853	19,684	15,780	12,872	379	15,117	2,026	(5,624)	108,087
Amortization	7,855	1,073	2,184	2,082	598	980	189	-	14,961
Operating income	13,136	8,962	5,465	5,288	5,232	9,863	457	(1,524)	46,879
Finance charges	6,556	910	2,317	1,585	1,912	3,705	2,939	(1,524)	18,400
Income taxes	2,497	3,208	1,528	266	-	2,708	(1,180)	-	9,027
Non-controlling interest	154	11	-	1,117	211	-	(30)	-	1,463
Earnings (Loss)	3,929	4,833	1,620	2,320	3,109	3,450	(1,272)	-	17,989
Goodwill	-	36,016	19,858	-	-	-	-	-	55,874
Identifiable assets, excluding goodwill	698,607	80,780	252,496	225,401	111,508	273,121	192,514	(29,185)	1,805,242
Capital expenditures	14,394	1,534	4,639	6,207	232	1,414	14,446	-	42,866

[1] Earnings received from Caribbean Utilities Company, Ltd. are included in Corporate operating revenues. See Note 5 to the interim consolidated financial statements.

4. Segmented Information (continued)

Information by reportable segment is as follows:

Year-to-date September 30, 2003 *(in thousands of dollars)*	**Newfoundland Power**	**Fortis Ontario**	**Maritime Electric**	**Belize Electricity**	**BECOL**	**Fortis Properties**	**Corporate[1]**	**Inter-segment eliminations**	**Consolidated**
Operating revenues	**289,882**	**121,147**	**74,462**	**55,617**	**6,585**	**80,673**	**16,390**	**(12,300)**	**632,456**
Operating expenses	**204,012**	**85,533**	**49,752**	**37,711**	**1,259**	**50,118**	**2,670**	**(5,403)**	**425,652**
Amortization	**24,137**	**7,530**	**7,219**	**5,491**	**1,289**	**3,278**	**397**	**-**	**49,341**
Operating income	**61,733**	**28,084**	**17,491**	**12,415**	**4,037**	**27,277**	**13,323**	**(6,897)**	**157,463**
Finance charges	**22,433**	**6,918**	**6,964**	**4,529**	**5,517**	**12,176**	**9,990**	**(6,897)**	**61,630**
Income taxes	**14,275**	**7,714**	**4,459**	**743**	**-**	**6,659**	**(1,857)**	**-**	**31,993**
Non-controlling interest	**453**	**11**	**-**	**2,277**	**88**	**-**	**2,141**	**-**	**4,970**
Earnings (Loss)	**24,572**	**13,441**	**6,068**	**4,866**	**(1,568)**	**8,442**	**3,049**	**-**	**58,870**
Goodwill	**-**	**45,577**	**19,858**	**-**	**-**	**-**	**-**	**-**	**65,435**
Identifiable assets, excluding goodwill	**740,865**	**167,289**	**254,560**	**222,300**	**85,898**	**346,484**	**300,345**	**(30,310)**	**2,087,431**
Capital expenditures	**43,760**	**8,732**	**9,954**	**31,563**	**2,174**	**2,440**	**18,877**	**-**	**117,500**

Year-to-date September 30, 2002 *(in thousands of dollars)*	Newfoundland Power	Fortis Ontario	Maritime Electric	Belize Electricity	BECOL	Fortis Properties	Corporate[1]	Inter-segment eliminations	Consolidated
Operating revenues	275,708	40,897	71,753	58,417	12,302	67,462	7,758	(15,050)	519,247
Operating expenses	187,285	25,379	48,047	38,459	1,237	41,460	2,703	(10,277)	334,293
Amortization	29,514	1,848	7,072	6,270	1,434	2,979	492	-	49,609
Operating income	58,909	13,670	16,634	13,688	9,631	23,023	4,563	(4,773)	135,345
Finance charges	19,729	1,550	6,953	5,045	5,755	10,465	9,168	(4,773)	53,892
Income taxes	15,441	4,788	4,485	738	-	5,646	(2,417)	-	28,681
Non-controlling interest	460	11	-	2,569	294	-	(90)	-	3,244
Earnings (Loss)	23,279	7,321	5,196	5,336	3,582	6,912	(2,098)	-	49,528
Goodwill	-	36,016	19,858	-	-	-	-	-	55,874
Identifiable assets, excluding goodwill	698,607	80,780	252,496	225,401	111,508	273,121	192,514	(29,185)	1,805,242
Capital expenditures	42,204	2,702	12,307	13,229	673	45,880	35,712	-	152,707

(1) Earnings received from Caribbean Utilities Company, Ltd. are included in Corporate operating revenues. See Note 5 to the interim consolidated financial statements.

5. Business Acquisitions

Caribbean Utilities Company, Ltd.

On January 30, 2003, the Corporation acquired, through its wholly owned subsidiary, Fortis Electricity (Bermuda) Ltd., an additional 3,863,695 Class A Ordinary Shares of Caribbean Utilities Company, Ltd. ("Caribbean Utilities") for a purchase price of US$11.90 per share. This acquisition represented approximately 16 per cent of the outstanding Class A Ordinary Shares of Caribbean Utilities, which increases the Corporation's holding to approximately 38 per cent. As a result, Fortis commenced accounting for its investment in Caribbean Utilities on an equity basis effective February 1, 2003. Previously, the Corporation accounted for this investment on a cost basis whereby only the dividends received from Caribbean Utilities were recorded in earnings.

Granite Power

On April 2, 2003, FortisOntario acquired the operating subsidiaries of Granite Power Corporation (collectively, "Granite Power") for $8.8 million. Granite Power distributes electricity to approximately 3,800 customers primarily situated in Gananoque, Ontario and generates electricity from 5 hydroelectric generating stations with a combined capacity of 6 megawatts ("MW").

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

(in thousands of dollars)		**Granite Power**
Fair value assigned to net assets:		
Utility capital assets	$	6,003
Current assets		1,805
Long-term investments		9
Goodwill		4,039
Other assets		262
Current liabilities		(2,759)
Future income taxes		(478)
Other liabilities		(42)
		8,839
Cash		25
	$	**8,864**

6. Long-term Debt

Corporate

Convertible Debentures

On May 20, 2003, Fortis issued US$10 million of unsecured subordinated convertible debentures which are redeemable by the Corporation at par at any time on or after May 20, 2008, and are convertible, at the option of the holder, into the Corporation's common shares at US$47.86 per share. The debentures are subordinated to all other indebtedness of the Corporation, other than subordinated indebtedness ranking equally to the Debentures.

The convertible subordinated debentures are being accounted for in accordance with their substance and are presented in the financial statements in their component parts, measured at their respective fair values at the time of issue.

Belize Electricity

Belize Electricity secured a BZ$10 million, 10.5 per cent, 5-year loan from the First Caribbean International Bank. As of September 30, 2003, BZ$9.1 million had been drawn on this facility.

FortisOntario

FortisOntario has drawn $5 million on its revolving demand loan to finance the acquisition of Granite Power.

On August 14, 2003, Canadian Niagara Power and Cornwall Electric, both regulated subsidiaries of FortisOntario, issued $52 million 7.092 per cent Unsecured Notes due 2018. The proceeds from the private placement were used to refinance existing short-term indebtedness.

Fortis Properties

On September 17, 2003, Fortis Properties completed a $35 million refinancing of the Brunswick Square complex in Saint John, New Brunswick. The proceeds were partially used to repay the expiring debt of approximately $ 21.5 million.

7. Contingent Liability

Cornwall Electric

Cornwall Electric was acquired from Enbridge Consumers Electricity Inc. ("Enbridge") on October 17, 2002. In May 2003, Cornwall Electric received the Canada Customs and Revenue Agency ("CCRA") reassessment disallowing amounts claimed as capital cost allowance ("CCA") in respect of a Class 14 asset of Cornwall Electric. As a result, the CCA deductions totalling $2,095,511 claimed during the 1998 to 2001 taxation years were disallowed and Cornwall Electric was ordered to pay $0.7 million in taxes and interest. Cornwall Electric has also paid $0.5 million in taxes and interest to the Ministry of Finance of Ontario regarding the CCA claim during the 1998 to 2001 taxation years. Both these amounts have been recovered from Enbridge under the indemnity in the purchase and sale agreement with Enbridge. The opening undepreciated capital cost of the Class 14 asset is also being reduced from approximately $19.4 million to nil. The future tax asset associated with this Class 14 asset is currently valued at approximately $5.7 million on Cornwall Electric's balance sheet.

Cornwall Electric believes it has reported its tax position appropriately and has filed a Notice of Objection with CCRA. Should Cornwall Electric be unsuccessful in defending its position, Fortis would execute its indemnity under the purchase and sale agreement with Enbridge. The $3.3 million potential exposure to Fortis, as estimated by management, has been recorded as an adjustment to the Cornwall Electric purchase price allocation equation, increasing both goodwill and future taxes payable.

8. Commitment

On September 15, 2003, Fortis entered into agreements to acquire all of the shares of Aquila Networks Canada (Alberta) Ltd. ("Aquila Alberta") and Aquila Networks Canada (British Columbia) Ltd. ("Aquila British Columbia") from Aquila, Inc., a U.S. energy company based in Kansas City, for aggregate cash consideration of $1.36 billion subject to certain adjustments. The closing of the transaction is subject to fulfillment of customary conditions including receipt of required regulatory approvals and is expected to occur in the first half of 2004.

Fortis has obtained commitments from the Bank of Nova Scotia to provide the financing for the acquisition. Upon closing of the acquisition, Fortis intends to replace the acquisition financing with permanent financing in the form of common equity (refer to Note 9, Subscription Receipt Offering), preferred equity and long-term debt. Fortis plans to raise debt at the operating company levels as well as the Fortis Inc. level.

9. Subsequent Event

Subscription Receipts Offering

On October 8, 2003, Fortis issued 6,310,000 Subscription Receipts at $55.50 each for gross proceeds of $350,205,000. The gross proceeds of the Offering will be used, subsequent to receipt of all required approvals and satisfaction or waiver of applicable closing conditions, to finance a portion of the purchase consideration for the Alberta and British Columbia utility acquisitions. The gross proceeds from the sale of Subscription Receipts are held by an escrow agent pending, among other things, receipt of all regulatory and government approvals required to finalize the acquisition by Fortis of the Canadian regulated electricity assets of Aquila, Inc., and fulfillment or waiver of all other outstanding conditions precedent to closing the acquisition. Each Subscription Receipt will entitle the holder thereof to receive, on satisfaction of the closing conditions referred to above, and without payment of additional consideration, one Common Share of Fortis and a cash payment equal to the dividends declared on Fortis' Common Shares during the period from October 8, 2003 to the date of issuance of the Common Shares in respect of the Subscription Receipts. In the event that the applicable closing conditions are not satisfied prior June 30, 2004, or if either of the share purchase agreements relating to the acquisition is terminated prior to such time, the holders of Subscription Receipts will be entitled to receive an amount equal to the full subscription price thereof plus their pro rata share of the interest earned or income generated on such amount.

Property Acquisition

On October 1, 2003, Fortis Properties acquired 4 hotels in Ontario, located in Cambridge, Kitchener, Sarnia and Peterborough, for an aggregate purchase price of $43.2 million. On October 21, 2003, Fortis Properties secured $30 million in financing with Commercial Mortgage Operators Company of Canada and the remainder of the acquisition price was financed with net proceeds from the refinancing of Brunswick Square.

Utility Acquisition

On October 1, 2003, FortisOntario purchased the Rideau Falls Limited Partnership for $2.1 million. The Rideau Falls Limited Partnership owns and operates a 2-MW hydro-electric plant in the City of Ottawa.

Fortis Inc., on occasion, may include forward-looking statements in its media releases, in other filings with Canadian regulators, in reports to shareholders and in other communications. By their very nature, forward-looking statements are subject to certain risks and uncertainties that may cause actual results to vary from plans, objectives and estimates. Such risks and uncertainties include, but are not limited to, general economic, market and business conditions; regulatory developments, weather, competition, etc. 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.

Dates – Dividends* and Earnings

Expected Earnings Release Dates

February 10, 2004	April 28, 2004
August 3, 2004	November 2, 2004

Expected Dividend Record Dates

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

Expected Dividend Payment Dates

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

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

Registrar and Transfer Agent

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Share Listings

Common Shares, Preference Shares, Series C and Subscription Receipts of Fortis Inc. trade on the Toronto Stock Exchange under the symbols FTS, FTS.PR.C and FTS.R, respectively.

Share Price Quarter Ended June 30		
	2003	2002
High	60.95	50.25
Low	54.25	43.05
Close	55.50	50.00