

FORTIS INC.

REPORT TO SHAREHOLDERS RESULTS FOR THE QUARTER ENDED SEPTEMBER 30, 1998

Consolidated earnings for the three months ended September 30, 1998 declined to \$4.3 million from \$5.2 million in 1997. Newfoundland Power and Maritime Electric recorded lower earnings due to reduced rates charged to customers in 1998. In addition, the corporation incurred approximately \$1 million in expenses in order to bid on the acquisition of certain hydro generating assets in the United States. The bid was unsuccessful and these costs have been expensed in the third quarter.

RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1998

Consolidated earnings for the nine months ended September 30, 1998 were \$20.4 million compared to \$26.7 million in 1997. The decrease in earnings results from the lower rates in effect at Newfoundland Power and Maritime Electric and the costs related to the unsuccessful bid for generating assets.

UTILITY OPERATIONS

Newfoundland Power

Energy sales for the nine months decreased slightly from 3343 GWh in 1997 to 3332 GWh in 1998. A reduction in average usage by residential customers was partially offset by increased energy sales to commercial customers.

Revenue was \$251.4 million, \$7.6 million lower than in 1997. The decrease results primarily from a 2.1% rate reduction arising from a July 31, 1998 regulatory decision.

Operating expenses were \$178.4 million in 1998, \$2.2 million lower than in 1997, reflecting a reduction in labour costs and retiring allowances associated with early retirement programs offered in 1997.

Earnings declined from \$22.3 million in 1997 to \$17.8 million in 1998 primarily as a result of rate reductions offset partially by a decrease in operating expenses.

On October 2, 1998 the Canadian Bond Rating Service lowered Newfoundland Power's credit ratings on First Mortgage Bonds and Preferred Shares from Single A to A (Low) and P-2(High) to P-2 respectively.

On November 9, 1998 the Company commenced a hearing before the Public Utilities Board. Issues to be addressed include: a review of possible excess earnings for 1992 and 1993 as a result of a Court of Appeal decision in connection with the 1996 Hearing; establishing the allowed return on rate base; finalizing 1998 rates; and setting 1999 rates. The Company has applied for a 1.3% increase in rates effective January 1, 1999.

Maritime Electric

Energy sales for the nine months ended September 30, 1998 were 656.5 GWh, compared to energy sales of 637.2 GWh for the same period in 1997. The growth in the residential and commercial sectors reflects increased

per capita consumption by residential customers and strong performance in the food processing industry.

Revenue was \$61.0 million for 1998 compared to \$65.2 million for the same period in 1997. The reduction in revenue reflects a 7% decrease in rates on January 1, 1998, partially offset by increased energy sales.

Operating expenses were \$43.5 million in 1998 compared to \$43.2 million in 1997. Decreases in oil prices were offset by increased operating costs associated with increased energy sales and the cost of replacement energy resulting from outages at New Brunswick Power's Point Lepreau Nuclear Generating Station.

Earnings were \$3.6 million in 1998 compared to \$6.5 million in 1997. The decrease in earnings results primarily from the decrease in revenue associated with lower rates.

On October 1, 1998, Maritime Electric's rates increased by an average of 2.9% which coincides with the increase announced by New Brunswick Power on September 22, 1998.

Canadian Niagara

Energy sales for the nine months increased 27.2 GWh over 1997 to 510.2 GWh due to increased sales into the United States and warm temperatures during the spring and summer of 1998.

Revenues increased \$2.6 million over the same period in 1997 primarily as a result of the increased energy sales to the U.S. market.

Operating expense increased by \$2.0 million due to increases in purchased power and general operating expenses.

Fortis' share of Canadian Niagara's earnings was \$3.5 million, a \$0.2 million increase over the same period for 1997.

NON-UTILITY OPERATIONS

Fortis Properties

For the nine months ended September 30, 1998, the operating income from real estate and hospitality operations increased modestly over the prior year.

During the fourth quarter of 1997, borrowings at lower short term interest rates were replaced with long term debt resulting in a \$1.1 million increase in financing costs in 1998.

As a result, earnings decreased \$0.9 million from \$1.4 million in 1997 to \$0.5 million in 1998.

Fortis Trust

Fortis Trust's assets under administration totaled \$65.5 million at September 30, 1998, \$3.8 million less than September 30, 1997. However, the company's earnings remained consistent with 1997 at \$0.4 million.

November 20, 1998

H. Stanley Marshall
President and CEO

DIRECTORS & OFFICERS

Directors

Stephen T. Bellringer
Gilbert S. Bennett
Angus A. Bruneau
Bruce Chafe
Darryl D. Fry
Linda L. Inkpen
H. Stanley Marshall
David A. Scales
James M. Stanford

Corporate Officers

H. Stanley Marshall
• *President and CEO*
G. Wayne Watson
• *Vice President, Finance and CFO*
Ronald W. McCabe
• *General Counsel and Corporate Secretary*

CORPORATE INFORMATION

Share Listings

Fortis common shares are listed on both The Toronto Stock Exchange and The Montreal Exchange (symbol FTS).

Fortis preference shares are listed on The Toronto Stock Exchange (symbol FTSPRB).

Registrar and Transfer Agent - Montreal Trust Company.

Share Prices

(TSE & ME)

	Quarter Ended - September 30	
	1998	1997
High	\$ 45.50	\$ 37.00
Low	35.00	34.00
Close	36.50	36.90

Investor Relations Department

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FORTIS INC.

QUARTERLY REPORT

SEPTEMBER 30, 1998

FORTIS INC.

**CONSOLIDATED STATEMENT OF EARNINGS
(Unaudited)**

	3 Months Ended September 30 (in thousands)		Year to Date September 30 (in thousands)	
	1998	1997	1998	1997
Operating revenues	\$ 100,457	\$ 100,999	\$ 359,819	\$ 371,914
Operating expenses	70,432	68,777	252,151	253,606
Depreciation and amortization	9,671	10,479	33,544	31,356
	80,103	79,256	285,695	284,962
Operating income	20,354	21,743	74,124	86,952
Finance charges				
Interest on long term debt	10,472	9,563	30,832	28,534
Dividends on preference shares	744	1,832	2,231	5,494
Earnings before income taxes	9,138	10,348	41,061	52,924
Income taxes	4,734	5,051	20,259	25,885
Earnings before non-controlling interest	4,404	5,297	20,802	27,039
Non-controlling interest	129	129	387	387
Earnings applicable to common shares	\$ 4,275	\$ 5,168	\$ 20,415	\$ 26,652
Average common shares outstanding	12,905	12,617	12,905	12,617
Earnings per common share	\$ 0.33	\$ 0.41	\$ 1.58	\$ 2.11
Dividends paid per common share	\$ 0.45	\$ 0.44	\$ 1.35	\$ 1.32

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS
(Unaudited)**

	1998	1997	1998	1997
Balance at beginning of period	\$ 190,010	\$ 188,281	\$ 185,480	\$ 177,927
Earnings applicable to common shares	4,275	5,168	20,415	26,652
	194,285	193,449	205,895	204,579
Dividends - common shares	5,806	5,565	17,416	16,695
Balance at end of period	\$ 188,479	\$ 187,884	\$ 188,479	\$ 187,884

**CONSOLIDATED STATEMENT OF CHANGES IN
FINANCIAL POSITION
(Unaudited)**

	Year to Date September 30 (in thousands)	
	1998	1997
Cash from operations		
Earnings applicable to common shares	\$ 20,415	\$ 26,652
Items not affecting cash	33,775	30,698
Change in non-cash working capital	2,763	(1,997)
	56,953	55,353
Cash used in investing		
Capital expenditures - net	(39,434)	(35,761)
Mortgages	3,234	487
Change in deferred charges and credits	(2,577)	(7,871)
	(38,777)	(43,145)
Cash from external financing		
Net proceeds from common shares	6,851	7,343
Change in long term debt	(11,308)	19,038
Redemption of preference shares		
Series A	-	(50,000)
Change in bank indebtedness	5,392	33,263
Decrease in deposits payable	(4,010)	(2,202)
	(3,075)	7,442
Dividends		
Common shares	(17,416)	(16,695)
Subsidiaries to minority shareholders	(387)	(387)
	(17,803)	(17,082)
(Decrease) increase in cash	(2,702)	2,568
Cash, beginning of period	11,823	7,587
Cash, end of period	\$ 9,121	\$ 10,155

**CONSOLIDATED BALANCE SHEET
(Unaudited)**

	As at September 30 (in thousands)	
	1998	1997
CURRENT ASSETS		
Cash	\$ 9,121	\$ 10,155
Other current assets	49,389	55,085
	58,510	65,240
OTHER ASSETS		
Mortgages receivable - Fortis Trust	54,334	60,484
Corporate income tax deposit	15,595	15,595
Deferred charges	48,223	40,722
Income-producing properties	93,553	93,002
Fixed assets	692,178	677,870
Goodwill	42,647	45,577
	946,530	933,250
	\$ 1,005,040	\$ 998,490
LIABILITIES		
Current liabilities	\$ 152,622	\$ 195,311
Long term debt	388,836	344,813
Preference shares	50,000	50,000
Deposits due beyond one year		
- Fortis Trust	16,434	21,135
Deferred credits	52,257	51,582
Non-controlling interest	8,498	8,498
	668,647	671,339
SHARHOLDERS' EQUITY		
Common shares	147,914	139,267
Earnings retained and invested in the business	188,479	187,884
	336,393	327,151
	\$ 1,005,040	\$ 998,490

Note: Certain 1997 comparative figures have been reclassified to conform with the presentation adopted in 1998.

