Second Quarter Report 2004

FORTIS INC.

Dear Shareholder:

Fortis achieved another significant milestone in the second quarter with the acquisition of two regulated electric utilities in western Canada. Since the acquisition closed on May 31st, the results for the quarter include only one month of operations for the Alberta and B.C. utilities.

Our regulated electric utilities performed well this quarter. Our non-regulated generating assets in Belize had increased earnings as a result of higher rainfall levels. Fortis Properties also delivered strong results.

Earnings applicable to common shares were $23.9 million, 14.9 per cent higher than earnings of $20.8 million for the second quarter last year. Year-to-date earnings grew 8.3 per cent to $44.2 million from $40.8 million for the first half of 2003. Earnings per common share were $1.22 compared to $1.20 for the second quarter last year. Year-to-date earnings per common share were $2.38 compared to $2.36 for the same period last year.

At June 30, 2004, approximately 80 per cent of the Corporation's operating assets were regulated assets. Regulated assets in Canada represented approximately 73 per cent of the total operating assets of Fortis.

Our balance sheet remains strong with a significant portion of the permanent financing for the acquisition of the utilities in western Canada now in place. On May 31, 2004, upon closing of the acquisition, the Subscription Receipts were cancelled and automatically exchanged for approximately 6.3 million common shares of Fortis. The net cash proceeds to Fortis upon conversion of the Subscription Receipts were $332.3 million.

Subsequent to quarter end, Fortis raised $139.5 million from the conversion of approximately 93 per cent of 8 million First Preference Units issued on January 29, 2004. The proceeds from the conversion will be used to repay a portion of the financing used to acquire the utilities in western Canada.

Our strategic expansion into British Columbia and Alberta positions Fortis as the leading electric distribution utility in Canada. Our vision and long-term objectives continue unchanged but our primary focus, over the next couple of years, will be the successful integration of FortisAlberta and FortisBC.

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

INTERIM 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 Fortis Inc. 2003 Annual Report and Interim Consolidated Financial Statements. This material has been prepared in accordance with multilateral instrument 51-102F1 relating to Management Discussion and Analysis. Fortis Inc. ("Fortis" or the "Corporation") includes forward-looking statements in this material. By their very nature, forward-looking statements are based on underlying assumptions and are subject to inherent risks and uncertainties surrounding future expectations generally. Such events include, but are not limited to, general economic, market and business conditions, regulatory developments, weather and competition. Fortis cautions readers that should certain events or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary significantly from those expected. For additional information with respect to certain of these risks or factors, reference should be made to the Corporation's continuous disclosure materials filed from time to time with Canadian Securities Regulatory Authorities. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Fortis Inc.
Financial Highlights (Unaudited)
Period Ended June 30

($ millions, except per common share amounts)	**Quarter**		**Year-to-date**	
	2004	**2003**	**2004**	**2003**
Revenue	**254.5**	205.6	**505.3**	441.0
Cash flow from operations (1)	**55.4**	39.0	**92.6**	77.0
Earnings applicable to common shares	**23.9**	20.8	**44.2**	40.8
Basic earnings per common share ($)	**1.22**	1.20	**2.38**	2.36
Diluted earnings per common share ($)	**1.15**	1.15	**2.27**	2.29
	Segmented Earnings Contribution			
	Quarter		**Year-to-date**	
	2004	**2003**	**2004**	**2003**
Regulated Utilities – Canadian (2)	**17.0**	13.8	**32.3**	26.5
Regulated Utilities – Caribbean (3)	**4.6**	4.2	**7.6**	7.7
Non-regulated - Fortis Generation (4)	**3.2**	1.4	**6.1**	4.5
Non-regulated - Fortis Properties	**3.7**	3.0	**4.7**	4.2
Corporate	**(4.6)**	(1.6)	**(6.5)**	(2.1)
Earnings applicable to common shares	**23.9**	20.8	**44.2**	40.8

(1) Before working capital adjustments
(2) Includes the operations of Newfoundland Power, Maritime Electric, FortisOntario (comprised of Canadian Niagara Power and Cornwall Electric), FortisAlberta and FortisBC
(3) Includes the operations of Belize Electricity and the Corporation's 38 per cent equity investment in Caribbean Utilities Company, Ltd.
(4) Includes the operations of non-regulated generating assets in British Columbia, Ontario, central Newfoundland, Upper New York State and Belize

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

REGULATED UTILITIES – CANADIAN [1]

Regulated Utilities - Canadian Financial Highlights (Unaudited) Period Ended June 30				
	Earnings			
	Quarter		Year-to-date	
($ millions)	**2004**	**2003**	**2004**	**2003**
Newfoundland Power	**10.9**	10.5	**22.9**	20.4
Maritime Electric	**2.0**	1.7	**4.1**	3.2
FortisOntario	**0.9**	1.6	**2.1**	2.9
FortisAlberta (1)	**2.4**	-	**2.4**	-
FortisBC (1)	**0.8**	-	**0.8**	-
Earnings	**17.0**	13.8	**32.3**	26.5

Earnings from Regulated Utilities in Canada were $17.0 million for the second quarter compared to $13.8 million for the same period last year. Year-to-date earnings were $32.3 million compared to $26.5 million last year. The quarterly earnings from Regulated Utilities in Canada represented approximately 71 per cent of the consolidated quarterly earnings and 73 per cent of the consolidated year-to-date earnings. The increase in earnings from Regulated Utilities in Canada related to the acquisition of the utilities in western Canada on May 31, 2004. Newfoundland Power and Maritime Electric also delivered improved financial results, partially offset by lower earnings at FortisOntario. The lower earnings at FortisOntario were primarily related to increased finance charges associated with the issuance of long-term debt in the third quarter of 2003.

Newfoundland Power

Newfoundland Power Financial Highlights (Unaudited) Period Ended June 30				
	Quarter		Year-to-date	
	2004	**2003**	**2004**	**2003**
Electricity Sales (GWh)	**1,222**	1,208	**2,887**	2,856
($ millions)				
Revenue	**97.3**	93.9	**223.5**	218.4
Energy Supply Costs	**50.9**	51.1	**127.7**	126.0
Operating Expenses	**12.9**	12.1	**26.8**	26.7
Amortization	**9.2**	6.4	**18.6**	18.0
Finance Charges	**7.6**	7.5	**15.2**	15.0
Corporate Taxes	**5.7**	6.1	**12.0**	12.0
Non-controlling Interest	**0.1**	0.2	**0.3**	0.3
Earnings	**10.9**	10.5	**22.9**	20.4

[1] Regulated Utilities in Canada include the operations of Newfoundland Power, Maritime Electric, FortisOntario (comprised of Canadian Niagara Power and Cornwall Electric), FortisAlberta and FortisBC. On May 31, 2004, Fortis completed the transaction to acquire Aquila, Inc.'s 2 utilities in western Canada (renamed FortisAlberta and FortisBC). Financial results for FortisAlberta and FortisBC are for June 2004 only.

Newfoundland Power's earnings for the second quarter were $10.9 million compared to $10.5 million for the same period last year. Year-to-date earnings were $22.9 million compared to $20.4 million for the same period last year. Earnings were not comparable to the same period last year as the impacts of the 2003 General Rate Order ("2003 GRO") received from the Newfoundland and Labrador Board of Commissioners of Public Utilities ("PUB") on June 20, 2003 were not reflected in the Company's results until the second quarter of 2003. On a comparative basis, the earnings for the second quarter and for the six months ended June 30, 2003 would have been approximately $10.1 million and $21.7 million, respectively. Increased earnings in 2004 were primarily the result of a 1.2 per cent increase in energy sales, increased contribution from pole rentals and a decline in the statutory income tax rate.

Electricity sales for the second quarter increased 1.2 per cent to 1,222 gigawatt hours ("GWh") from 1,208 GWh for the same quarter last year. Residential sales increased 1.7 per cent and commercial sales increased 0.4 per cent compared to the same quarter last year. The increase in residential energy sales was primarily due to higher average usage by customers while the increase in commercial and street lighting sales was attributed to growth in the service sector of the economy and activity related to the White Rose offshore oil project.

Revenue for the second quarter increased $3.4 million compared to the same period last year. Year-to-date revenue increased $5.1 million compared to the same period last year. The 2003 GRO resulted in a $2.7 million rebate to customers being recorded in the second quarter of 2003 and a 0.15 per cent reduction in electricity rates effective August 1, 2003. The increased revenue for 2004 was a result of the combined impact of the customer rebate which reduced revenue in the second quarter of 2003, increased energy sales in 2004 and increased pole rental revenue, partially offset by the August 1, 2003 rate reduction.

Energy supply costs decreased $0.2 million compared to the same quarter last year. In the 2003 GRO, the PUB approved the Company's proposal to write off, over 5 years, the portion of the Hydro Production Equalization Reserve ("Hydro Reserve") that was not expected to reduce over time. The full annual amortization of $1.7 million for 2003 was recorded in the second quarter. However, in 2004 the amortization is being recorded over 4 quarters. As a result, energy supply costs were higher last year compared to this year. Excluding the impact of the amortization of the Hydro Reserve, energy supply costs were higher than the same period last year due to the impact of increased energy consumed by customers.

Operating expenses for the second quarter increased $0.8 million compared to the same quarter last year. In the second quarter of 2003, a year-to-date adjustment related to the deferral of regulatory costs associated with the 2003 GRO reduced operating costs for that quarter. In addition, in the 2003 GRO, the PUB approved the prospective adoption of the market-related value method of valuing pension assets. This pension accounting change minimizes the variability of pension costs associated with changes in the value of pension plan assets. A year-to-date adjustment for this accounting change recorded in the second quarter of 2003 reduced pension costs for that quarter. Excluding the impact of the deferral of regulatory costs and the pension accounting change on 2003 operating expenses, year-to-date operating expenses were comparable to the same period last year.

Amortization expense for the second quarter increased $2.8 million compared to the same quarter last year. In the 2003 GRO, the PUB approved the Company's proposals to reduce depreciation rates to reflect longer asset lives and to amortize $17.2 million in excess accumulated amortization over a 3-year period. The year-to-date adjustments related to these changes were recorded in the second quarter of 2003. Year-to-date amortization expense increased $0.6 million over the same period last year, reflecting increases in property, plant and equipment.

Maritime Electric

Maritime Electric Financial Highlights (Unaudited) Period Ended June 30				
	Quarter		Year-to-date	
	2004	2003	2004	2003
Electricity Sales (GWh)	**233**	230	**489**	480
($ millions)				
Revenue	**28.2**	23.2	**57.7**	47.0
Energy Supply Costs	**17.5**	12.5	**36.1**	26.2
Operating Expenses	**2.8**	3.2	**5.8**	5.9
Amortization	**2.3**	2.2	**4.5**	4.5
Finance Charges	**2.2**	2.3	**4.4**	4.6
Corporate Taxes	**1.4**	1.3	**2.8**	2.6
Earnings	**2.0**	1.7	**4.1**	3.2

Maritime Electric's earnings for the second quarter were $2.0 million compared to $1.7 million for the same period last year. Year-to-date earnings were $4.1 million compared to $3.2 million for the same period last year. The increase related to higher electricity sales and the 2.1 per cent basic rate increase implemented on April 1, 2003.

Electricity sales for the second quarter were 233 GWh, 1.3 per cent higher than the same period last year. Residential sales were up 2.8 per cent while commercial sales increased 0.8 per cent compared to the same quarter last year. Year-to-date, electricity sales were 489 GWh, an increase of 1.9 per cent over the same period last year. The increase in residential sales was largely due to an expanding customer base and an increase in average use while the increase in commercial sales was the result of increased manufacturing and processing output.

Revenue for the second quarter increased $5.0 million compared to the same period last year. Year to date, revenue increased $10.7 million compared to the same period last year. Increased electricity sales and the 2.1 per cent increase in basic rates effective April 1, 2003 contributed to higher revenues coupled with the changes associated with the new legislation effective January 1, 2004. As of December 31, 2003, Maritime Electric maintained an energy cost adjustment mechanism to adjust for the effect of variations in energy costs above or below $0.05 per kilowatt hour ("kWh"). The new legislation, effective January 1, 2004, allows Maritime Electric to fully collect these costs, thus increasing both energy supply costs and revenues.

Energy supply costs for the second quarter increased $5.0 million over the same period last year. Year-to-date, energy supply costs increased $9.9 million over the same period last year. The increase related to higher electricity sales and changes to the legislation effective January 1, 2004 as discussed above.

Maritime Electric purchases the majority of its energy from New Brunswick Power Corporation ("NB Power") and Emera Inc. through several energy purchase agreements. Maritime Electric continues to seek regulatory approval for the construction of a 50-megawatt ("MW") generating facility on Prince Edward Island. This facility, which is designed to operate on light oil or natural gas, will address submarine cable loading issues and reduce the Company's reliance on imported electricity. The targeted in-service date, subject to regulatory approval, is late 2005.

FortisOntario

FortisOntario Financial Highlights (Unaudited) Period Ended June 30				
	Quarter		Year-to-date	
	2004	2003	2004	2003
Electricity Sales (GWh)	**285**	307	**633**	640
($ millions)				
Revenue	**28.6**	30.0	**63.0**	58.5
Energy Supply Costs	**21.8**	22.4	**48.5**	43.9
Operating Expenses	**2.9**	3.0	**6.0**	5.8
Amortization	**1.2**	1.4	**2.5**	2.6
Finance Charges	**1.3**	0.7	**2.6**	1.6
Corporate Taxes	**0.5**	0.9	**1.3**	1.7
Earnings	**0.9**	1.6	**2.1**	2.9

FortisOntario's earnings for the second quarter were $0.9 million compared to $1.6 million for the same period last year. Year-to-date earnings were $2.1 million compared to $2.9 million for the same period last year. The primary reason for the decrease related to higher finance charges associated with the issuance of $52 million long-term debt in August 2003.

Electricity sales for the second quarter were 285 GWh compared to 307 GWh for the same period last year. Year-to-date electricity sales were 633 GWh compared to 640 GWh last year. The decrease was primarily related to the loss of an industrial customer in Cornwall representing approximately 40 GWh in annual electricity sales. This decrease was partially mitigated by sales from the Gananoque area associated with the acquisition of the operating subsidiaries of Granite Power Corporation in April 2003. (Operations are now amalgamated with Canadian Niagara Power Inc.)

Year-to-date revenue increased $4.5 million over the same period last year. The primary reason for the increase in year-to-date revenue related to the 14.3 per cent increase in Cornwall Electric rates effective July 2003 as well as increased sales from the Gananoque area.

Year-to-date energy supply costs increased $4.6 million, which was mainly driven by the increased wholesale cost of power at Cornwall Electric effective July 2003.

Year-to-date operating expenses increased $0.2 million compared to the same period last year. The increase in year-to-date expenses associated with the acquisition of the operating subsidiaries of Granite Power in April 2003 was partially offset by operational efficiencies achieved from the ongoing integration of Cornwall Electric and Granite Power.

Year-to-date finance charges increased $1.0 million compared to the same period last year. The increase in finance charges was primarily related to issuance of long-term debt in August 2003.

FortisAlberta [2]

FortisAlberta Financial Highlights (Unaudited) Period Ended June 30				
	Quarter		Year-to-date	
	2004	2003	2004	2003
Electricity Sales (GWh)	1,047	-	1,047	-
($ millions)				
Revenue	17.2	-	17.2	-
Energy Supply Costs	-	-	-	-
Operating Expenses	8.0	-	8.0	-
Amortization	4.4	-	4.4	-
Finance Charges	1.3	-	1.3	-
Corporate Taxes	1.1	-	1.1	-
Earnings	2.4	-	2.4	-

On May 31, 2004, Fortis, through wholly owned subsidiaries, acquired all of the issued and outstanding shares of Aquila Networks Canada (Alberta) Ltd. (renamed "FortisAlberta"). FortisAlberta's earnings for the one month ended June 30, 2004 were $2.4 million.

FortisAlberta owns and operates the electrical distribution system in a substantial portion of southern and central Alberta. It distributes electricity to more than 385,000 customers using approximately 100,000 kilometers of power lines. FortisAlberta is regulated by the Alberta Energy and Utilities Board ("AEUB") under a traditional cost of service regulation. At June 30, 2004, the Company had a rate base of approximately $611 million.

The AEUB issued its Generic Cost of Capital Decision on July 2, 2004. The regulated capital structure for FortisAlberta was set at 63 per cent debt and 37 per cent equity. The same order set FortisAlberta's regulated rate of return on its equity for establishing electricity rates as 9.60 per cent based on a forecast long Canada bond of 5.68 per cent. Beginning in 2005, the rate of return on equity for setting rates will be adjusted by 75 per cent of the change in forecast long Canada bond rates. FortisAlberta will file a general rate application ("GRA) in 2004 to set rates for 2005.

Electricity sales for June 2004 were 1,047 GWh compared to 1,044 GWh for the same month last year. The lower temperatures in Alberta were more than offset by customer load growth year over year. Revenue for June 2004 was $17.2 million. FortisAlberta's electricity sales continue to benefit from a strong economy.

Fortis is moving forward with plans to separate management and operations at FortisAlberta and FortisBC. The separation was a commitment made by Fortis to stakeholders during the consultation process leading to the purchase of these businesses. The separation is expected to result in more efficient and productive organizations and will lend itself to improved customer service and reliable electricity service at reasonable costs. Upon completion of the separation into 2 stand-alone utilities, Fortis will be able to establish metrics to evaluate the operational and financial performance of each utility.

[2] On May 31, 2004, Fortis completed the transaction to acquire Aquila, Inc.'s 2 utilities in western Canada (renamed FortisAlberta and FortisBC). Financial results for FortisAlberta and FortisBC are for June 2004 only.

FortisBC [3]

FortisBC Financial Highlights (Unaudited) Period Ended June 30				
	Quarter		Year-to-date	
	2004	2003	2004	2003
Electricity Sales (GWh)	212	-	212	-
($ millions)				
Revenue	**12.4**	-	**12.4**	-
Energy Supply Costs	**3.7**	-	**3.7**	-
Operating Expenses	**4.5**	-	**4.5**	-
Amortization	**1.4**	-	**1.4**	-
Finance Charges	**1.4**	-	**1.4**	-
Corporate Taxes	**0.6**	-	**0.6**	-
Earnings	**0.8**	-	**0.8**	-

On May 31, 2004, Fortis, through wholly owned subsidiaries, acquired all of the issued and outstanding shares of Aquila Networks Canada (British Columbia) Ltd. (renamed "FortisBC"). FortisBC's earnings for the one month ended June 30, 2004 were $0.8 million.

FortisBC is an integrated utility operating in the southern interior of British Columbia, serving directly and indirectly approximately 140,000 customers. FortisBC is regulated by the British Columbia Utilities Commission ("BCUC"). It has about 10,000 kilometers of transmission and distribution power lines and 4 hydroelectric generating plants with a combined capacity of 205 MW. The Company operates other power plants under contract with a combined capacity of 700 MW. FortisBC generates approximately 50 per cent of its power needs with the remaining requirements obtained through power purchase agreements. The Company has virtually no commodity exposure. At June 30, 2004, FortisBC had a rate base of approximately $512 million.

FortisBC's revenue and rates are based on traditional cost of service regulation. However, it is also subject to a performance based rate mechanism that is used in establishing annual rate adjustments. On April 26, 2004, the BCUC approved a 4.3 per cent rate increase, effective May 1, 2004. An interim rate increase of 3.6 per cent was put in place on January 1, 2004. FortisBC will file a GRA in 2004 to set rates for 2005.

Electricity sales for June 2004 were 212 GWh compared to 203 GWh last year. The increase was primarily due to cooler weather and customer growth of 1.14 per cent compared to the same period last year. FortisBC's electricity sales are seasonal with the highest load occurring during the winter months.

As previously stated, Fortis is moving forward with plans to separate management and operations at FortisAlberta and FortisBC. FortisBC will create approximately 45 to 80 more full-time positions between its Trail and Kelowna offices in the next 18 to 24 months. These additional employees will fill various functions including FortisBC's new customer call centre, customer service, operations and purchasing functions. Upon completion of the separation into 2 stand-alone utilities, Fortis will be able to establish metrics to evaluate the operational and financial performance of each utility.

[3] On May 31, 2004, Fortis completed the transaction to acquire Aquila, Inc.'s 2 utilities in western Canada (renamed FortisAlberta and FortisBC). Financial results for FortisAlberta and FortisBC are for June 2004 only.

REGULATED UTILITIES - CARIBBEAN [4]

Regulated Utilities - Caribbean Financial Highlights (Unaudited) Period Ended June 30				
	Quarter		Year-to-date	
	2004	2003	2004	2003
Average US Exchange Rate	**1.36**	1.40	**1.34**	1.45
($ millions)				
Belize Electricity	**2.4**	1.8	**3.5**	3.0
Equity Income – Caribbean Utilities Company, Ltd.	**2.2**	2.4	**4.1**	4.7
Earnings	**4.6**	4.2	**7.6**	7.7

Earnings contribution of Regulated Utilities in the Caribbean for the second quarter was $4.6 million compared to $4.2 million for the same period last year. Year-to-date earnings of $7.6 million were consistent with the same period last year. Increased earnings from Belize Electricity were partially offset by lower equity income from Caribbean Utilities Company, Ltd.

Belize Electricity

Belize Electricity Financial Highlights (Unaudited) Period Ended June 30				
	Quarter		Year-to-date	
	2004	2003	2004	2003
Electricity Sales (GWh)	**85**	79	**157**	147
($ millions)				
Revenue	**19.9**	19.0	**35.9**	36.4
Energy Supply Costs	**10.2**	9.5	**18.5**	18.4
Operating Expenses	**2.9**	3.4	**5.7**	6.3
Amortization	**1.7**	1.8	**3.3**	3.8
Finance Charges	**1.4**	1.4	**2.8**	3.1
Corporate Taxes and Non-controlling Interest	**1.3**	1.1	**2.1**	1.8
Earnings	**2.4**	1.8	**3.5**	3.0

Belize Electricity's earnings contribution for the second quarter was $2.4 million (BZ$3.4 million) compared to $1.8 million (BZ$2.6 million) for the same period last year. Year-to-date earnings contribution was $3.5 million (BZ$5.1 million) compared to $3.0 million (BZ$4.0 million) for the same period last year. Excluding the effect of the depreciation of the US dollar relative to the Canadian dollar, the increase in quarterly earnings was primarily related to the increase in electricity sales, increased pole rental income and an increase in the foreign exchange gain recognized on the Company's euro-denominated debt. The increase in earnings was partially mitigated by higher operating costs.

Electricity sales for the second quarter were 85 GWh, 7.6 per cent higher than the same period last year. Year-to-date electricity sales were 157 GWh, 6.8 per cent higher than the same period last year. The increase was driven by growth in the residential and commercial segments as a result of expansion of electricity service to rural and new housing projects, as well as continued economic growth in the tourism and the commercial sectors.

[4] Regulated Utilities in the Caribbean include the operations of Belize Electricity and the Corporation's 38 per cent equity investment in Caribbean Utilities Company, Ltd.

Revenue for the second quarter was $19.9 million (BZ$29.1 million) compared to $19.0 million (BZ$27.4 million) for the same period last year. Excluding foreign exchange impacts, revenue increased 6.2 per cent compared to last year. The increase related to higher electricity sales which were partially offset by a reduction in electricity rates of BZ$0.01 per kWh implemented in July 2003. Rates have been reduced by BZ$0.04 per kWh in total since Fortis acquired Belize Electricity in October 1999. The final BZ$0.01 per kWh installment of this rate decrease commitment occurred on July 1, 2004. The increase in revenue was also associated with increased pole revenue and customer installation activity.

Energy supply costs for the second quarter were $10.2 million (BZ$14.9 million) compared to $9.5 million (BZ$13.8 million) for the same period last year. The increase in energy costs was associated with higher electricity sales.

Operating expenses for the second quarter were $2.9 million (BZ$4.2 million) compared to $3.4 million (BZ$4.6 million) for the same period last year. Year to date, operating expenses were $5.7 million (BZ$8.4 million) compared to $6.3 million (BZ$8.7 million) for the same period last year. The decrease in operating expenses for the quarter related to a BZ$0.4 million increase in the foreign exchange gain recognized on the Company's debt compared to last year. Direct operating expenses were comparable to the same quarter last year.

The decrease in year-to-date operating expenses was related to a BZ$1.1 million increase in the foreign exchange gain recognized on the Company's euro debt compared to last year. Excluding the effect of the foreign exchange gain recognized on the Company's debt, the increase in direct operating expenses was primarily related to reliability initiatives, including a more aggressive vegetation management program.

Amortization expense for the second quarter was $1.7 million compared to $1.8 million for the same period last year. Year-to-date amortization expense was $3.3 million compared to $3.8 million for the same period last year. During the fourth quarter of 2003, Belize Electricity completed a review of its amortization records and updated its annual amortization expense for assets previously retired. In 2004, Belize Electricity began applying an estimated annual rate of 3.44 per cent to depreciate its assets that is similar to the composite depreciation method adopted by the other regulated utilities owned by Fortis.

Caribbean Utilities Company, Ltd.

Caribbean Utilities Company, Ltd. Financial Highlights (Unaudited) Period Ended June 30				
	Quarter		Year-to-date	
($ millions)	2004	2003	2004	2003
Earnings	**2.2**	2.4	**4.1**	4.7

Fortis accounts for its 38 per cent interest in Caribbean Utilities Company, Ltd. on an equity basis. The decrease in equity income of $0.2 million compared to the same quarter last year was the combined result of a 3 per cent rate reduction implemented November 2003 as well as the depreciation of the US dollar relative to the Canadian dollar compared to the same period last year.

Caribbean Utilities Company, Ltd. submitted a proposal to the Cayman Islands Government in July 2002 to extend its current license and replace the 15 per cent return on rate base mechanism for adjusting consumer rates with a price cap mechanism. Under the proposal, electricity rates would be tied to and move with published inflation indices. Additionally, Caribbean Utilities Company, Ltd. would continue to recover fuel costs, regulatory costs and government levies. On June 16, 2004, Caribbean Utilities Company, Ltd. and the Cayman Islands Government reached a tentative agreement to reduce customer electricity rates and extend the Company's operating license to 2024 from 2011. The license extension includes a change in the rate setting regulation that will now provide for a price cap based on an inflation index. The price of fuel and government levies will be a flow through in rates. Generation prices will be based on long-term competitively bid contracts for new energy increments. A definitive license is expected to be finalized during the third quarter 2004.

NON-REGULATED – FORTIS GENERATION [5]

Non-regulated - Fortis Generation Financial Highlights (Unaudited) Period Ended June 30				
	Energy Sales (GWh)			
	Quarter		Year-to-date	
	2004	2003	2004	2003
Central Newfoundland	**41**	-	**60**	-
Ontario	**166**	163	**331**	324
Belize	**11**	5	**26**	14
British Columbia (3)	**6**	-	**6**	-
Upper New York State	**22**	34	**37**	52
Total	**246**	202	**460**	390
	Quarter		Year-to-date	
($ millions)	2004	2003	2004	2003
Revenue	**17.0**	11.8	**33.7**	28.9
Energy Supply Costs	**1.2**	0.8	**2.8**	1.4
Operating Expenses	**3.8**	2.8	**8.0**	7.9
Amortization	**2.5**	1.8	**5.0**	3.7
Finance Charges	**3.8**	3.3	**7.6**	6.8
Corporate Taxes	**2.1**	1.7	**4.0**	4.6
Non-controlling Interest	**0.4**	-	**0.2**	-
Earnings	**3.2**	1.4	**6.1**	4.5

The earnings contribution from the Corporation's non-regulated generation assets for the second quarter was $3.2 million compared to $1.4 million for the same period last year. Year-to-date earnings were $6.1 million compared to $4.5 million last year. The increase was primarily related to increased production in Belize associated with higher rainfall levels offset by lower wholesale energy prices in Ontario.

Energy sales for the second quarter were 246 GWh compared to 202 GWh for the same period last year. Year-to-date energy sales were 460 GWh compared to 390 GWh for the same period last year. Increased sales in central Newfoundland were associated with the commencement of the Exploits River Hydro Partnership Project in November 2003. Ontario sales increased as a result of the acquisition of the operating subsidiaries of Granite Power Corporation in April 2003. Higher energy sales in Belize were a direct result of higher rainfall levels compared to last year. The Corporation's acquisition of FortisBC, on May 31, 2004, included the 16-MW run-of-river Walden hydroelectric power plant near Lillooet, British Columbia. This plant is a non-regulated operation that sells its entire output to BC Hydro under a long-term contract. These increases in energy sales were partially offset by a decrease in energy sales from the 4 hydroelectric plants in Upper

[5] Fortis Generation includes the operations of non-regulated generating assets in central Newfoundland, Ontario, British Columbia, Belize and Upper New York State. The British Columbia energy sales represent one-month energy sales from the 16-MW run-of-river Walden hydroelectric power plant which was acquired on May 31, 2004 as part of FortisBC.

New York State due to the Dolgeville unit being out of service all year with a shaft failure. Dolgeville returned to service on June 29, 2004. Over the first 6 months of 2003, Dolgeville contributed 11.4 GWh to energy sales.

The Chalillo Project in Belize commenced construction in May 2003. The US$30 million development is an upstream storage and hydroelectric generating facility that is expected to increase average annual energy production from the Macal River by 90 GWh. Construction is scheduled for completion by mid-2005.

Generation revenue for the second quarter was $17.0 million compared to $11.8 million for the same period last year. The primary reason for the $5.2 million increase related to commencement of production in central Newfoundland and higher rainfall levels in Belize. Year-to-date revenue was $33.7 million compared to $28.9 million for the same period last year. The $4.8 million increase in revenue related to the commencement of production in central Newfoundland and higher production in Belize. The increase was partially offset by a 16 per cent decline in market prices in Ontario. Year-to-date, the average price in Ontario was $51.46 per megawatt hour ("MWh") compared to $61.60 per MWh for the same period last year.

Operating expenses for the second quarter were $3.8 million compared to $2.8 million for the same period last year. The primary reason for the $1.0 million increase related to commencement of production in central Newfoundland and acquisition of the Walden generating plant in British Columbia. Year-to-date operating expenses were comparable to the same period last year. The increase in operating costs caused by the addition of generation in central Newfoundland and British Columbia were offset by reduced operating costs associated with lower production in Upper New York State as well as FortisOntario.

Increases in amortization and finance charges were primarily associated with the start of production in central Newfoundland in November 2003.

NON-REGULATED - FORTIS PROPERTIES

Non-regulated - Fortis Properties Financial Highlights (Unaudited) Period Ended June 30				
($ millions)	Quarter		Year-to-date	
	2004	2003	2004	2003
Real Estate Revenue	**13.3**	12.7	**26.3**	25.4
Hospitality Revenue	**21.4**	14.3	**38.6**	25.2
Total Revenue	**34.7**	27.0	**64.9**	50.6
Operating Expenses	**21.5**	16.4	**42.8**	32.6
Amortization	**2.3**	1.1	**4.7**	2.1
Finance Charges	**4.7**	4.0	**9.3**	8.1
Corporate Taxes	**2.5**	2.5	**3.4**	3.6
Earnings	**3.7**	3.0	**4.7**	4.2

Earnings for the second quarter were $3.7 million compared to $3.0 million for the same period last year. Year-to-date earnings were $4.7 million compared to $4.2 million for the same period last year. Higher earnings from operations, including contributions from the acquisition of hotels in Ontario during 2003, were partially offset by increased amortization related to a change in amortization policy.

Real estate revenue for the second quarter was $13.3 million, up 4.7 per cent over the same quarter last year, primarily due to increased leasing activity. The occupancy level in the Real Estate Division was 95.1 per cent at June 30, 2004 compared to 93.2 per cent at June 30, 2003.

Hospitality revenue for the second quarter was $21.4 million, up 49.7 per cent over the same period last year. The growth was primarily attributable to the acquisition of 4 Holiday Inn–branded hotels in Ontario in October 2003. Revenue per available room ("REVPAR") for the second quarter was $75.36 compared to $71.50 for the same period last year. The 5.4 per cent increase in REVPAR was attributable to increases in average room rate and occupancy compared to the prior year, both of which were positively impacted by the acquisition of the hotels in Ontario.

Operating expenses for the second quarter were $21.5 million compared to $16.4 million for the same period last year. Year-to-date operating expenses were $42.8 million compared to $32.6 million for the same period last year. The increase was primarily related to properties acquired in 2003.

Effective January 1, 2004, new recommendations by the Canadian Institute of Chartered Accountants ("CICA") effectively eliminated certain industry specific accounting practices which previously qualified as Canadian generally accepted accounting principles ("GAAP"). As a result, effective January 1, 2004, amortization of Fortis Properties' income producing properties is being recorded on a straight-line basis, whereas it was recorded based on the sinking fund method up to and including December 31, 2003. The impact of the amortization policy change for the quarter was approximately $0.7 million after tax and the annual after-tax impact is expected to be approximately $2.7 million.

Finance charges for the second quarter were $4.7 million compared to $4.0 million for the same period last year. Year-to-date finance charges were $9.3 million compared to $8.1 million for the same period last year.

CORPORATE

Corporate Financial Highlights (Unaudited) Period Ended June 30				
($ millions)	Quarter		Year-to-date	
	2004	**2003**	**2004**	**2003**
Total Revenue	**2.4**	3.2	**4.4**	6.4
Operating Expenses	**1.7**	1.1	**3.9**	2.1
Amortization	**0.2**	0.2	**0.4**	0.3
Finance Charges	**3.9**	3.7	**6.3**	7.2
Corporate Taxes	**(1.1)**	(0.7)	**(4.0)**	(1.5)
Preference Share Dividends	**2.3**	0.5	**4.4**	0.5
Non-controlling Interest	**-**	-	**(0.1)**	(0.1)
Net Corporate Expenses	**(4.6)**	(1.6)	**(6.5)**	(2.1)

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

Net corporate expenses for the second quarter totaled $4.6 million, $3.0 million higher than the same quarter last year. Year-to-date net corporate expenses increased $4.4 million compared to the same period last year. The increase was primarily related to an increase in preference share dividends and operating expenses. The increase in preference share dividends was associated with the issuance of the 5.45 per cent $125 million First Preference Shares, Series C in June 2003 and the 4.9 per cent $50 million First Preference Units in January 2004. The proceeds associated with both issues were used to repay short-term debt. The increase in operating expenses was primarily related to higher salary and pension costs.

The increase in net corporate expenses was also the result of higher net finance charges (inter-company interest revenue less finance charges). The decrease in inter-company interest revenue and finance charges associated with partial repayment of a FortisOntario loan in August 2003 was more than offset by increased finance charges associated with the acquisition of the utilities in western Canada.

The overall increase in net corporate expenses year-to-date was also partially offset by a $1.8 million corporate income tax recovery recorded in the first quarter related to the tax benefit associated with non-capital losses.

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CONSOLIDATED FINANCIAL POSITION

The following table outlines the significant changes in the consolidated balance sheets between June 30, 2004 and December 31, 2003.

Fortis Inc. Significant Changes in the Consolidated Balance Sheets Between June 30, 2004 and December 31, 2003		
($ millions)	Increase (Decrease)	Explanation
Cash and cash held in escrow	**(17.7)**	The decrease was primarily related to payment of costs associated with the acquisition of the utilities in western Canada and Chalillo Project construction costs. Changes in working capital positions at most utilities also decreased cash. These decreases were partially offset by cash positions of the utilities in western Canada.
Funds on deposit	**38.7**	Under regulation in Alberta, FortisAlberta is required to place security with the Alberta Electric Systems Operator. Aquila Alberta satisfied this security with cash deposits. These amounts will be replaced with letters of credit in the near term and the funds on deposit are expected to be refunded to FortisAlberta.
Accounts receivable	**57.6**	Approximately $53.1 million related to accounts receivable balances acquired with the purchase of the utilities in western Canada in May 2004.
Materials and supplies	**12.4**	Approximately $12.0 million related to materials and supplies acquired with the purchase of the utilities in western Canada.
Deferred charges	**19.2**	Approximately $15.2 million related to deferred charges acquired with the purchase of the utilities in western Canada in May 2004. Deferred costs at Newfoundland Power also increased as a result of funding of the pension plan in excess of pension expense, deferral of operating expenses under Newfoundland Power's weather normalization account in accordance with PUB regulation. The increase also related to start-up costs associated with the Exploits River Hydro Partnership Project.
Utility capital assets	**1,153.8**	Approximately $1,122.9 million related to capital assets acquired in the purchase of the utilities in western Canada and utility capital expenditures of $72.0 million offset by amortization for the period. There was also an increase in the value of assets denominated in US dollars as a result of the appreciation of the US dollar since December 31, 2003.
Income producing properties	**2.9**	The increase related to capital additions of $7.2 million offset by amortization of $4.3 million for the period.
Intangibles	**(1.8)**	The decrease related to amortization of water rights associated with the Rankine Generating Station in Ontario.
Goodwill	**449.9**	The increase related to the purchase of utilities in western Canada in May 2004.
Short-term borrowings	**953.9**	The majority of the increase related to the short-term borrowings associated with the acquisition of the utilities in western Canada. As of June 30, 2004, $979.4 million in short-term acquisition financing remained outstanding.
Accounts payable and accruals	**70.7**	Approximately $92.4 million related to accounts payable and accrued charges acquired with the purchase of the utilities in western Canada in May 2004 partially offset by a decrease in accounts payable and accrued charges in Central Newfoundland Energy related to the timing of payments related to the Exploits River Hydro Partnership Project and various decreases across the utilities associated with seasonal impacts of decreased electricity sales.
Regulatory liabilities	**40.9**	Under regulation in Alberta, FortisAlberta has regulatory liabilities associated with the deferral of excess or deficient transmission service costs.
Long-term debt (including current portion)	**144.8**	The increase was primarily associated with $154.0 million in long-term debt assumed with the acquisition of the utility in British Columbia and further supplemented by the draw down of approximately $7.1 million on existing facilities. This increase was partially offset by regular debt repayments of $18.3 million.
Regulatory tax base adjustment	**108.6**	FortisAlberta maintains a regulatory tax basis adjustment account which represents the excess of the deemed tax basis of the Company's property, plant and equipment for regulatory rate making purposes as compared to the Company's tax basis for income tax purposes. The regulatory tax basis adjustment is being amortized over the estimated service lives of the Company's property, plant and equipment by an offset against the provision for amortization.
Future income taxes (including current portion)	**(21.2)**	Approximately $13.5 million related to a future income tax asset assumed with the acquisition of the utility in Alberta in May 2004. The remainder of the decrease related to future income tax recorded on issuance costs associated with the First Preference Unit issue in January 2004 and Common Share issue upon conversion of Subscription Receipts in May 2004.
Shareholders' equity	**413.0**	The increase was primarily related to $350 million proceeds from conversion of Subscription Receipts to Common Shares in May 2004 and a $50 million First Preference Unit issue in January 2004.

LIQUIDITY AND CAPITAL RESOURCES

The following table outlines the summary of cash flow.

Fortis Inc. Summary of Cash Flow (Unaudited) Quarter Ended June 30		
($ millions)	**2004**	**2003**
Cash, beginning of period	**44.8**	28.2
Cash provided by (used in)		
Operating activities	**50.5**	36.4
Investing activities	**(801.9)**	(45.5)
Financing activities	**757.0**	16.4
Foreign currency impact on cash balances	**0.7**	(1.3)
Cash, end of period	**51.1**	34.2

Operating Activities: Cash flow from operations for the second quarter, after working capital adjustments, was $50.5 million compared to $36.4 million for the same period last year. Operating cash flow from FortisAlberta and FortisBC, as well as improved operating earnings at most subsidiaries, contributed to this increase.

Investing Activities: Cash used in investing activities was $801.9 million compared to $45.5 million for the same period last year. On May 31, 2004, Fortis acquired the utilities in western Canada for a net purchase price of $749.5 million. (Aggregate consideration of $1.476 billion less assumption of debt and cash.) On May 20, 2004, Fortis also acquired the remaining 5 per cent interest in BECOL from the Social Security Board of the Government of Belize for $4.8 million (US$3.5 million), making it a wholly owned indirect subsidiary of the Corporation.

Capital expenditures of $51.1 million during the second quarter were up $17.7 million over the same period last year. The increase in capital expenditures related to capital spending at the utilities in western Canada as well as property expansion at the Delta St. John's Hotel and Convention Centre. The remaining investing activities related to change in deferred charges.

Financing Activities: Cash provided from financing activities was $757.0 million compared to $16.4 million for the same period last year. During the second quarter of 2004, Fortis obtained $990 million in short-term financing associated with the acquisition of the utilities in western Canada. Approximately $557.4 million was used to repay debt obligations of the acquired companies with the balance, together with proceeds from the conversion of Subscription Receipts, used to purchase the common shares of the utilities in western Canada.

At close of the acquisition, the Subscription Receipts were automatically converted to Common Shares for net cash proceeds of $332.3 million. The remaining financing activities related to regular repayment of existing long-term debt and payment of common and preferred share dividends.

Foreign Currency Impact: The increase in cash as a result of foreign currency impact was $0.7 million compared to a decrease of $1.3 million for the same period last year. The increase was a direct result of the depreciation of the Canadian dollar relative to the US dollar.

Contractual Obligations: The consolidated contractual obligations over the next 5 years and for periods thereafter are outlined in the following table.

Fortis Inc. Contractual Obligations as at June 30, 2004					
($ millions)	**Total**	**< 1 year**	**1-3 years**	**4-5 years**	**> 5 years**
Long-term Debt	**1,208.2**	35.0	87.6	86.7	998.9
Capital Lease Obligations	**6.2**	1.5	2.7	2.0	-
Operating Lease Obligations	**39.9**	4.2	18.1	10.7	6.9
Office Lease – FortisBC (1)	**21.6**	0.3	1.8	2.0	17.5
Purchase of Joint-use Poles from Aliant Telecom Inc.	**4.8**	4.8	-	-	-
Power Purchases – take or pay (2)	**414.5**	34.6	83.2	43.9	252.8
Power Purchase Obligations - FortisBC (3)	**209.2**	19.7	116.5	73.0	-
Capital Cost (4)	**231.7**	15.9	46.4	29.9	139.5
Brilliant Terminal Station ("BTS") (5)	**71.2**	1.2	7.1	4.7	58.2
Other	**2.4**	0.5	0.2	0.1	1.6
Total	**2,209.7**	**117.7**	**363.6**	**253.0**	**1,475.4**

(1) Under a sale-leaseback agreement, on September 29, 1993 the utility in B.C. began leasing its Trail, BC office building for a term of 30 years. The terms of the agreement require future minimum aggregate lease payments of $25 million and grant the Utility repurchase options at year 20 and year 30 of the lease term.

(2) Power purchases primarily include a long-term contract with Hydro Quebec Energy Marketing for the supply of electrical energy and capacity. The contract provides approximately 237 GWh of energy per year and up to 45 MW of capacity at any one time. The contract, which expires December 31, 2019, provides approximately one third of Cornwall Electric's load.

(3) Power purchase obligations of FortisBC include the Brilliant Power Purchase Contract as well as firm power purchase contracts. On May 3, 1996, an Order was granted by the BCUC approving a 60-year power purchase contract for the output of the Brilliant hydroelectric plant located near Castlegar, BC. The contract requires fixed monthly payments based on specified natural flow take-or-pay amounts of energy. The contract includes a market related price adjustment after 30 years of the 60-year term. FortisBC is accounting for the contract as an operating lease as directed by the BCUC. In addition, FortisBC has a long-term, minimum-payment, firm power purchase contract with BC Hydro. This contract includes a take-or-pay provision based on a 5-year rolling nomination of capacity requirements.

(4) Maritime Electric has entitlement to approximately 6.7 per cent of the output from the NB Power Dalhousie Generating Station and approximately 4.7 per cent from the NB Power Point Lepreau Nuclear Generating Station for the life of each unit. As part of its participation agreement, Maritime Electric is required to pay its share of the capital costs of these units.

(5) On July 15, 2003, the utility in B.C. began leasing the BTS under a 30-year lease. The BTS is owned by the Brilliant Joint Venture, a joint venture between the Columbia Power Corporation and the Columbia Basin Trust. The lease provides that the utility in B.C. will pay the Brilliant Joint Venture a charge related to the recovery of the capital cost of the BTS and related operating costs.

CAPITAL RESOURCES

The Corporation's principal business of regulated electric utilities requires Fortis to have ongoing access to capital to allow it to build and maintain the electricity systems in its service territories. In addition, the Corporation must secure permanent financing to repay the bridge financing entered into to acquire the Alberta and British Columbia utilities. In order to ensure that this access to capital is maintained, the Corporation targets a long-term capital structure that includes a minimum of 40 per cent equity and 60 per cent debt as well as investment grade credit ratings.

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

Fortis Inc. Capital Structure				
	June 30, 2004		December 31, 2003	
	($ millions)	**Per cent**	($ millions)	Per cent
Total Debt (net of cash)	**2,221.5**	**65.9**	1,105.1	60.0
Shareholders' Equity	**1,150.7**	**34.1**	737.7	40.0
Total	**3,372.2**	**100.0**	1,842.8	100.0

Subsequent to the quarter ended June 30, 2004, Fortis received proceeds of approximately $139.5 million from the conversion of approximately 93 per cent of the First Preference Units issued on January 29, 2004. These proceeds were used to repay a portion of the short-term acquisition facility used to acquire the utilities in western Canada. Including the impact of this issue, the Corporation's capital structure as of June 30, 2004 would have been approximately 62 per cent debt and 38 per cent equity.

As at June 30, 2004, the Corporation's credit ratings were as follows:

Standard & Poors ("S&P")	BBB(+)
Dominion Bond Rating Service ("DBRS")	BBB (high)

On January 7, 2004, S&P lowered its corporate credit rating on the Corporation from A(-) to BBB(+). The rating change was consistent with other credit rating downgrades of Canadian utilities in 2003. S&P is maintaining a negative outlook on the Corporation, which is largely associated with the integration risks of the utilities in western Canada. DBRS continues to rate the Corporation's bonds at BBB(high). Fortis will continue to update both S&P and DBRS on the progress of the integration of these utilities.

2004 Capital Program: The Corporation's principal business of regulated electric utilities is capital intensive and consolidated capital expenditures for 2004, including FortisAlberta and FortisBC, are expected to be approximately $260 million, of which $79.1 million has been incurred to date. The cash needed to complete the 2004 capital program is expected to be supplied by a combination of long-term and short-term borrowings and internally generated funds. Fortis does not anticipate any issues with accessing the required capital.

Acquisition Financing: On May 31, 2004, Fortis completed the acquisition of the utilities in western Canada for gross proceeds of $1,476 million. At close, the acquisition was financed with the following short-term facilities, equity issuance and assumption of certain debt obligations at FortisBC.

Fortis Inc. Acquisition Financing		
Gross Purchase Price ($ millions)		**1,476**
Acquisition Financing		
Fortis Inc.		
Short-term acquisition facility [1]	**(588)**	
Net proceeds from conversion of Subscription Receipts	**(332)**	(920)
FortisAlberta		
Short-term acquisition facility	**(391)**	
Short-term revolving facility	**(11)**	(402)
Total Financing Required at Close		(1,322)
FortisBC		
Assumption of secured debentures and mortgage	**(154)**	(154)
		(1,476)

[1] $155 million advanced to FortisBC to repay certain long-term debt obligations. FortisBC is required to secure long-term financing and repay this short-term advance from Fortis.

As outlined above, Fortis was required to fund $1,322 million ($1,476 million less assumption of debt at FortisBC) of the purchase price at close. On May 31, 2004, a total of $990 million was drawn on the Corporation's short-term acquisition facilities and the remainder was financed with the net cash proceeds of $332 million from the conversion of Subscription Receipts to 6,310,000 common shares of the Corporation.

The short-term funds were borrowed under the credit facilities using banker acceptances at terms ranging from 30 days to 120 days at an interest rate of approximately 3.0 per cent. The short-term financing will be repaid with the $150 million First Preference Share, Series "E" issuance and the issuance of new long-term debt at Fortis, FortisAlberta and FortisBC.

The preference share equity component was secured on January 29, 2004 when Fortis completed the issuance of 8,000,000 First Preference Share Units. Each First Preference Unit consists of one First Preference Share, Series "D" and one First Preference Share, Series "E" Purchase Warrant of the Corporation (a "Warrant"). As a result of the closing of the acquisition on May 31, 2004, each holder of First Preference Shares, Series "D" had the right to convert each First Preference Share, Series "D" into 0.25 of a First Preference Share, Series "E" of the Corporation, provided such holder also concurrently exercised one Warrant. Each Warrant entitled the holder to acquire 0.75 of a First Preference Share, Series "E" upon payment of $18.75 per Warrant. On July 15, 2004, Fortis received proceeds of approximately $139.5 million from the conversion of approximately 93 per cent of the First Preference Units. The First Preference Shares, Series "E" will yield 4.9 per cent per annum. The dividend on the First Preference Shares, Series "D" decline to 0.64 per cent on September 1, 2004. Holders of the First Preference Shares, Series "D" will have the right to convert each First Preference Share, Series "D" into 0.25 of a First Preference Share, Series "E" and to exercise a Warrant (in conjunction with the payment of $18.75) on September 1, 2004 and December 1, 2004. Conversion of the First Preference Shares, Series "D" and exercise of warrants are expected to result in total gross proceeds of $150 million.

To reduce exposure to interest rate risk on the expected issuance of long-term debt, Fortis entered into a forward interest rate swap agreement in December 2003 that swaps 90-day banker acceptance interest rate payments on $200 million of long-term debt to 5.6 per cent. The swap agreement has been designated as a hedge against the planned issuance of long-term debt. The cash payment received or paid on the termination of this agreement will be amortized over the term of the new debt.

Fortis, FortisAlberta and FortisBC are advancing with plans to secure long-term debt. Fortis expects to issue $200 million of 10-year senior unsecured notes by the end of 2004. Pending regulatory approval, FortisAlberta and FortisBC expect to complete long-term debt issues prior to the end of 2004.

Cash Flows: The Corporation's ability to service debt obligations as well as dividends on its common and preference shares is dependent on the financial results of the operating subsidiaries and the related cash payments from these subsidiaries. Certain subsidiaries may be subject to statutory restrictions which may limit their ability to distribute cash to Fortis.

As outlined in the Fortis Inc. 2003 Annual Report, Belize Electricity remains non-compliant with its debt service coverage ratio covenant. Both the International Bank for Reconstruction and Development and the Government of Belize have acknowledged this non-compliance and encouraged the Company to continue to improve its debt service ratio. Fortis does not expect any change in the regular debt repayment schedule relating to this $9.5 million loan.

The acquisition of FortisBC also included the Walden Power Partnership, a wholly owned subsidiary of FortisBC, which has a secured mortgage over the non-regulated Walden generating plant. The Walden Power Partnership was not in compliance with its debt service ratio of 1.2 times as required by the loan covenant. As at December 31, 2003, Walden Power Partnership's debt service ratio was 0.22 times. A waiver was obtained for December 2003. Compliance with the debt service covenant is required at the end of each fiscal year. Fortis does not expect any change in the regular debt repayment schedule relating to this $7.2 million mortgage.

The Corporation and its subsidiaries had consolidated authorized lines of credit of $1,522.3 million of which $442.5 million was unused at June 30, 2004. The following summary outlines the short-term credit facilities by the Corporation's reporting segments.

Fortis Inc. Short-term Credit Facilities						
($ millions)	**Acquisition Financing**	**Corporate**	**Regulated Utilities**	**Fortis Generation**	**Fortis Properties**	**Total**
Total short-term facilities	979.4	145.0	373.4	12.0	12.5	1,522.3
Utilized at June 30, 2004	(979.4)	-	(69.6)	(5.0)	(4.3)	(1,058.3)
Letters of Credit outstanding	-	(8.1)	(9.5)	(0.9)	(3.0)	(21.5)
Short-term facility available	-	136.9	294.3	6.1	5.2	442.5

OFF-BALANCE SHEET ARRANGEMENTS

Disclosure is required of all off-balance sheet arrangements such as transactions, agreements or contractual arrangements with unconsolidated entities, structured finance entities, special purpose entities or variable interest entities that are reasonably likely to materially affect liquidity or the availability of, or requirements for, capital resources. The Corporation has no such off-balance sheet arrangements.

BUSINESS RISK MANAGEMENT

The following is a summary of the Corporation's significant business risks. Details of all business risks have been outlined in the MD&A section of the Fortis Inc. 2003 Annual Report.

Regulation: The Corporation's key business risk is regulation. With the acquisition of the FortisAlberta and FortisBC, total regulated assets were approximately 80 per cent of the total operating assets at June 30, 2004. Each of the Corporation's utilities is subject to some form of regulation which can impact future revenues and earnings. Management at each operating utility is responsible to work closely with the regulators and local governments to ensure both compliance with existing regulation and the proactive management of regulatory issues. The Corporation's regulated utilities currently have risks associated with pending regulatory proceedings, approvals and legislative changes. The following table provides a summary of the key regulatory highlights.

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Fortis Inc. Regulatory Highlights		
Regulated Subsidiary	**Regulated Returns**	**Material Regulatory Decisions and Applications**
Newfoundland Power	9.75 per cent on equity up to 45 per cent	• GRA approved June 2003 for rates through 2004. Automatic adjustment formula for 2005 through 2007. • Application by Newfoundland and Labrador Hydro ("Newfoundland Hydro"), supplier of 90 per cent of energy requirement, for increase in rates was approved on July 11, 2004. The decision resulted in a 9.3 per cent increase in the rate Newfoundland Hydro charges Newfoundland Power for purchased power. The PUB subsequently approved an average 5.4 per cent increase in the rates Newfoundland Power charges its customers effective July 1, 2004. In addition, as a result of the review of Newfoundland Hydro's Rate Stabilization Plan, there was an increase in customer electricity rates of approximately 4.5 per cent on July 1, 2004. The combined effect of the 2 increases is that Newfoundland Power's customers experienced an average rate increase of approximately 9.9 per cent on July 1, 2004. Newfoundland Power will not gain any financial benefit nor suffer any direct financial detriment from the rate change. • The PUB's decision on Newfoundland Hydro's GRA also ordered the establishment of a demand-energy rate for the electricity Newfoundland Hydro sells to Newfoundland Power, effective January 1, 2005, as opposed to the energy-only rate that is currently utilized. The details and impacts of the new rate have not yet been determined.
Maritime Electric	N/A	• Change in legislation in 2003 resulted in a reversion to traditional cost of service regulation from price cap regulation effective January 1, 2004. • Interim rates effective January 1, 2004. • GRA filed May 2004 to set rates including the establishment of an appropriate capital structure and rate of return on equity. • Maritime Electric is currently seeking regulatory approval for the construction of a 50-MW generating facility on Prince Edward Island.
Canadian Niagara Power	9.88 per cent return on deemed equity up to 50 per cent	• Distribution rate freeze in effect to March 31, 2004 effectively reduced the regulated earnings associated with Port Colborne by 33 per cent. • Effective April 1, 2004, certain transition costs are allowed to be recovered in rates over a 4-year period and, effective April 1, 2005, rates can be further adjusted to provide for a full recovery of the market return on equity.
Cornwall Electric	N/A (Price Cap)	• Cornwall Electric is granted an exemption under the Ontario Electricity Act. Cornwall Electric's rates are subject to an annual adjustment mechanism that flows through the actual cost of power and increases rates by an inflationary factor to cover other costs. • Cornwall Electric's rates were increased by 11.98 per cent effective July 1, 2004 as a result of rising wholesale supply costs from Hydro Quebec.
FortisAlberta	9.60 per cent return on 37 per cent deemed equity	• GRA and final rates were approved July 2003 and became effective August 2003. • The AEUB issued its Generic Cost of Capital Decision on July 2, 2004. The regulated capital structure for FortisAlberta was set at 63 per cent debt and 37 per cent equity. The same order set FortisAlberta's regulated rate of return on its equity for establishing electricity rates as 9.60 per cent based on a forecast long Canada bond of 5.68 per cent. Beginning in 2005, the rate of return on equity for setting rates will be adjusted by 75 per cent of the change in forecast long Canada bond rates. • FortisAlberta will file a GRA in 2004 to set rates for 2005.
FortisBC	9.55 per cent return on 40 per cent deemed equity	• On April 26, 2004 the BCUC approved a 4.3 per cent rate increase, effective May 1, 2004. An interim rate increase of 3.6 per cent was put in place on January 1, 2004. • FortisBC's revenue and rates are based on traditional cost of service regulation. However, it is also subject to a performance based rate mechanism that is used in establishing annual rate adjustments. • FortisBC will file a GRA application in 2004 to set rates for 2005.
Belize Electricity	N/A (Price Cap)	• Electricity rates are comprised of 2 components. The first, Value Added Delivery ("VAD"), is subject to price cap and the second is the cost of fuel and purchase power, including the variable cost of generation, which is a flow through in customer rates. • The current VAD is subject to a BZ$0.05 reduction over a 5-year transition period which ends July 2005. As of July 1, 2004, BZ$0.05 has been implemented. A new 4-year VAD tariff setting arrangement will be required by July 1, 2005.
Caribbean Utilities	15 per cent return on rate base New agreement signed during the second quarter to change from 15 per cent return on rate base to price cap	• Caribbean Utilities Company, Ltd submitted a proposal to the Cayman Islands Government in July 2002 to extend its current license and replace the 15 per cent return on rate base mechanism for adjusting consumer rates with a price cap mechanism. • On June 16, 2004, Caribbean Utilities Company, Ltd. and the Cayman Islands Government reached a tentative agreement to extend the operating license to 2024 from 2011. The license extension includes a change in the rate setting regulation that will now provide for a price cap based on an inflation index. The price of fuel and government levies will be a flow through in rates. Generation will be priced on a marginal price based on long-term competitively bid contracts for new energy increments. A definitive license is expected to be finalized during the third quarter of 2004.

Integration of FortisAlberta and FortisBC: Fortis has appointed an executive team to lead the successful integration of FortisAlberta and FortisBC. Fortis is moving forward with plans to separate the management and operations at FortisAlberta and FortisBC. The separation is expected to result in more efficient and productive organizations and will lend itself to improved customer service and more reliable electricity service at reasonable costs.

Hedging: The Corporation manages its financial exposures in accordance with its risk management policy and procedures. Derivative instruments are used only to manage risk and not for trading purposes. The derivative instruments consist of foreign currency swaps and interest rate swaps. The Corporation designates each derivative instrument as a hedge of specific assets or liabilities on the balance sheet. The Corporation also assesses, both at the hedge's inception and on an ongoing basis, whether the hedging transactions are effective in offsetting changes in cash flows of the hedged items. Payments or receipts on derivative instruments that are designated and effective as hedges are recognized concurrently with, and in the same financial category as, the hedged item. If a derivative instrument is terminated or ceases to be effective as a hedge prior to maturity, the gain or loss at that date is deferred and recognized in income concurrently with the hedged item. Subsequent changes in the value of the financial instrument are reflected in income. If the designated hedged item is sold, extinguished or matures prior to the termination of the related derivative instrument, the gain or loss at that date on such derivative instrument is recognized in income.

The Corporation's foreign investments and related cash flows are exposed to changes in US exchange rates. The Corporation has effectively decreased its exposure to foreign currency exchange rate fluctuations on a substantial portion of its cash flows through the use of a US dollar currency swap where the interest payment on a $100 million debenture is converted into a US dollar interest payment. In addition, Fortis has US$20 million in subordinated debentures for which the interest payments are also matched to US dollar cash flows. For 2004, the estimated sensitivity to each 2-cent change in the US exchange rate will result in a 1-cent change in the Corporation's earnings per common share.

Fortis manages interest rate risk by locking in interest rates for long periods through fixed rate debt. The Corporation also utilizes interest rate swaps. Approximately 80 per cent of the Corporation's long-term debt facilities have maturities beyond 5 years. The Corporation's exposure to interest rate risk is associated with short-term debt. The amount of short-term debt at June 30, 2004 was $1.1 billion, or 46.5 per cent of total debt. The increase in total short-term debt was associated with the acquisition of the utilities in western Canada which will be replaced with permanent financing.

Energy Prices: The Corporation's primary exposure to changes in energy prices relates to generation sales in Ontario. Electricity is sold to the Independent Market Operator at market prices. The sensitivity of the Corporation's earnings to each $1 per MWh change in the annual wholesale market price of electricity is expected to be $0.4 million in 2004. All other Fortis utilities flow through energy and fuel costs in their electricity rates. Energy sales from the generation assets in central Newfoundland and Belize are sold under long-term fixed-price contracts.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Corporation's consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Estimates are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances. Changes in facts and circumstances may result in revised estimates and actual results could differ from those estimates. The Corporation's critical accounting estimates are discussed below.

Useful Life of Property, Plant and Equipment: Amortization, by its nature, is an estimate based primarily on the useful life of assets. The Corporation's consolidated capital assets represented approximately 70 per cent of total consolidated assets at June 30, 2004. Estimated useful lives are based on current facts and historical information and take into consideration the anticipated physical life of the assets. The amortization periods used are reviewed on an ongoing basis to ensure they continue to be appropriate.

Goodwill Valuation: Goodwill represents the excess at the dates of acquisition of the purchase price over the fair values of the net amounts assigned to individual assets acquired and liabilities assumed relating to business acquisitions. The Corporation is required to perform an annual impairment test or if any event occurs or if circumstances change that would indicate that the fair value of a reporting unit was below its carrying value. In July of each year, the Corporation reviews for impairment which is based on current information of the reporting unit being reviewed. There was no impairment provision required on the $515.4 million in goodwill recorded on the Corporation's balance sheet at June 30, 2004.

Employee Future Benefits: The Corporation's pension expense is subject to judgments utilized in the actuarial determination of the expense. The main assumptions utilized by management in determining pension expense in the quarter were the discount rate for the accrued benefit obligation, expected long-term rate of return on plan assets, average rate of compensation increase, average remaining service life of the active employee group and employee and retiree mortality rates. Changes to the provisions of the plans may also affect current and future pension costs.

Contingencies: The Corporation is party to a number of disputes and lawsuits in the normal course of business as outlined in the 2003 Fortis Inc. Annual Consolidated Financial Statements. Contingent liabilities as of June 30, 2004 are consistent with disclosures in the annual audited financial statements except as noted below.

In a statement of claim filed on August 18, 2003 in the Court of the Queen's Bench of Alberta, EPCOR Energy Services (Alberta) Inc. is pursuing damages of $83 million against the utility in Alberta for alleged breaches of contract, common law duties and distribution tariff terms and conditions of service relating to the provision of the Regulated Rate Option to customers. Management has not, to date, made a definitive assessment of potential liability with respect to this claim; however, management believes that these allegations are without merit. The outcome is not determinable at this time and accordingly no amount has been accrued for this claim in the financial statements.

Revenue Recognition: FortisAlberta records regulated transmission and distribution revenues based on regulated tariffs approved by the AEUB and the hourly electrical load delivered to end-use customers connected to the Company's distribution system. The methodology used to determine the hourly electrical load by end-use customers is governed by regulation and includes an initial load determination on a monthly basis, used to issue preliminary invoices to the retailers and certain end-use customers. This preliminary load information is then subject to further adjustment by the Company, and a final negotiated settlement of delivered electrical load with applicable retailers and certain end-use customers, which then forms the basis for a final financial settlement of a specific month's delivered electrical load. At this time, the Company is to prepare final invoices to retailers for distribution and transmission services.

Asset Retirement Obligations: Asset retirement obligations are to be recorded as a liability at fair value, with a corresponding increase to property, plant and equipment. While some of the Corporation's utility long-lived tangible assets will have future legal retirement obligations, the asset retirement obligation has not been recognized as the final date of removal of the long-lived tangible assets that carry asset retirement obligations cannot be reasonably determined at this time. An asset retirement obligation and offsetting capital asset will be recognized when the timing and amount can be reasonably estimated.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table sets forth the annual audited financial information for the years ended December 31, 2001, 2002 and 2003. The financial information has been prepared in accordance with Canadian GAAP except as required by utility regulators. The timing of the recognition of certain assets, liabilities, revenues and expenses as a result of regulation may differ from that otherwise expected using Canadian GAAP for non-regulated entities. All amounts presented are in Canadian dollars unless otherwise stated.

Fortis Inc.
Selected Annual Financial Information
Year Ended December 31

($ thousands except per share amounts)	**2003**	**2002**	**2001 (1)**
Operating revenue (2)	843,080	715,465	628,254
Earnings before non-controlling interest and discontinued operations	81,451	67,481	56,738
Earnings before discontinued operations (3)	73,630	63,252	52,876
Earnings applicable to common shares	73,630	63,252	53,597
Total assets	2,210,581	1,986,999	1,624,752
Long-term debt (net of current portion)	1,031,358	940,910	746,092
Non-controlling interest	36,770	39,955	36,419
Preference shares	122,992	- (4)	50,000
Common shareholders' equity	614,665	585,843	449,519
Earnings per common share before discontinued operations	4.25	3.89	3.55
Earnings per common share	4.25	3.89	3.60
Diluted earnings per common share before discontinued operations	4.10	3.85	3.54
Diluted earnings per common share	4.10	3.85	3.59
Dividends declared per common share	2.10	1.99	1.88
Dividends declared per First Preference Share, Series "B"	-	1.4916 (4)	1.4875
Dividends declared per First Preference Share, Series "C"	0.6766 (5)	-	-

(1) Comparative 2001 results have been restated to reflect the adoption of the CICA's recommendations on accounting for foreign exchange gains and losses.
(2) Operating revenue reflects weather-adjusted values related to Newfoundland Power's Weather Normalization Reserve.
(3) The discontinued operations in 2001 related to the sale of Fortis Trust.
(4) The $50 million First Preference Shares, Series "B" were redeemed in December 2002.
(5) The $200 million First Preference Shares, Series "C" were issued June 2003.

Revenue and earnings in 2003 grew 17.8 per cent and 16.4 per cent, respectively, over 2002. Revenue and earnings in 2002 grew 13.9 per cent and 18.0 per cent, respectively, over 2001. The growth in both revenue and earnings was associated with the Corporation's acquisitions in Ontario as well as its increased investment in Caribbean Utilities Company, Ltd. The growth in total assets and long-term liabilities was also associated with the acquisitions as well as the completion of the $65 million Exploits River Hydro Partnership Project in November 2003.

Dividends declared per common share have increased annually since the inception of Fortis in 1987. The Corporation's dividend payout ratio was 48.9 per cent in 2003 compared to 49.9 per cent in 2002. In December 2003, Fortis declared an increase in the regular quarterly dividend to $0.54 from $0.52, payable on March 1, 2004.

QUARTERLY RESULTS

The following table sets forth unaudited quarterly information for each of the 8 quarters ended September 30, 2002 through June 30, 2004. This information has been obtained from the Corporation's unaudited Interim Financial Statements which, in the opinion of management, have been prepared in accordance with Canadian GAAP except as required by utility regulators. The timing of the recognition of certain assets, liabilities, revenues and expenses as a result of regulation may differ from that otherwise expected using Canadian GAAP for non-regulated entities. These operating results are not necessarily indicative of results for any future period and should not be relied upon to predict future performance. All amounts presented are in Canadian dollars unless otherwise stated.

Fortis Inc.
Summary of Quarterly Results (Unaudited)

Quarter Ended	Revenue ($000's)	Earnings ($000's)	Earnings per Common Share Basic ($)	Earnings per Common Share Diluted [1]
June 30, 2004	254,513	23,946	1.22	1.15
March 31, 2004	250,793	20,281	1.16	1.12
December 31, 2003	210,624	14,760	0.85	0.82
September 30, 2003	191,445	18,114	1.05	0.99
June 30, 2003	205,582	20,796	1.20	1.15
March 31, 2003	235,429	19,961	1.16	1.14
December 31, 2002	196,218	13,724	0.80	0.79
September 30, 2002	169,927	17,989	1.05	1.04

[1] The diluted earnings per common share for 2003 have been restated to reflect the issuance of convertible preference shares in June 2003.

A summary of the past 8 quarters reflects the Corporation's continued growth as well as the seasonality associated with the Corporation's businesses. Most of the Corporation's utility investments produce their highest earnings in the first quarter. The June 2003 financial results were impacted by the 2003 GRO at Newfoundland Power. The June 2004 financial results were impacted by the acquisition of the utilities in western Canada. The Corporation's non-utility investment, Fortis Properties, generally produces its highest earnings in the second and third quarters. Given the diversified group of companies, seasonality may vary. Each of the comparative quarterly earnings has increased as a result of both the Corporation's acquisition strategy as well as improved operating earnings at most subsidiaries.

June 2003/June 2004 – For the quarter ended June 2004, earnings applicable to common shares were 15.1 per cent higher than the same quarter in 2003. Earnings per common share increased 1.7 per cent over the same quarter in 2003. The increase in earnings was primarily associated with the acquisition of the utilities in western Canada as well as improved operating income at most subsidiaries. In particular, operations in Belize delivered improved results due to increased production associated with higher rainfall levels.

March 2003/March 2004 – For the quarter ended March 2004, earnings applicable to common shares were 1.6 per cent higher than the same quarter in 2003. Earnings per common share remained consistent with the same quarter last year. Newfoundland Power and Maritime Electric were the major drivers of performance compared to the same quarter last year. Operations in Belize also delivered improved results due to increased production associated with higher rainfall levels. The increased quarterly earnings from Newfoundland Power over the first quarter of 2003 largely resulted from timing differences related to the implementation of the decisions contained in the 2003 GRO received in June 2003. The increase in quarterly earnings was partially mitigated by lower wholesale energy prices in Ontario.

December 2002/December 2003 – For the quarter ended December 2003, earnings applicable to common shares were 7.5 per cent higher than the same quarter in 2002. Earnings per common share increased 6.3 per cent over the same quarter in 2002. The Corporation's investments in Ontario and its increased investment in Caribbean Utilities Company, Ltd. were major contributors to the results. The increased earnings from the Ontario investments were primarily related to decreased operating expenses and a decrease in amortization expense associated with an adjustment to amortization of water rights in the fourth quarter of 2002. All utility operating companies reported improved results with the exception of Newfoundland Power where the quarterly earnings were impacted by regulatory adjustments related to the 2003 GRO. Fortis Properties' growth in earnings was primarily attributable to the acquisition of the Delta St. John's Hotel in December 2002 and 4 hotels in Ontario in October 2003.

September 2002/September 2003 - For the quarter ended September 2003, earnings applicable to common shares and earnings per common share were consistent with the same quarter in 2002. Earnings associated with the increased investment in Caribbean Utilities Company, Ltd., acquisition of Cornwall Electric and the increased earnings of Fortis Properties, which were primarily attributable to the acquisition of the Delta St. John's Hotel in December 2002, were mitigated by 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 foreign investments.

OUTLOOK

The Corporation's primary focus over the next 2 years will be the successful integration of FortisAlberta and FortisBC. Fortis will continue to pursue acquisition opportunities including carrying out strategic assessments of non-regulated hydroelectric and property assets to identify and capitalize on opportunities to grow these businesses.

OUTSTANDING SHARE DATA

At August 3, 2004, the Corporation had issued and outstanding 23,821,617 common shares, 5,000,000 First Preference Shares, Series C, 7,438,610 First Preference Shares, Series E and 561,390 First Preference Shares, Series D.

Dated August 3, 2004

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Fortis Inc.
Consolidated Balance Sheets (Unaudited)
As at June 30
(in thousands)

	June 30 2004	December 31 2003
ASSETS		
Current assets		
Cash and cash equivalents	$ 51,112	$ 65,094
Funds on deposit	38,688	-
Accounts receivable	158,274	100,666
Materials and supplies	28,828	16,470
	276,902	182,230
Corporate income tax deposit	6,949	6,949
Other receivables	29,770	29,585
Cash held in escrow	103	3,810
Deferred charges	142,392	123,204
Utility capital assets	2,383,809	1,229,984
Income producing properties	336,496	333,604
Investments	167,800	167,752
Intangibles, net of amortization	20,297	22,139
Goodwill	515,388	65,435
	$ 3,879,906	$ 2,164,692
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	$ 1,058,370	$ 104,452
Accounts payable and accrued charges	214,340	143,613
Dividends payable	14,017	9,953
Regulatory liabilities	40,922	-
Current installments of long-term debt	36,463	38,197
Future income taxes	1,179	1,062
Subscription Receipts issue	-	350,205
Restricted cash-Subscription Receipts issue	-	(350,205)
	1,365,291	297,277
Long-term debt	1,177,902	1,031,358
Regulatory tax base adjustment	108,580	-
Deferred credits	19,995	19,779
Future income taxes	20,583	41,851
Non-controlling interest	36,900	36,770
	2,729,251	1,427,035
Shareholders' equity		
Capital stock	841,275	452,652
Contributed surplus	1,300	862
Equity portion of convertible debentures	1,720	1,672
Foreign currency translation adjustment	(10,544)	(12,515)
Retained earnings	316,904	294,986
	1,150,655	737,657
	$ 3,879,906	$ 2,164,692

See accompanying notes to the financial statements.

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

	Quarter Ended		Six Months Ended	
	2004	2003	**2004**	2003
Revenues				
Operating	**$ 252,291**	$ 203,195	**$ 501,217**	$ 436,320
Equity income	**2,222**	2,387	**4,089**	4,691
	254,513	205,582	**505,306**	441,011
Expenses				
Operating	**163,273**	136,492	**341,871**	299,360
Amortization	**25,240**	14,795	**44,672**	34,946
	188,513	151,287	**386,543**	334,306
Operating income	**66,000**	54,295	**118,763**	106,705
Finance charges	**25,098**	20,007	**46,594**	40,272
Earnings before income taxes and non-controlling interest	**40,902**	34,288	**72,169**	66,433
Income taxes	**12,982**	11,958	**21,472**	23,493
Earnings before non-controlling interest	**27,920**	22,330	**50,697**	42,940
Non-controlling interest	**1,662**	974	**2,040**	1,623
Earnings	**26,258**	21,356	**48,657**	41,317
Dividends on preference shares	**2,312**	560	**4,430**	560
Earnings applicable to common shares	**$ 23,946**	$ 20,796	**$ 44,227**	$ 40,757
Average common shares outstanding	**19,595**	17,296	**18,521**	17,270
Earnings per common share				
Basic	**$ 1.22**	$ 1.20	**$ 2.38**	$ 2.36
Diluted	**$ 1.15**	$ 1.15	**$ 2.27**	$ 2.29

Consolidated Statements of Retained Earnings (Unaudited)
For the period ended June 30
(in thousands)

	2004	2003	**2004**	2003
Balance at beginning of period	**$ 305,822**	$ 268,767	**$ 294,986**	$ 257,776
Earnings applicable to common shares	**23,946**	20,796	**44,227**	40,757
	329,768	289,563	**339,213**	298,533
Dividends on common shares	**(12,864)**	(8,970)	**(22,309)**	(17,940)
Balance at end of period	**$ 316,904**	$ 280,593	**$ 316,904**	$ 280,593

See accompanying notes to the financial statements.

Fortis Inc.
Consolidated Statements of Cash Flows (Unaudited)
For the period ended June 30
(in thousands)

	Quarter Ended		Six Months Ended	
	2004	2003	**2004**	2003
Operating Activities				
Earnings before non-controlling interest	**$ 27,920**	$ 22,330	**$ 50,697**	$ 42,940
Items not affecting cash				
Amortization-capital assets, net of contributions in aid of construction	**23,420**	13,500	**41,362**	32,798
Amortization-intangibles	**921**	921	**1,842**	1,842
Amortization-other	**899**	374	**1,468**	306
Future income taxes	**2,141**	748	**(719)**	495
Accrued employee future benefits	**(1,332)**	(1,676)	**(1,813)**	(2,533)
Equity income, net of dividends	**(145)**	(462)	**-**	(1,201)
Stock-based compensation	**290**	148	**438**	296
Other	**1,284**	3,153	**(701)**	2,096
	55,398	39,036	**92,574**	77,039
Change in non-cash operating working capital	**(4,844)**	(2,650)	**(18,080)**	(15,790)
	50,554	36,386	**74,494**	61,249
Investing Activities				
Change in deferred charges and credits	**3,529**	(2,688)	**2,837**	(7,703)
Purchase of utility capital assets	**(45,289)**	(32,517)	**(71,982)**	(65,058)
Purchase of income producing properties	**(5,813)**	(854)	**(7,154)**	(1,696)
Proceeds on sale of capital assets	**12**	86	**15**	502
Business acquisitions, net of cash	**(754,353)**	(8,839)	**(754,353)**	(8,839)
Increase in investments	**(4)**	(673)	**(4)**	(71,029)
	(801,918)	(45,485)	**(830,641)**	(153,823)
Financing Activities				
Change in short-term borrowings	**1,003,607**	(124,796)	**953,737**	(37,383)
Proceeds from long-term debt, net of cash held in escrow	**1,086**	30,919	**7,100**	40,026
Repayment of long-term debt	**(8,393)**	(4,080)	**(18,328)**	(9,738)
Repayment of assumed acquisition debt	**(557,381)**	-	**(557,381)**	-
Contributions in aid of construction	**1,080**	167	**1,857**	974
Advance from non-controlling interest	**274**	-	**440**	294
Issue of common shares	**332,296**	2,268	**336,364**	6,239
Issue of preference shares	**-**	121,861	**44,936**	121,861
Dividends				
Common shares	**(12,864)**	(8,970)	**(22,309)**	(17,940)
Subsidiary dividends paid to non-controlling interest	**(427)**	(426)	**(842)**	(886)
Preference shares	**(2,312)**	(560)	**(4,430)**	(560)
	756,966	16,383	**741,144**	102,887
Effect of exchange rate changes on cash	**701**	(1,227)	**1,021**	(2,349)
Change in cash and cash equivalents	**6,303**	6,057	**(13,982)**	7,964
Cash and cash equivalents, beginning of period	**44,809**	28,165	**65,094**	26,258
Cash and cash equivalents, end of period	**$ 51,112**	$ 34,222	**$ 51,112**	$ 34,222

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 ("GAAP") for interim financial statements and do not include all of the disclosures normally found in the Fortis Inc. ("Fortis" or "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, 2003.

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

Effective for the quarter ended June 30, 2004, the primary change in segmented reporting related to the reporting of non-regulated generating assets as one reportable segment. Prior to June 30, 2004, non-regulated generating assets were either combined with other regulated utility operations in the same jurisdiction or reported as stand-alone operations. The reportable segments for the prior periods have been restated to reflect this change in segmented reporting. The following summary briefly describes the operations included in each of the Corporation's operating and reportable segments.

Regulated Utilities - Canadian

The following summary describes the Corporation's interest in Regulated Utilities in Canada by subsidiary:

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

b. *FortisOntario*: FortisOntario includes the operations of Canadian Niagara Power Inc. ("Canadian Niagara Power") and Cornwall Street Railway, Light and Power Company, Limited ("Cornwall Electric"). Included in Canadian Niagara Power's accounts is the operations of the electricity distribution business of Port Colborne Hydro Inc. which has been leased from the City of Port Colborne under a 10-year lease agreement entered into in April 2002. FortisOntario provides an integrated electric utility service to customers in Fort Erie, Cornwall, Gananoque and Port Colborne. FortisOntario also owns a 10 per cent interest in each of Westario Power and Rideau St. Lawrence, two regional electric distribution companies formed in 2000 that, together, serve over 27,000 customers.

c. *Maritime Electric:* Maritime Electric is the principal distributor of electricity on Prince Edward Island.

d. *FortisAlberta:* On May 31, 2004, Fortis, through its wholly owned subsidiaries, acquired all of the issued and outstanding shares of Aquila Networks Canada (Alberta) Ltd. (renamed "FortisAlberta"). FortisAlberta owns and operates the distribution system in a substantial portion of southern and central Alberta. It distributes electricity to more than 385,000 customers using approximately 100,000 kilometers of power lines. FortisAlberta is regulated by the Alberta Energy and Utilities Board ("AEUB").

e. *FortisBC*: On May 31, 2004, Fortis, through its wholly owned subsidiaries, acquired all of the issued and outstanding shares of Aquila Networks Canada (British Columbia) Ltd. (renamed "FortisBC"). FortisBC is an integrated utility operating in the southern interior of British Columbia, serving directly and indirectly approximately 140,000 customers. FortisBC is regulated by the British Columbia Utilities Commission ("BCUC").

Regulated Utilities - Caribbean

The following summary describes the Corporation's interest in Regulated Utilities in the Caribbean by subsidiary:

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

b. *Caribbean Utilities Company, Ltd:* Caribbean Utilities Company, Ltd. is the sole provider of electricity on Grand Cayman, Cayman Islands. The Corporation's 38 per cent interest in the Company is accounted for on the equity basis of accounting.

Non-regulated - Fortis Generation

The following describes the Corporation's non-regulated generation assets by location:

a. *Ontario:* Operations include the 75-megawatt ("MW") Rankine Generating Station at Niagara Falls, the 5-MW Cornwall District Heating cogeneration plant and 6 small hydroelectric generating stations in eastern Ontario with a combined capacity of 8 MW.

b. *Belize:* Includes the 25-MW Mollejon hydroelectric facility in Belize. All of its electricity output is sold to Belize Electricity under a 50-year Power Purchase Agreement. Hydroelectric generation operations in Belize are conducted through the Corporation's wholly owned indirect subsidiary, Belize Electric Company Limited ("BECOL"), under a Franchise Agreement with the Government of Belize.

c. *Central Newfoundland:* Through the Exploits River Hydroelectric Partnership ("Exploits Partnership"), a partnership between the Corporation and Abitibi-Consolidated Company of Canada ("Abitibi-Consolidated"), additional capacity was developed and installed at 2 of Abitibi-Consolidated's hydroelectric plants in central Newfoundland. The Corporation holds a 51 per cent interest in the Exploits Partnership and Abitibi-Consolidated holds the remaining 49 per cent interest. The Exploits Partnership commenced operations in November 2003.

d. *Upper New York State:* Includes the operations of 4 hydroelectric generating stations in Upper New York State with a combined capacity of 23 MW operating under a license from the U.S. Federal Energy Regulatory Commission.

e. *British Columbia:* Includes a 16-MW run-of-river hydroelectric power plant near Lillooet, British Columbia. This plant sells its entire output to B.C Hydro under a long-term contract.

Non-regulated - Fortis Properties

Fortis Properties includes the operations of the commercial real estate in Atlantic Canada and hotel properties in Atlantic Canada and Ontario.

Corporate

Corporate includes finance costs associated with corporate debt, preference securities and other corporate expenses net of recoveries from subsidiaries, interest and miscellaneous revenues and related income taxes.

2. Summary of Significant Accounting Policies

These interim consolidated financial statements have been prepared in accordance with Canadian GAAP except as required by utility regulators. The timing of the recognition of certain assets, liabilities, revenues and expenses as a result of regulation may differ from that otherwise expected using Canadian GAAP for non-regulated entities.

All amounts are presented in Canadian dollars unless otherwise stated.

Cash and Cash Equivalents
Cash and cash equivalents include cash and short-term deposits with maturities of 3 months or less.

Funds on Deposit
Funds on deposit include cash security as required by the Alberta Electric System Operator for transmission related projects. The scope of these projects is to provide service for new customers in the service territory and/or to upgrade load capacity to existing customers.

Materials and Supplies
Materials and supplies are recorded at average cost.

Deferred Charges
Certain deferred charges are recorded at cost and are amortized over their estimated useful lives. Other revenues and costs are deferred and are amortized against earnings as ordered or agreed to by the regulators.

Utility Capital Assets and Income Producing Properties
Utility capital assets of Newfoundland Power are stated at values approved by the Newfoundland and Labrador Board of Commissioners of Public Utilities ("PUB") as at June 30, 1966 with subsequent additions at cost. Capital assets of all other utility operations are stated at cost. The cost of utility capital assets retired, less net salvage, is charged to accumulated amortization. Maintenance and repairs are charged to operations while renewals and betterments are capitalized. On certain construction projects, interest is capitalized and included as a cost in the appropriate property accounts until the asset is available for use. Amortization on utility capital assets is provided on a straight-line method based on the estimated service life of capital assets.

Income producing properties, which include office buildings, shopping malls, hotels and land, are recorded at cost. For the year ended December 31, 2003, Fortis Properties amortized income producing buildings by the sinking fund method using an imputed interest rate of 6 per cent over the estimated useful life of 60 years from date of acquisition. Fortis Properties amortizes tenant inducements over the initial terms of the lease to which they relate, except where a write-down is required to reflect permanent impairment. The lease terms vary to a maximum of 20 years.

Effective January 1, 2004, new recommendations by the Canadian Institute of Chartered Accountants ("CICA") effectively eliminate certain industry-specific accounting practices, which previously qualified as GAAP. To comply with these new recommendations, the Corporation's non-utility investment, Fortis Properties, has changed from a sinking fund method of amortization to the straight-line method. This change, as required under the recommendations, has been adopted with no restatement of prior period amounts. It is expected that the change in accounting policy from the sinking fund method of depreciation to the straight-line method will negatively impact after-tax earnings by approximately $2.7 million in 2004.

Amortization of capital construction projects and related equipment commences when the project has been substantially completed. Equipment is recorded at cost and is amortized on a straight-line basis over a range of 1 to 15 years.

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

Effective January 30, 2003, the Corporation commenced accounting for its investment in Caribbean Utilities Company, Ltd. on the equity basis. Prior to January 30, 2003, the Corporation accounted for this investment on the cost basis of accounting, including in its results only dividend income received.

Intangibles
Intangibles represent the estimated fair value of water rights acquired upon the acquisition of the remaining 50 per cent of Canadian Niagara Power Company, Limited. The water rights are being amortized on a sinking fund basis using an imputed interest rate of 12.5 per cent over the life of the water rights. The Corporation evaluates the carrying value of intangibles for potential impairment through ongoing review and analysis of fair market value and expected earnings. Should an impairment in the value of intangibles be identified, it will be written off against earnings in the period such impairment is recognized.

Goodwill
Goodwill represents the excess at the dates of acquisition of the purchase price over the fair values of the net amounts assigned to individual assets acquired and liabilities assumed relating to business acquisitions. In accordance with the CICA's recommendations, goodwill is no longer amortized. The Corporation is required to perform an annual impairment test and any impairment provision is charged to income. In addition to the annual impairment test, the Corporation also performs an impairment test if any event occurs or if circumstances change that would indicate that the fair value of a reporting unit was below its carrying value. No goodwill impairment provision has been determined for the 6 months ended June 2004.

Employee Future Benefits
The Corporation maintains defined benefit and defined contribution pension plans and group Registered Retirement Savings Plans ("RRSPs") for its employees. The pension costs of the defined benefit plans are actuarially determined using the projected benefits method prorated on service and management's best estimate of expected plan investment performance, salary escalation and retirement of employees. With the exception of Newfoundland Power, pension plan assets are valued at fair value. The excess of any cumulative net actuarial gain (loss) over 10 per cent 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 10 years in accordance with the requirements of the PUB. The costs of the defined contribution pension plans and group RRSPs are expensed as incurred.

At Newfoundland Power, the plan assets are valued using the market-related method for valuing assets.

At Newfoundland Power, with the adoption of the recommendations of Section 3461 of the CICA Handbook on January 1, 2000, a one-time transitional obligation of $23.2 million was created to record the difference between the surplus in the plan and the deferred pension asset recorded as of December 31, 1999. This transitional obligation is being amortized on a straight-line basis over 18 years.

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

The cost of providing these pension arrangements for the quarter is $3.1 million ($1.6 million - 2003). For the 6 months ended June 30, 2004, the cost is $5.6 million ($4.0 million – 2003).

Contributions in Aid of Construction
Contributions in aid of construction represent the cost of utility capital assets contributed by customers and governments. These accounts are being reduced annually by an amount equal to the charge for amortization provided on the related assets. Contributions in aid of construction are recorded as a reduction in capital assets.

Stock-based Compensation
The Corporation accounts for its grants under such stock-based plans using the fair value method and the compensation expense is amortized over the vesting period of the options. Under the fair value method, $0.3 million and $0.4 million was recorded as compensation expense for the 3 months ended and 6 months ended June 30, 2004, respectively. Also, $0.1 million and $0.3 million was recorded as compensation expense for the 3 months ended and 6 months ended June 30, 2003, respectively.

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

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

Hedging Relationships
Effective January 1, 2004, the Corporation implemented the recommendations of the CICA Accounting Guideline 13 which outlines the requirements for identification, designation, documentation and effectiveness testing of hedging relationships in order to meet the conditions for applying hedge accounting to certain financial instruments. Implementation of this guideline did not have an impact on the Corporation's earnings or financial position at June 30, 2004.

Income Taxes
Except as modified and described below for Newfoundland Power, FortisAlberta and FortisBC, the Corporation and its subsidiaries follow the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recognized for differences between the tax

and accounting bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. The future income tax asset and liabilities are measured using the enacted and substantively enacted tax rates and laws that will be in effect when the differences are expected to be recovered or settled. The effect of a change in income tax rates on future income tax assets and liabilities is recognized in income in the period that the change occurs. Current income tax expense is recognized for the estimated income taxes payable in the current year.

The PUB specifies Newfoundland Power's method of accounting for income taxes. The PUB has disallowed the recognition of future income taxes on differences between the tax and accounting bases prior to January 1, 1981 relating to depreciable assets.

The AEUB and the BCUC specifies FortisAlberta's and FortisBC's method of accounting for income taxes. The regulated operations follow the taxes payable method of accounting for income taxes. Future income taxes are generally recognized only to the extent they will not be recoverable in future rates charged to customers.

Revenue Recognition

Revenue from the sale of electricity by Newfoundland Power and Belize Electricity is recognized on billings rendered to customers monthly as required by utility regulatory authorities. Revenue from the sale of electricity by Maritime Electric, FortisOntario, FortisAlberta, FortisBC and BECOL is recognized on the accrual basis.

FortisAlberta records regulated transmission and distribution revenues based on regulated tariffs approved by the AEUB and the hourly electrical load delivered to end-use customers connected to the Company's distribution system. The methodology used to determine the hourly electrical load by end-use customers is governed by regulation and includes an initial load determination on a monthly basis, used to issue preliminary invoices to the retailers and certain end-use customers. This preliminary load information is then subject to further adjustment by the Company, and a final negotiated settlement of delivered electrical load with applicable retailers and certain end-use customers, which then forms the basis for a final financial settlement of a specific month's delivered electrical load. At this time, the Company is to prepare final invoices to retailers for distribution and transmission services.

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 tenants' sales. Expenses recovered from tenants are recorded as revenue. Hospitality revenue is recognized when the service is provided.

Regulatory Accounts

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

Belize Electricity and the Public Utilities Commission ("PUC") have established a Cost of Power Rate Stabilization Account ("CPRSA") to allow recovery of excess energy costs over an established benchmark. These amounts are recovered as a surcharge on base rates over a 4-year period and have been included in other receivables.

Belize Electricity and the PUC have established a Hurricane Cost of Power Rate Stabilization Account ("HCRSA"). Through the HCRSA, Belize Electricity is allowed to recover hurricane reconstruction costs as a surcharge on base rates over a 3-year period. These amounts have been included in other receivables.

FortisOntario maintains variance accounts in its regulated subsidiaries to adjust for the effect of cost of power and related costs above or below associated amounts billed to consumers at approved rates. Rates are adjusted in subsequent periods to offset these variances. The variance accounts have been included in accounts receivable.

As of December 31, 2003, Maritime Electric maintained an energy cost adjustment mechanism to adjust for the effect of variations in energy costs above or below $0.05 per kilowatt hour. Maritime Electric also maintained a cost of capital adjustment account to adjust earnings based on a target return on average common equity. The new legislation effective January 1, 2004 allows Maritime Electric to collect these costs under the terms and conditions to be set out by the Island Regulatory and Appeals Commission and, as a result, these costs have been included in other receivables.

FortisAlberta maintains a regulatory tax basis adjustment account which represents the excess of the deemed tax basis of the Company's property, plant and equipment for regulatory rate making purposes as compared to the Company's tax basis for income tax purposes. The regulatory tax basis adjustment is being amortized over the estimated service lives of the Company's property, plant and equipment by an offset against the provision for amortization.

FortisAlberta also has other regulatory liabilities associated with the deferral of excess or deficient transmission service costs. The AEUB has approved a rider which will refund to customers, between August and December 2004, the amounts related to the 2002 and 2003 transmission service deferral.

Use of Accounting Estimates
The preparation of financial statements in conformity with Canadian GAAP 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.

Asset Retirement Obligations
Effective January 1, 2004, the Corporation is required to retroactively adopt the recommendations of the CICA on accounting for asset retirement obligations. The recommendations require total retirement costs to be recorded as a liability at fair value, with a corresponding increase to property, plant and equipment. The Corporation recognizes asset retirement obligations in the periods in which they are incurred if a reasonable estimate of a fair value can be determined.

The Corporation has assessed the impact of the adoption of the accounting recommendation and, while some of the Corporation's long-lived tangible assets will have future legal retirement obligations, the final date of removal of the Corporation's long-lived, tangible assets that carry asset retirement obligations cannot be reasonably determined at this time. No asset retirement obligations have been recognized upon adoption of the new recommendations. An asset retirement obligation and offsetting capital asset will be recognized when the timing and amount can be reasonably estimated.

Asset Impairment
Effective January 1, 2004, the Corporation prospectively adopted the recommendations of the CICA on accounting for asset impairment. The recommendations require an impairment of property, plant and

equipment, intangible assets with finite lives, deferred operating costs and long-term prepaid expenses to be recognized in income when the asset's carrying value exceeds the total cash flows expected from its use and eventual disposition. The impairment loss is then calculated as the difference between the asset's carrying value and its fair value, which is determined using present value techniques. There has been no impact on the financial statements resulting from the adoption of the recommendations.

3. 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 for Newfoundland Power are reported on a weather-adjusted basis.

4. Capital Stock

Authorized:
(a) an unlimited number of Common Shares without nominal or par value;
(b) an unlimited number of First Preference Shares, without nominal or par value;
(c) an unlimited number of Second Preference Shares, without nominal or par value.

a)		**June 30, 2004**		December 31, 2003	
	Issued and Outstanding	**Number of Shares**	**Amount** *(in thousands)*	Number of Shares	Amount *(in thousands)*
	Common Shares	**23,821,617**	**671,519**	17,380,419	$ 329,660
	First Preference Shares, Series "C"	**5,000,000**	**122,992**	5,000,000	122,992
	First Preference Shares, Series "D"	**8,000,000**	**46,764**	-	-
	Total	**36,821,617**	**841,275**	22,380,419	452,652

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

	Quarter Ended June 30, 2004		**Year-to-date June 30, 2004**	
	Number of Shares	**Amount** *(in thousands)*	**Number of Shares**	**Amount** *(in thousands)*
Balance, beginning of period	**17,472,472**	**$ 333,728**	**17,380,419**	**$ 329,660**
Conversion of Subscription Receipts	**6,310,000**	**335,793**	**6,310,000**	**335,793**
Consumer Share Purchase Plan	**7,584**	**452**	**13,662**	**825**
Dividend Reinvestment Plan	**13,393**	**799**	**25,949**	**1,568**
Employee Share Purchase Plan	**5,459**	**324**	**18,162**	**1,102**
Directors' Stock Option Plan	**-**	**-**	**5,000**	**146**
Executive Stock Option Plan	**12,709**	**423**	**68,425**	**2,425**
	23,821,617	**$ 671,519**	**23,821,617**	**$ 671,519**

On May 31, 2004, upon closing of the acquisition of the utility assets in western Canada, the Subscription Receipts were cancelled and automatically exchanged, without payment of additional consideration, for one common share of Fortis and a cash payment of $1.60 per common share, which is an amount equal to the dividends declared on a common share by Fortis during the period from the closing date of the Subscription Receipts offering to May 31, 2004. The net after-tax proceeds to Fortis upon conversion of the Subscription Receipts were $335.8 million.

b) Preference Shares

On January 29, 2004, Fortis issued 8,000,000 First Preference Units of the Corporation. Each First Preference Unit consists of one Series D First Preference Share of the Corporation and one Series E First Preference Share Purchase Warrant (a "Warrant"). Subject to close of the transaction to acquire the utilities in western Canada, which occurred May 31, 2004, each Warrant entitles the holder to acquire 0.75 of a Series E First Preference Share upon payment of $18.75 per Warrant. Holders of First Preference Shares, Series "D" will have the right to convert each First Preference Share, Series "D" into 0.25 of a First Preference Share, Series "E" and to exercise a Warrant (in conjunction with the payment of $18.75) on July 15, 2004, September 1, 2004 and December 1, 2004. The Series E First Preference Shares will yield 4.9 per cent per annum for a 12-year term. The First Preference Shares, Series "D" will yield 0.64 per cent per annum starting September 1, 2004.

The purchase price of $6.25 per First Preference Share Unit resulted in initial gross proceeds of approximately $50 million. Upon conversion of all the First Preference Shares Series D together with the concurrent exercise of all the Warrants and the additional cash payment associated therewith, Fortis will receive additional gross proceeds of approximately $150 million which will be used to repay certain short-term indebtedness incurred by the Corporation on closing of the acquisition. As outlined in Note 10 to the interim financial statements, on July 15, 2004, Fortis received proceeds of approximately $139.5 million from the conversion of approximately 93 per cent of First Preference Units.

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 were 18,520,628 and 17,270,198 at June 30, 2004 and 2003, respectively.

The quarter ended weighted average common shares outstanding were 19,594,980 and 17,295,688 at June 30, 2004 and 2003, respectively. Diluted earnings per common share is calculated using the treasury stock method for options and the "if-converted" method for convertible securities.

d) Stock Options

On March 10, 2004, the Corporation issued 182,699 options on common shares under its 2002 Stock Option Plan at the 5-day average trading price of $61.12. 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 each option granted was $8.20 per option.

On May 12, 2004, the Corporation issued 3,000 options on common shares under its 2002 Stock Option Plan at the 5-day average trading price of $60.91. 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 each option granted was $8.87 per option.

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

	March 10, 2004	May 12, 2004
Dividend yield (%)	**3.48**	**3.55**
Expected volatility (%)	**14.0**	**13.8**
Risk-free interest rate (%)	**4.24**	**4.85**
Weighted-average expected life (years)	**7.5**	**7.5**

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, $0.3 million and $0.4 million were recorded as compensation expense for the quarter ended and 6 months ended, June 30, 2004, respectively.

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 June 30, 2004, the Corporation had the following stock-based compensation plans: 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 June 30, 2004, 1,822,351 common shares remained in the reserve for issue under the terms of the above plans.

Number of Options	**Quarter Ended June 30, 2004**	**Year to date June 30, 2004**
Outstanding at beginning of period	716,662	602,213
Granted	3,000	185,699
Cancelled	0	(7,534)
Exercised	(12,709)	(73,425)
Outstanding at end of period	706,953	706,953
Options vested at end of period	256,893	
Weighted Average Exercise Prices:		
Outstanding at beginning of period	$ 44.67	
Granted	$ 61.12	
Cancelled	$ 47.12	
Exercised	$ 34.99	
Outstanding at end of period	$ 49.97	

Details of stock options outstanding are as follows:	Number of Options	Exercise Price	Expiry Date
	10,660	$ 29.15	2005
	15,000	$ 38.27	2006
	135,546	$ 38.27	2011
	175,198	$ 48.14	2012
	184,850	$ 51.24	2013
	182,699	$ 61.12	2014
	3,000	$ 60.91	2014
	706,953		

5. Segmented Information

Information by reportable segment is as follows:

Quarter ended *(in thousands of dollars)*	Regulated Utilities: Nfld Power	Maritime Electric	Fortis Ontario	Fortis Alberta	Fortis BC	Total Canadian	Total Caribbean	Non-Regulated: Generation	Fortis Properties	Corporate	Inter-segment elimination	Consolidated
June 30, 2004												
Operating revenues	97,342	28,204	28,626	17,167	12,350	**183,689**	**19,930**	**16,956**	**34,666**	**2,460**	**(5,410)**	**252,291**
Equity income	-	-	-	-	-	**-**	**2,222**	**-**	**-**	**-**	**-**	**2,222**
Energy supply costs	50,931	17,468	21,761	-	3,672	**93,832**	**10,204**	**1,151**	**-**	**-**	**(1,538)**	**103,649**
Operating expenses	12,867	2,830	2,879	8,028	4,499	**31,103**	**2,872**	**3,820**	**21,541**	**1,743**	**(1,455)**	**59,624**
Amortization	9,198	2,281	1,246	4,362	1,414	**18,501**	**1,679**	**2,479**	**2,338**	**243**	**-**	**25,240**
Operating income	24,346	5,625	2,740	4,777	2,765	**40,253**	**7,397**	**9,506**	**10,787**	**474**	**(2,417)**	**66,000**
Finance charges	7,615	2,133	1,294	1,253	1,393	**13,688**	**1,453**	**3,784**	**4,646**	**3,944**	**(2,417)**	**25,098**
Income taxes	5,711	1,395	557	1,128	559	**9,350**	**268**	**2,065**	**2,453**	**(1,154)**	**-**	**12,982**
Non-controlling interest	148	-	(1)	-	-	**147**	**1,107**	**450**	**-**	**(42)**	**-**	**1,662**
Preference share dividends	-	-	-	-	-	**-**	**-**	**-**	**-**	**2,312**	**-**	**2,312**
Earnings (Loss)	10,872	2,097	890	2,396	813	**17,068**	**4,569**	**3,207**	**3,688**	**(4,586)**	**-**	**23,946**
Goodwill	-	19,858	45,577	227,351	222,602	**515,388**	**-**	**-**	**-**	**-**	**-**	**515,388**
Identifiable assets	761,319	229,994	114,360	702,533	549,844	**2,358,050**	**222,236**	**267,203**	**348,919**	**33,509**	**(30,662)**	**3,199,255**
Equity investment assets	-	-	-	-	-	**-**	**165,263**	**-**	**-**	**-**	**-**	**165,263**
Capital expenditures	15,433	4,858	2,818	6,810	7,217	**37,136**	**4,955**	**3,118**	**5,813**	**80**	**-**	**51,102**
June 30, 2003												
Operating revenues	93,861	23,198	29,963	-	-	**147,022**	**19,064**	**11,756**	**26,989**	**3,183**	**(4,819)**	**203,195**
Equity income	-	-	-	-	-	**-**	**2,387**	**-**	**-**	**-**	**-**	**2,387**
Energy supply costs	51,080	12,455	22,353			**85,888**	**9,474**	**818**	**-**	**-**	**(896)**	**95,284**
Operating expenses	12,143	3,261	3,024	-	-	**18,428**	**3,428**	**2,777**	**16,440**	**1,149**	**(1,014)**	**41,208**
Amortization	6,389	2,197	1,388	-	-	**9,974**	**1,762**	**1,812**	**1,089**	**158**	**-**	**14,795**
Operating income	24,249	5,285	3,198	-	-	**32,732**	**6,787**	**6,349**	**9,460**	**1,876**	**(2,909)**	**54,295**
Finance charges	7,521	2,274	775	-	-	**10,570**	**1,440**	**3,243**	**3,940**	**3,723**	**(2,909)**	**20,007**
Income taxes	6,029	1,338	876	-	-	**8,243**	**243**	**1,739**	**2,476**	**(743)**	**-**	**11,958**
Non-controlling interest	153	-	4	-	-	**157**	**867**	**(20)**	**-**	**(30)**	**-**	**974**
Preference share dividends	-	-	-	-	-	**-**	**-**	**-**	**-**	**560**	**-**	**560**
Earnings (Loss)	10,546	1,673	1,543	-	-	**13,762**	**4,237**	**1,387**	**3,044**	**(1,634)**	**-**	**20,796**
Goodwill	-	19,858	45,577	-	-	**65,435**	**-**	**-**	**-**	**-**	**-**	**65,435**
Identifiable assets	717,926	219,349	101,451	-	-	**1,038,726**	**210,633**	**237,553**	**301,770**	**36,495**	**(32,304)**	**1,792,873**
Equity investment assets	-	-	-	-	-	**-**	**163,572**	**-**	**-**	**-**	**-**	**163,572**
Capital expenditures	11,980	3,261	2,349	-	-	**17,590**	**7,609**	**7,241**	**854**	**77**	**-**	**33,371**

5. Segmented Information (continued)

Information by reportable segment is as follows:

Year to date	Regulated Utilities							Non-Regulated			Inter-	
(in thousands of dollars)	Nfld Power	Maritime Electric	Fortis Ontario	Fortis Alberta	Fortis BC	**Total Canadian**	**Total Caribbean**	**Generation**	**Fortis Properties**	**Corporate**	**segment elimination**	**Consolidated**
June 30, 2004												
Operating revenues	223,480	57,733	63,067	17,167	12,350	**373,797**	**35,863**	**33,673**	**64,857**	**4,423**	**(11,396)**	**501,217**
Equity income	-	-	-	-	-	**-**	**4,089**	**-**	**-**	**-**	**-**	**4,089**
Energy supply costs	127,729	36,107	48,504	-	3,672	**216,012**	**18,478**	**2,828**	**-**	**-**	**(5,131)**	**232,187**
Operating expenses	26,838	5,796	6,010	8,028	4,499	**51,171**	**5,676**	**8,042**	**42,842**	**3,910**	**(1,957)**	**109,684**
Amortization	18,579	4,561	2,477	4,362	1,414	**31,393**	**3,286**	**4,947**	**4,653**	**393**	**-**	**44,672**
Operating income	50,334	11,269	6,076	4,777	2,765	**75,221**	**12,512**	**17,856**	**17,362**	**120**	**(4,308)**	**118,763**
Finance charges	15,231	4,375	2,600	1,253	1,393	**24,852**	**2,828**	**7,558**	**9,304**	**6,360**	**(4,308)**	**46,594**
Income taxes	11,957	2,766	1,301	1,128	559	**17,711**	**480**	**4,001**	**3,352**	**(4,072)**	**-**	**21,472**
Non-controlling interest	295	-	-	-	-	**295**	**1,632**	**197**	**-**	**(84)**	**-**	**2,040**
Preference share dividends	-	-	-	-	-	**-**	**-**	**-**	**-**	**4,430**	**-**	**4,430**
Earnings (Loss)	22,851	4,128	2,175	2,396	813	**32,363**	**7,572**	**6,100**	**4,706**	**(6,514)**	**-**	**44,227**
Goodwill	-	19,858	45,577	227,351	222,602	**515,388**	**-**	**-**	**-**	**-**	**-**	**515,388**
Identifiable assets	761,319	229,994	114,360	702,533	549,844	**2,358,050**	**222,236**	**267,203**	**348,919**	**33,509**	**(30,662)**	**3,199,255**
Equity investment assets	-	-	-	-	-	**-**	**165,263**	**-**	**-**	**-**	**-**	**165,263**
Capital expenditures	30,840	8,063	4,537	6,810	7,217	**57,467**	**9,431**	**4,115**	**7,154**	**969**	**-**	**79,136**
June 30, 2003												
Operating revenues	218,439	46,956	58,458	-	-	**323,853**	**36,361**	**28,892**	**50,592**	**6,435**	**(9,813)**	**436,320**
Equity income	-	-	-	-	-	**-**	**4,691**	**-**	**-**	**-**	**-**	**4,691**
Energy supply costs	126,010	26,148	43,928			**196,086**	**18,392**	**1,383**	**-**	**-**	**(2,751)**	**213,110**
Operating expenses	26,685	5,901	5,736	-	-	**38,322**	**6,273**	**7,960**	**32,579**	**2,057**	**(941)**	**86,250**
Amortization	17,996	4,488	2,609	-	-	**25,093**	**3,775**	**3,652**	**2,136**	**290**	**-**	**34,946**
Operating income	47,748	10,419	6,185	-	-	**64,352**	**12,612**	**15,897**	**15,877**	**4,088**	**(6,121)**	**106,705**
Finance charges	15,026	4,584	1,596	-	-	**21,206**	**3,102**	**6,782**	**8,080**	**7,223**	**(6,121)**	**40,272**
Income taxes	12,053	2,597	1,692	-	-	**16,342**	**482**	**4,572**	**3,584**	**(1,487)**	**-**	**23,493**
Non-controlling interest	306	-	4	-	-	**310**	**1,379**	**(6)**	**-**	**(60)**	**-**	**1,623**
Preference share dividends	-	-	-	-	-	**-**	**-**	**-**	**-**	**560**	**-**	**560**
Earnings (Loss)	20,363	3,238	2,893	-	-	**26,494**	**7,649**	**4,549**	**4,213**	**(2,148)**	**-**	**40,757**
Goodwill	-	19,858	45,577	-	-	**65,435**	**-**	**-**	**-**	**-**	**-**	**65,435**
Identifiable assets	717,926	219,349	101,451	-	-	**1,038,726**	**210,633**	**237,553**	**301,770**	**36,495**	**(32,304)**	**1,792,873**
Equity investment assets	-	-	-	-	-	**-**	**163,572**	**-**	**-**	**-**	**-**	**163,572**
Capital expenditures	26,599	6,269	3,383	-	-	**36,251**	**13,391**	**14,473**	**1,696**	**943**	**-**	**66,754**

6. Business Acquisitions

Acquisition of the Alberta and British Columbia Utilities

On May 31, 2004, Fortis, through its wholly owned subsidiary, Fortis West Inc., acquired all of the issued and outstanding shares of Aquila Networks Canada (Alberta) Ltd. (renamed "FortisAlberta") and Aquila Networks Canada (British Columbia) Ltd. (renamed "FortisBC") for aggregate consideration of $1,476 million. The net purchase price of $778.3 million, which includes $14.0 million of acquisition costs, was based on the estimated balance sheets of both utilities at May 31, 2004. The purchase price is subject to final adjustments which are expected to be determined in the third quarter of 2004.

FortisAlberta owns and operates the distribution system in a substantial portion of southern and central Alberta. It distributes electricity to more than 385,000 customers using approximately 100,000 kilometers of power lines. FortisBC is an integrated utility operating in the southern interior of British Columbia, serving directly and indirectly approximately 140,000 customers. The utility has 4 hydroelectric generating plants with a combined capacity of 205 MW and 10,000 kilometers of transmission and distribution power lines.

The acquisition is accounted for using the purchase method, whereby the results of full operations have been included in the consolidated financial statements commencing May 31, 2004. The book value of these assets and liabilities has been assigned as fair value for purchase price allocation. FortisAlberta and FortisBC are regulated under traditional cost of service. The regulated nature of these businesses and the determination of revenues and earnings are based on the historic values and do not change with market conditions or change of ownership. Therefore no fair market value increments were recorded as part of purchase price on individual assets and liabilities because all economic benefits and obligations associated with them will accrue to the customers. The purchase price allocation to net assets based on their fair values is as follows:

(in thousands of dollars)	**FortisAlberta**	**FortisBC**	**Total**
Fair value assigned to net assets:			
Utility capital assets	608,502	506,432	**1,114,934**
Current assets	80,991	19,654	**100,645**
Goodwill	227,351	222,602	**449,953**
Other assets	7,619	13,523	**21,142**
Current liabilities	(55,161)	(32,083)	**(87,244)**
Assumed long-term debt	-	(154,709)	**(154,709)**
Long-term debt & accrued interest, subsequently refinanced (1)	(402,343)	(155,038)	**(557,381)**
Regulatory tax base adjustment	(109,021)	-	**(109,021)**
Future income taxes	13,145	(1,600)	**11,545**
Other regulatory liabilities	(40,385)	-	**(40,385)**
	330,698	418,781	**749,479**
Cash	16,067	12,706	**28,773**
	346,765	431,487	**778,252**

1. Subsequent to the close of the acquisition, the long-term debt and accrued interest associated with the utility in Alberta were replaced with the FortisAlberta short-term debt facility and the long-term debt and accrued interest associated with the utility in B.C. were replaced with a short-term advance from Fortis Inc. Both short-term facilities are expected to be repaid with long-term financing.

Acquisition of Remaining 5 per cent Interest in BECOL

On May 20, 2004, Fortis acquired the remaining 5 per cent interest in BECOL from the Social Security Board of the Government of Belize for $4.8 million (US$3.5 million), making it a wholly owned indirect subsidiary of the Corporation. In January 2001, Fortis purchased Duke Energy Group, Inc.'s 95 per cent interest in BECOL for an aggregate purchase price of US$62 million.

The acquisition is accounted for using the purchase method, whereby the remaining 5 per cent interest in BECOL has been included in the consolidated financial statements commencing May 20, 2004. The $4.8 million purchase price has been allocated to the utility capital assets based on fair values as at May 20, 2004.

7. Long-term Debt

Belize Electricity
Year to date, Belize Electricity drew down approximately $3.4 million on its existing long-term debt facilities.

Exploits Partnership
Year to date, Exploits Partnership drew down approximately $3.7 million on its existing long-term debt facilities.

Short-term Acquisition Financing

Fortis Inc.
On May 31, 2004, Fortis drew down approximately $588 million on its short-term acquisition facility. This unsecured bridge facility provides for customary terms and conditions associated with such facilities. The proceeds from the short-term facility were used to repay the $155 million long-term debt and accrued interest obligations at FortisBC and the remainder was used to finance the acquisition of the utilities in western Canada.

FortisAlberta
Immediately upon close of the acquisition, FortisAlberta repaid $402.3 million of its long-term debt and accrued interest obligations using a $391.4 million short-term bridge facility and a $10.9 million revolving term credit facility. The revolving term credit facility was repaid in full in June 2004. The $391.4 million short-term facility provides for customary terms and conditions associated with such.

FortisBC

Immediately upon close of the acquisition, FortisBC repaid $155 million of its long-term debt and accrued interest obligations with proceeds from a short-term advance from Fortis. The remaining debt at FortisBC, as at June 30, 2004, consists of the following:

(*in thousands*)	
Secured	
Series E 11% due December 1, 2009	$ 7,500
Series F 9.65% due October 16, 2012	15,000
Series G 8.8% due August 28, 2023	25,000
Series H 8.77% due February 1, 2016	25,000
Series I 7.81% due December 1, 2021	25,000
Series J 6.75% due July 31, 2009	50,000
Walden mortgage 9.44% due October 31, 2013	7,169
	154,669

The secured debentures are collateralized by a fixed and floating first charge on the assets of FortisBC and are guaranteed by Fortis West, a wholly owned subsidiary of Fortis. The trust deed provides for sinking fund payments of $750,000 per year for Series E debentures.

The Walden mortgage is secured by a fixed and floating charge over the assets of FortisBC's wholly owned subsidiary, Walden Power Partnership. Blended amortization payments of principal and interest of $96,534.33 are payable at the end of each month. Walden Power Partnership was not in compliance with the debt service ratio of 1.2 times as required by the loan covenant. As at December 31, 2003, Walden Power Partnership's debt service ratio was 0.22 times. A waiver was obtained for December 2003. Compliance with the debt service covenant is measured at the end of each fiscal year.

The fair market value of FortisBC's long-term debt at June 30, 2004 exceeded book value by $24.6 million.

8. Contingent Liabilities

Contingent liabilities as of June 30, 2004 are consistent with disclosures in the annual audited financial statements except as noted below.

FortisAlberta

In a statement of claim filed on August 18, 2003 in the Court of the Queen's Bench of Alberta, EPCOR Energy Services (Alberta) Inc. is pursuing damages of $83 million against FortisAlberta for alleged breaches of contract, common law duties and distribution tariff terms and conditions of service, relating to the provision of the Regulated Rate Option to customers. Management has not, to date, made a definitive assessment of potential liability with respect to this claim; however, management believes that these allegations are without merit. The outcome is not determinable and accordingly no amount has been accrued for this claim in the financial statements.

9. Commitments

The Corporation's commitments over the next 5 years and for periods thereafter are outlined in the following table.

($ millions)	Total	< 1 year	1-3 years	4-5 years	> 5 years
Operating Lease Obligations	**39.9**	4.2	18.1	10.7	6.9
Purchase of Joint-use Poles from Aliant Telecom Inc. ("Aliant") (1)	**4.8**	4.8	-	-	-
Power Purchases – take or pay (2)	**414.5**	34.6	83.2	43.9	252.8
Capital Cost (3)	**231.7**	15.9	46.4	29.9	139.5
Brilliant Terminal Station ("BTS") Lease (4)	**71.2**	1.2	7.1	4.7	58.2
Office Lease – FortisBC (5)	**21.6**	0.3	1.8	2.0	17.5
Power Purchase Obligations - FortisBC (6)	**209.2**	19.7	116.5	73.0	-
Other	**2.4**	0.5	0.2	0.1	1.6
Total	**995.3**	81.2	273.3	164.3	476.5

(1) On September 13, 2001, Newfoundland Power and Fortis closed a $46 million transaction to purchase 102,000 poles and related infrastructure from Aliant in Newfoundland. On February 7, 2002, the Corporation closed a $2.2 million transaction to purchase 5,586 poles and related infrastructure from Aliant in Newfoundland. A final payment of $4.8 million is required in 2005 under the purchase agreements.

(2) Power purchases primarily include a long-term contract with Hydro Quebec Energy Marketing for the supply of electrical energy and capacity. The contract provides approximately 237 gigawatt hours of energy per year and up to 45 MW of capacity at any one time. The contract, which expires December 31, 2019, provides approximately one third of Cornwall Electric's load.

(3) Maritime Electric has entitlement to approximately 6.7 per cent of the output from the New Brunswick Power Dalhousie Generating Station and approximately 4.7 per cent from the New Brunswick Power Point Lepreau Generating Station for the life of each unit. As part of its participation agreement, Maritime Electric is required to pay its share of the capital costs of these units.

(4) On July 15, 2003, the utility in B.C. began leasing the use of the BTS under a 30-year lease. The BTS is owned by the Brilliant Joint Venture, a joint venture between the Columbia Power Corporation and the Columbia Basin Trust. The lease provides that the utility will pay the Brilliant Joint Venture a charge related to the recovery of the capital cost of the BTS and related operating costs.

(5) Under a sale-leaseback agreement, on September 29, 1993, the utility in B.C. began leasing its Trail, BC office building for a term of 30 years. The terms of the agreement require future minimum aggregate lease payments of $25 million and grant the utility in B.C. repurchase options at year 20 and year 30 of the lease term. FortisBC is accounting for the lease as an operating lease, as directed by the BCUC.

(6) Power purchase obligations of FortisBC include the Brilliant Power Purchase Contract as well as Firm Power Purchase Contracts. On May 3, 1996, an Order was granted by the BCUC approving a 60-year power purchase contract for the output of the Brilliant hydroelectric plant located near Castlegar, BC. The contract requires fixed monthly payments based on specified natural flow take-or-pay amounts of energy. The contract includes a market-related price adjustment after 30 years of the 60-year term. FortisBC is accounting for the contract as an operating lease as directed by the BCUC. In addition, FortisBC has a long-term, minimum-payment, firm power purchase contract with BC Hydro. This contract includes a take-or-pay provision based on a 5-year rolling nomination of capacity requirements.

10. Subsequent Event

On July 15, 2004, Fortis received gross proceeds of approximately $139.5 million from the conversion of approximately 93 per cent of the First Preference Units issued on January 29, 2004. The proceeds were used to repay certain short-term indebtedness incurred by Fortis on closing of the transaction to acquire the utilities in western Canada.

Fortis issued 8,000,000 First Preference Shares, Series "D" in January 2004 as part of an offering of First Preference Units of the Corporation. Each First Preference Unit consists of one First Preference Share, Series "D" and one First Preference Share, Series "E" Purchase Warrant of the Corporation (a "Warrant"). As a result of the closing of the acquisition on May 31, 2004, each holder of First Preference Shares, Series "D" had the right to convert each First Preference Share, Series "D" into 0.25 of a First Preference Share, Series "E" of the Corporation, provided such holder also concurrently exercised one Warrant. Each Warrant entitled the holder to acquire 0.75 of a First Preference Share, Series "E" upon payment of $18.75 per Warrant. A total of 7,438,610 Warrants were exercised on July 15, 2004.

The First Preference Shares, Series "E" will yield 4.9 per cent per annum. The quarterly cash dividend payable with respect to the First Preference Shares, Series "D" that were not converted has been reduced to $0.01 per share, being equivalent to 0.64 per cent per annum per First Preference Share, Series "D". Holders of First Preference Shares, Series "D" will again have the right to convert each First Preference Share, Series "D" into 0.25 of a First Preference Share, Series "E" and to exercise a Warrant (in conjunction with the payment of $18.75) on September 1, 2004 and December 1, 2004.

11. Comparative Figures

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

Dates – Dividends* and Earnings

Expected Earnings Release Dates

November 2, 2004	February 8, 2005
April 27, 2005	August 2, 2005

Expected Dividend Record Dates

August 6, 2004	November 5, 2004
February 4, 2005	May 5, 2005

Expected Dividend Payment Dates

September 1, 2004	December 1, 2004
March 1, 2005	June 1, 2005

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

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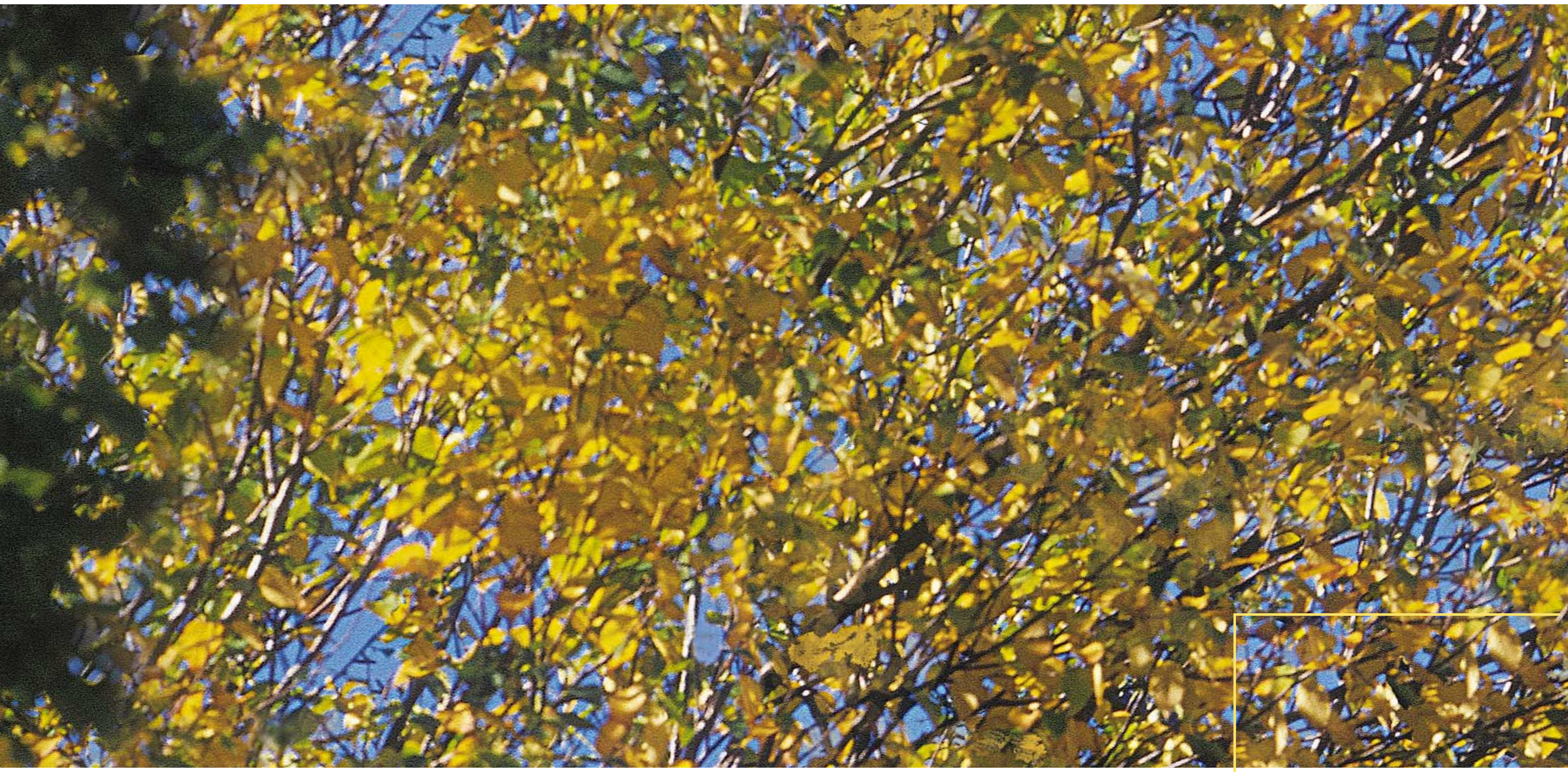
Share Listings

The Common Shares, First Preference Shares, Series "C", First Preference Shares, Series "E" and First Preference Units of Fortis Inc. trade on the Toronto Stock Exchange under the symbols FTS, FTS.PR.C, FTS.PR.E and FTS.UN, respectively.

Share Price Quarter Ended June 30		
	2004	**2003**
High	**64.73**	59.70
Low	**58.00**	49.00
Close	**58.15**	59.00



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