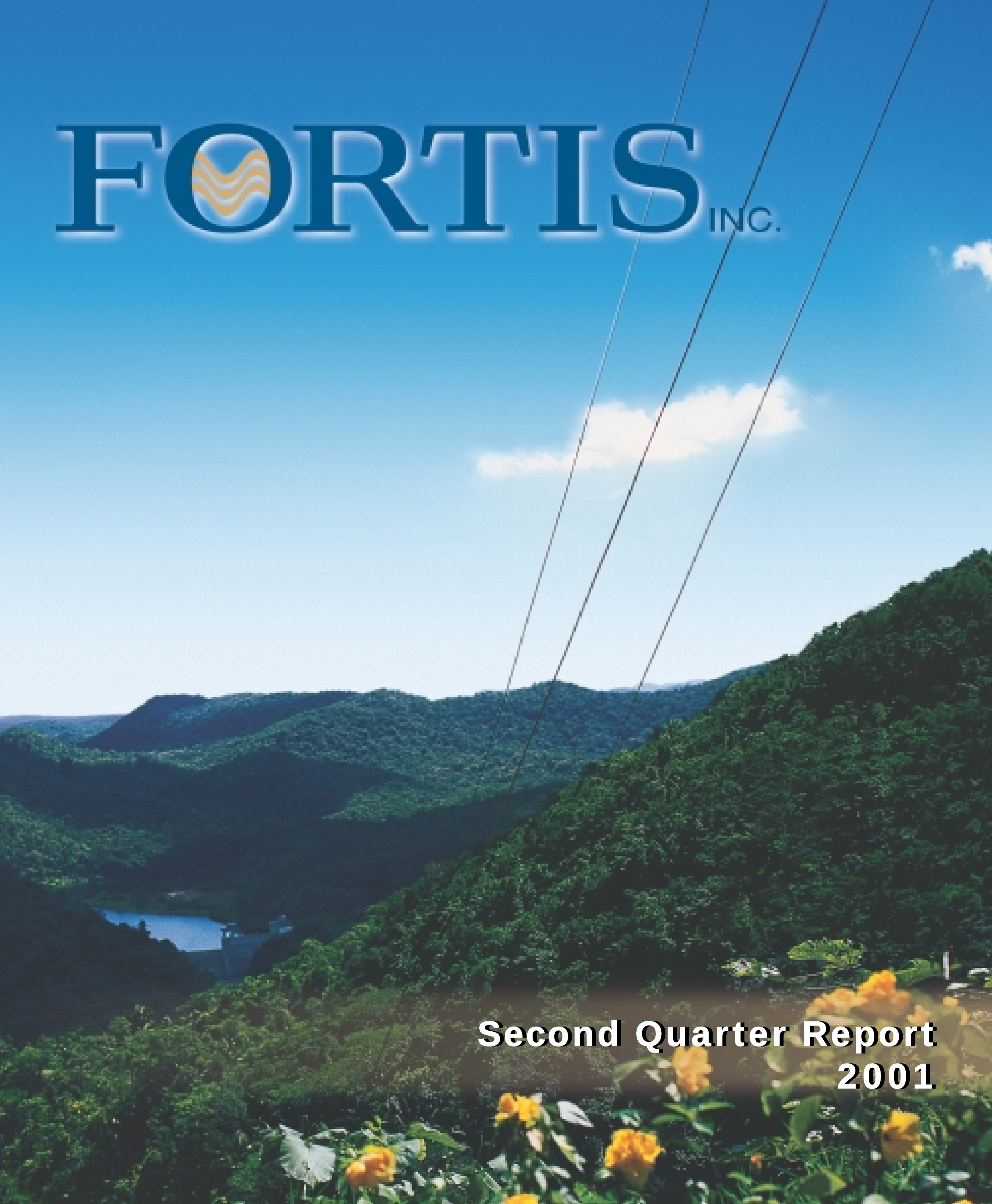
FORTIS INC.



Second Quarter Report
2001

Dear Shareholder:

Fortis continued to deliver strong growth in earnings during the second quarter, achieving a seventeen per cent increase in earnings before unusual items of $12.6 million. Also included in quarterly results are several one-time items that increased earnings by a further $3.1 million.

On June 13, 2001, Fortis Inc. entered into an agreement with Abitibi-Consolidated Inc. to develop additional capacity at Abitibi-Consolidated's hydroelectric plant at Grand Falls-Windsor and to redevelop the forestry company's hydroelectric plant at Bishops Falls, Newfoundland. The project will cost $65 million and increase annual energy production from the two hydroelectric plants by approximately 30 per cent to 600 gigawatt hours. This project is in keeping with the strategy and expertise of Fortis with respect to small hydroelectric plants. It will provide Newfoundland with additional energy supply from existing resources.

On June 22, 2001, Fortis Inc. and Scotiabank entered into an agreement for Scotiabank to acquire the deposits and loans of Fortis Trust Corporation. This sale presented an opportunity for Fortis Inc. to divest of a non-strategic asset and return value to our shareholders. We were pleased to realize an after-tax gain of $0.5 million on this transaction.

On July 4, 2001, Fortis Properties sold the Centennial Building in Halifax, Nova Scotia for $11.5 million, realizing an after-tax gain of $2.6 million. This sale will assist the company with continued growth of real estate and hotel projects throughout Atlantic Canada.

Strong results were achieved despite ongoing difficulties at Maritime Electric. We are confident the situation in Prince Edward Island will improve in the near future as the provincial Government has moved to enact legislation that will change the regulatory structure in the province.

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

Fortis Inc.
Financial Highlights
Period Ended June 30

($000's)	Quarter		Year-to-date	
	2001	2000	2001	2000
Revenue	**157,780**	142,638	**338,014**	308,421
Cash flow from operations	**16,900**	20,846	**28,562**	41,155
Earnings before unusual items	**12,638**	10,774	**24,804**	21,419
Unusual items	**3,149**	137	**3,535**	241
Earnings applicable to common shares	**15,787**	10,911*	**28,339**	21,660*
Earnings per common share before unusual items ($)	**0.85**	0.83	**1.67**	1.64
Earnings per common share ($)	**1.06**	0.83*	**1.91**	1.64*

Utility Operations:	Revenue ($000's)			
	Quarter		Year-to-date	
	2001	2000	2001	2000
Newfoundland Power	**88,773**	85,800	**204,855**	197,886
Maritime Electric	**23,951**	22,316	**48,520**	44,771
FortisUS Energy	**1,254**	980	**1,965**	1,733
Belize Electricity	**18,520**	16,107	**33,938**	30,899
Belize Electric (BECOL)	**2,411**	-	**4,077**	-
Canadian Niagara Power	**5,066**	4,157	**10,598**	8,299

Utility Operations:	Energy Sales (GWh)			
	Quarter		Year-to-date	
	2001	2000	2001	2000
Newfoundland Power	**1,165**	1,122	**2,738**	2,658
Maritime Electric	**239**	234	**491**	476
FortisUS Energy	**27**	26	**43**	44
Belize Electricity	**67**	60	**124**	113
Belize Electric (BECOL)	**9**	12	**24**	17
Canadian Niagara Power	**159**	155	**314**	318

** Restated – See Note 8 to the Consolidated Financial Statements.*
Note: Financial information in this release is presented in Canadian dollars unless otherwise specified.

Earnings before unusual items for the second quarter were $12.6 million, 17% higher than earnings of $10.8 million, on a restated basis, for the second quarter last year. On a per share basis, earnings were $0.85 compared to earnings of $0.83, on a restated basis, for the same period last year. On a year-to-date basis, earnings per common share were $1.67 compared to $1.64, on a restated basis, for the same period last year. Year-to-date, earnings grew 16% to $24.8 million from $21.4 million, on a restated basis, for the first half of 2000.

Revenue for the second quarter increased 11% to $157.8 million from $142.6 million for the second quarter of 2000. Revenue on a year-to-date basis was $338.0 million compared to $308.4 million for the first half of 2000. Rental income associated with the acquisition of assets by Fortis Properties as well as increased energy sales at all utilities led to the growth in revenue.

Cash flow from operations for the second quarter was $16.9 million compared to $20.8 million for the same period last year. Year-to-date, cash flow from operations was $28.6 million compared to $41.2 million for the same period last year.

Fortis Inc.
Earnings Contribution by Company
Period Ended June 30

($ millions)	Quarter		Year-to-date	
	2001	2000	2001	2000
Earnings / (Loss)				
Newfoundland Power	**9.0**	9.0	**21.2**	18.7
Maritime Electric	**1.0**	0.6	**0.0**	1.0
FortisUS Energy	**0.3**	0.3	**0.3**	0.4
BECOL	**(0.1)**	-	**(0.3)**	-
Belize Electricity	**1.4**	1.6*	**2.5**	2.4*
Canadian Niagara Power	**1.3**	1.1	**2.7**	2.2
Caribbean Utilities	**1.0**	0.8	**2.1**	1.1
Fortis Properties	**2.1**	0.6	**2.9**	1.0
Corporate	**(3.4)**	(3.2)	**(6.7)**	(5.3)
Earnings before unusual items	**12.6**	10.8	**24.7**	21.5
Fortis Trust - Discontinued Operations	**0.1**	0.1	**0.2**	0.2
Gain on sale of Fortis Trust	**0.5**	-	**0.5**	-
Income tax reassessment - CNP	**-**	-	**0.3**	-
Gain on sale of Centennial Building	**2.6**	-	**2.6**	-
Total	**15.8**	**10.9**	**28.3**	**21.7**

***** *Restated***

UTILITY OPERATIONS

NEWFOUNDLAND POWER

Newfoundland Power's earnings for the second quarter were $9.0 million, consistent with the same quarter last year. Year-to-date earnings were $21.2 million, an increase of thirteen per cent over earnings of $18.7 million for the first half of 2000. Higher energy sales and a tax refund from Canada Customs and Revenue Agency contributed to the increase in year-to-date earnings.

Energy sales for the second quarter were 1,165 GWh, a four per cent increase over the same quarter last year. Energy sales year-to-date were 2,738 GWh compared to 2,658 GWh for the same period in 2000. Growth in the number of customers and average energy usage led to the increase in energy sales.

Revenue for the second quarter was $88.8 million compared to $85.8 million for the same quarter last year. Revenue year-to-date was $204.9 million, $7.0 million higher than the same period last year due to a $5.3 million increase in revenue from energy sales and $1.7 million in interest received as part of an income tax refund.

Newfoundland Power's operating expenses excluding purchased power costs were $13.6 million, comparable to the second quarter of 2000. Year-to-date operating expenses excluding purchased power costs were $26.3 million. During the second quarter of 2001, $1.6 million was expensed related to the extension of an early retirement program compared to $2.0 million in similar costs for the second quarter last year.

Newfoundland Power's application to acquire Aliant Telecom Inc.'s 100,000 poles in Newfoundland Power's service territory was denied by the Newfoundland and Labrador Board of Commissioners of Public Utilities (PUB). In its ruling, the PUB acknowledged the benefits of Newfoundland Power owning the 70,000 joint-use poles outlined in its proposal. Although the PUB agreed financial benefits from the 30,000 non-joint-use poles would flow to Newfoundland Power's customers, it concluded that, based on its interpretation of legislation, these poles should not be included in Newfoundland Power's regulated assets. On July 26, 2001, Newfoundland Power filed additional evidence with the PUB related to its acquisition of the Aliant Telecom Inc. poles. Newfoundland Power has asked the PUB to evaluate this additional evidence and to approve the purchase of the joint-use poles for inclusion in its rate base.

MARITIME ELECTRIC

Maritime Electric's earnings for the second quarter were $1.0 million, a $0.4 million increase over earnings for the same period last year. The growth in earnings was attributable to increased energy sales and a 4.53% increase in electricity rates effective January 1, 2001. Year-to-date, Maritime Electric incurred a $40,000 loss compared to earnings of $1.0 million for the same period in 2000. The reduction in year-to-date earnings was a direct result of increased energy costs associated with the cost of replacement energy purchased during the six-week unscheduled outage of the New Brunswick Power Point Lepreau Nuclear Generating Station ("Point Lepreau"). Point Lepreau was shutdown on March 5th and restored to service on April 15th.

> "Maritime Electric's earnings for the second quarter were $1.0 million, a $0.4 million increase over earnings for the same period last year."

Energy sales for the second quarter were 239 GWh compared to 234 GWh for the same period last year. Energy sales year-to-date were 491 GWh, a 3.3% increase over the same period last year. Growth in energy sales is being driven largely by increases in sales to commercial customers.

Revenue for the second quarter increased 7.6% to $24.0 million from $22.3 million for the same period in 2000. Revenue year-to-date was $48.5 million compared to $44.8 million for the same period last year.

Maritime Electric's operating expenses excluding energy costs were $2.6 million for the second quarter of 2001 compared to $2.2 million for the same period last year. Year-to-date, these operating expenses were $5.0 million compared to $4.4 million last year.

On May 15, 2001, the Government of Prince Edward Island passed legislation to amend the Maritime Electric Company Limited Regulation Act. Under the amendment, Maritime Electric's base rates will still be tied to rates charged by New Brunswick Power for equivalent services in New Brunswick. However, rates will be subject to adjustment for changes in energy costs. Regulations pertaining to this legislation have yet to be enacted by the provincial Cabinet.

FORTIS US ENERGY

In the second quarter, FortisUS Energy realized earnings of $299,000, comparable to the same period last year. Year-to-date earnings were also $299,000 compared to earnings of $443,000 for the same period in 2000. A decline in production due to the weather-dependent nature of the companys plants caused the decrease in year-to-date earnings.

Colder-than-normal temperatures and low rainfall levels resulted in lower production at all facilities in the first and second quarters of 2001. Energy production for the four plants owned by FortisUS Energy was 27 GWh in the second quarter of 2001 compared to 26 GWh for the two plants owned by FortisUS Energy in the second quarter of 2000. On a year-to-date basis, energy sales were 43 GWh compared to 44 GWh for the same period last year. The two plants purchased in December 2000 provided 9 GWh and 13 GWh in the second quarter and year-to-date, respectively.

Revenue for the second quarter was $1.3 million compared to $1.0 million for the same period last year. Revenue was $2.0 million year-to-date, a 17.6% increase over revenue of $1.7 million for the same period last year. The increase in revenue results from higher energy prices and the contribution of the two new plants acquired in December 2000.

Operating expenses were $546,000 for the second quarter compared to $323,000 for the same period last year. Operating expenses year-to-date were $954,000 compared to $615,000 for the first of half of 2000. The increase results from the acquisition of two hydroelectric plants in December 2000.

BELIZE ELECTRICITY

Belize Electricity contributed $1.4 million to earnings in the second quarter compared to $1.6 million, on a restated basis, for the same period last year. The decline in earnings resulted from additional financing and depreciation expense associated with the purchase of transmission assets at the beginning of the quarter partially offset by growth in energy sales. Year-to-date Belize Electricity contributed $2.5 million compared to $2.4 million for the same period last year.

> "Belize Electricity's energy sales for the second quarter were 67 GWh, a 12% increase over energy sales of 60 GWh for the same period last year."

Energy sales for the second quarter were 67 GWh, a 12% increase over energy sales of 60 GWh for the same period last year. Energy sales year-to-date were 124 GWh, a 10% increase over energy sales of 113 GWh for the first half of 2000. Growth in the commercial and industrial sectors, as well as continuation of a government sponsored Rural Electrification Program, contributed to the increase in energy sales.

Revenue for the second quarter was $18.5 million compared to $16.1 million for the same period last year. Revenue year-to-date was $33.9 million compared to $30.9 million for the first half of 2000. The increase in revenue reflected growth in energy sales.

Belize Electricity's operating expenses excluding energy supply costs were $3.6 million compared to $3.1 million for the second quarter of 2000. Year-to-date, operating expenses excluding energy supply costs were $6.5 million compared to $7.3 million for the first half of last year. Interest expense for the quarter was $1.5 million compared to $0.9 million for the second quarter of 2000. Year-to-date, interest expense was $2.8 million compared to $2.1 million for the first half of last year. The increase in interest expense was attributable to the purchase of transmission assets at the beginning of the second quarter. These transmission assets, amounting to $20 million, were acquired from BECOL subsequent to the acquisition of BECOL by Fortis Inc. This transfer aligns the assets of both companies with the evolving regulatory framework in the country of Belize.

During the fourth quarter of 2000, Belize Electricity and the Belize Public Utilities Commission established a Cost of Power Rate Stabilization Account (CPRSA), effective January 1, 2000. The CPRSA is designed to normalize changes in the price of electricity due to fluctuating fuel costs and will stabilize electricity rates for consumers while providing the company with a mechanism to recover the cost of electricity over time. The rate stabilization adjustment associated with the second quarter of 2000 resulted in a $572,000 positive adjustment in 2000 second quarter consolidated earnings. The adjustment resulted in a $48,000 positive adjustment in consolidated year-to-date earnings. Accordingly, the comparative 2000 quarterly and year-to-date figures have been restated.

BELIZE ELECTRIC (BECOL)

On January 26, 2001, Fortis acquired a 95% interest in BECOL for an aggregate purchase price of US$62 million. BECOL owns and operates the Mollejon hydroelectric facility, a 25 megawatt ("MW") generating plant capable of delivering average annual energy of 80 GWh and is the only commercial hydroelectric facility in Belize. BECOL sells its entire output to Belize Electricity under a 50-year power purchase agreement.

In the second quarter of 2001, BECOL incurred a loss of $0.1 million, consistent with managements expectations. A significant amount of seasonality is associated with production at the facility with the majority of production taking place in the second half of the year. As a result, it is expected that earnings in the second half will result in an overall positive contribution by BECOL to annual earnings.

Energy production for the second quarter was 9 GWh compared to 12 GWh for the same period last year with the decline being attributable to lower rainfall in June 2001. Revenue for the second quarter of 2001 was $2.4 million while operating expenses for the corresponding period were $0.5 million. Financing costs for the second quarter amounted to $1.6 million.

CANADIAN NIAGARA POWER

Canadian Niagara Power contributed $1.3 million to earnings for the second quarter of 2001 compared to $1.1 million for the same period last year. Year-to-date, Canadian Niagara Power contributed $2.7 million, after deducting a one-time gain of $0.3 million associated with income tax reassessments, compared to $2.2 million for the first half of 2000. The increase in earnings resulted from higher prices on energy sales into the United States.

> "Canadian Niagara Power's revenue for the second quarter was $10.1 million compared to $8.3 million for the same period last year."

Energy sales for the second quarter were 159 GWh compared to 155 GWh for the second quarter 2000. Energy sales year-to-date were 314 GWh compared to energy sales of 318 GWh for the same period last year.

Revenue for the second quarter was $10.1 million compared to $8.3 million for the same period last year. Revenue year-to-date was $21.2 million compared to $16.6 million for the same period last year. The increase in revenue resulted from higher prices on energy sales to the United States which averaged $54 per megawatt hour ("MWh") year-to-date compared to $32 per MWh for the same period last year.

On July 19, 2001, Canadian Niagara Power signed an operating lease agreement with the City of Port Colborne to lease and operate the electricity distribution business of Port Colborne Hydro Inc. for 10 years. Under the terms of the $15.7 million agreement, Canadian Niagara Power will receive all revenue from the leased assets in return for assuming responsibility for operation of the business. Closing of the transaction is subject to approval by the Ontario Energy Board and is expected to take place in the next few months.

CARIBBEAN UTILITIES

Fortis owns 20% of the outstanding Class A Ordinary Shares of Caribbean Utilities and accounts for the investment on the cost basis. In the second quarter, dividends of $1.0 million from Caribbean Utilities were included in the earnings of Fortis compared to $0.8 million in the second quarter of 2000. Fortis acquired its interest in Caribbean Utilities in February 2000.

Caribbean Utilities has announced its unaudited financial results for the fiscal year ended April 30, 2001. Record earnings increased 7.3% to US$19.3 million in 2001 from US$18.0 million in 2000. Earnings per Class A Ordinary Share increased to US$0.78 in 2001 from US$0.73 in 2000.

Caribbean Utilities achieved new generation records in fiscal 2001 as peak load reached 70.1 MW in October 2000, up 6.5% over peak load of 65.8 MW in fiscal 2000. Growth in net generation for the twelve months ended April 30, 2001 averaged 6.7%.

NON–UTILITY OPERATIONS

FORTIS PROPERTIES

Earnings before unusual items were $2.1 million for the second quarter, more than triple earnings of $0.6 million for the same period last year. Similarly, year-to-date earnings were $2.9 million, almost three times earnings of $1.0 million for the same period in 2000. Revenue for the second quarter was $19.0 million, a substantial increase over revenue of $12.4 million for the second quarter last year. Revenue year-to-date was $35.7 million compared to $23.7 million for the first half of 2000. The contribution of properties acquired late in 2000 and expansion of the Holiday Inn St. John's in May 2000 were the main reasons for the increase in earnings and revenue.

In the first half of 2001, the company achieved improved occupancy levels in its Real Estate Division across all operating regions, achieving an occupancy rate of 96.2%. In its Hospitality Division, the company has realized growth of 8.1% in revenue per available room in the second quarter and 4.8% year-to-date.

"Fortis Properties' earnings before unusual items were $2.1 million for the second quarter, more than triple earnings of $0.6 million for the same period last year."

During the second quarter of 2001, Fortis Properties sold the Centennial Building in Halifax, Nova Scotia for $11.5 million, realizing an after-tax gain of $2.6 million. The favorable price offered for the Centennial Building provided an opportunity to sell a mature property with a financial gain for the company.

DISCONTINUED OPERATIONS

On June 22, 2001, Scotiabank acquired the deposits and loans of Fortis Trust Corporation. Earnings related to Fortis Trust have, therefore, been classified as discontinued operations. Fortis Inc. realized an after-tax gain of $0.5 million on the sale.

CORPORATE

Corporate Expenses

Corporate expenses for the second quarter were $3.4 million, comparable to the same period last year. Corporate expenses year-to-date were $6.7 million compared to $5.3 million for the first half of 2000. The increase in corporate expenses year-to-date was primarily attributable to additional financing costs associated with timing of first quarter 2000 acquisition activity.

CONSOLIDATED FINANCIAL POSITION

Assets and Liabilities

Total assets as at June 30, 2001 were $1.5 billion compared to $1.3 billion as at June 30, 2000. The increase was primarily attributable to assets acquired by Fortis Properties in December 2000 and the acquisition of a 95% interest in BECOL in January 2001.

The increase in accounts receivable over June 30, 2000 is partially due to the accumulation of excess energy costs in the CPRSA of Belize Electricity. Also contributing to the increase in accounts receivable was an outstanding income tax refund for Maritime Electric associated with 2000 tax losses. Growth in energy sales combined with a 4.53% rate increase at Maritime Electric effective January 1, 2001 also contributed to the increase in accounts receivable.

The increase in deferred charges over the same period last year resulted from an increase in deferred pension costs associated with Newfoundland Power's 2000 Early Retirement Program. Also, on January 2, 2001, Maritime Electric was required to make a $6 million payment to New Brunswick Power with respect to Maritime Electric's obligations under the Point Lepreau Participation Agreement. The $6 million payment is being deferred and amortized over the estimated life of Point LePreau. Maritime Electric is also expecting annual savings of approximately $2.5 million in reduced capital charges from NB Power, for a net decrease in expenses of $1.5 million.

The increase in long-term debt resulted from the issue of $100 million in senior unsecured debentures by Fortis Inc. in October 2000, the acquisition of properties by Fortis Properties in December 2000, and the issue of $15 million in debentures by Belize Electricity during the second quarter of 2001.

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. The increase in the foreign currency translation adjustment since June 2000 reflects the appreciation of the United States dollar compared to the Canadian dollar.

"Maritime Electric is also expecting annual savings of approximately $2.5 million in reduced capital charges from NB Power."

Cash Flow

Cash flow from operations for the second quarter was $16.9 million compared to $20.8 million for the same period last year. Year-to-date, cash flow from operations was $28.6 million compared to $41.2 million for the same period last year. The decrease in cash was primarily the result of changes in working capital at Newfoundland Power.

Cash used in investing totalled $11.0 million in the second quarter of 2001 compared to $14.4 million for the same period last year. The decrease in cash used in investing activities included $10.9 million net proceeds associated with the sale of the Centennial Building partially offset by a $3.3 million increase in capital additions and a $1.7 million increase in deferred charges. On a year-to-date basis, cash used in investing totalled $137.6 million compared to $113.0 million for the same period last year. The increase was primarily attributable to the acquisition of BECOL and a $6.0 million payment by Maritime Electric made under the Point Lepreau Participation Agreement partially offset by the $10.9 net proceeds on the sale of the Centennial Building.

Cash used in financing in the current quarter was $1.3 million compared to $10.5 million for the same period last year. The decrease in cash used in financing resulted from the issue of debentures by Belize Electricity during the second quarter. Cash from financing year-to-date was $108.2 million compared to $67.4 million for the same period last year. The increase in cash from financing related to a $93 million credit facility put in place to finance the investment in BECOL and an increase in short-term credit facilities.

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

Consolidated Statement of Earnings (Unaudited)
For the period ended June 30

(in thousands)	Quarter Ended 2001	Quarter Ended 2000*	Six Months Ended 2001	Six Months Ended 2000*
Operating revenues	**$ 157,780**	$ 142,638	**$ 338,014**	$ 308,421
Expenses				
Operating	**102,502**	95,747	**228,349**	213,181
Amortization	**16,978**	14,787	**34,613**	29,831
	119,480	110,534	**262,962**	243,012
Operating income	**38,300**	32,104	**75,052**	65,409
Finance charges				
Interest	**15,980**	13,218	**32,084**	25,822
Dividends on preference shares	**744**	744	**1,488**	1,488
Earnings before income taxes and undernoted items	**21,576**	18,142	**41,480**	38,099
Income taxes	**8,169**	6,493	**15,288**	15,296
Earnings before undernoted items	**13,407**	11,649	**26,192**	22,803
Gain on sale of income producing property, net of tax of $644	**2,557**	-	**2,557**	-
Income tax reassessment-Canadian Niagara Power	**-**	-	**257**	-
Results of discontinued operations (Note 7)	**592**	137	**721**	241
Non-controlling interest	**(769)**	(875)	**(1,388)**	(1,384)
Earnings applicable to common shares	**$ 15,787**	$ 10,911	**$ 28,339**	$ 21,660
Average common shares outstanding (000's)	**14,852**	13,198	**14,852**	13,198
Earnings per common share ($)	**$1.06**	$0.83	**$1.91**	$1.64
Fully diluted earnings per common share ($)	**$1.06**	$0.83	**$1.90**	$1.64

Consolidated Statement of Retained Earnings (Unaudited)
For the period ended June 30

(in thousands)	Quarter Ended 2001	Quarter Ended 2000*	Six Months Ended 2001	Six Months Ended 2000*
Balance at beginning of period	**$ 207,246**	$ 195,329	**$ 201,683**	$ 190,661
Earnings applicable to common shares	**15,787**	10,911	**28,339**	21,660
	223,033	206,240	**230,022**	212,321
Divdends on common shares	**(6,990)**	(6,081)	**(13,979)**	(12,162)
Balance at end of period	**$ 216,043**	$ 200,159	**$ 216,043**	$ 200,159

*** Restated, Note 8.***

Consolidated Cash Flow Statement (Unaudited)
For the period ended June 30

(in thousands)	Quarter Ended 2001	Quarter Ended 2000*	Six Months Ended 2001	Six Months Ended 2000*
Cash from (used in) operations				
Earnings applicable to common shares	**$ 15,787**	$ 10,911	**$ 28,339**	$ 21,660
Items not affecting cash				
Amoritization	**16,978**	14,787	**34,613**	29,831
Future income taxes	**4,767**	(820)	**5,424**	(933)
Accrued employee future benefits	**(1,145)**	(1,995)	**(3,185)**	(3,393)
Other	**(2,525)**	782	**(1,902)**	1,391
	33,862	23,665	**63,289**	48,556
Change in non-cash working capital	**(15,626)**	(1,089)	**(34,446)**	(5,411)
Cash from continuing operations	**18,236**	22,576	**28,843**	43,145
Cash from discontinued operations	**(1,336)**	(1,730)	**(281)**	(1,990)
	16,900	20,846	**28,562**	41,155
Cash from (used in) investing				
Capital additions	**(25,852)**	(22,537)	**(44,354)**	(41,379)
Proceeds on sale of capital assets	**10,934**	-	**10,934**	-
Business acquisitions, net of cash	**(312)**	-	**(102,087)**	-
Long term investments	**(239)**	(393)	**(259)**	(80,335)
Change in corporate tax deposit	**6,557**	8,844	**6,687**	8,844
Change in deferred charges and credits	**(2,044)**	(339)	**(8,540)**	(126)
	(10,956)	(14,425)	**(137,619)**	(112,996)
Cash from (used in) financing				
Issue of common shares	**1,041**	997	**3,319**	2,959
Proceeds from long term debt	**14,911**	4,606	**16,474**	7,106
Repayment of long term debt	**(4,745)**	(116)	**(7,690)**	(1,714)
Change in bank indebtedness	**(5,464)**	(9,029)	**110,318**	71,869
Contributions in aid of construction	**406**	203	**736**	631
Dividends				
Common shares	**(6,990)**	(6,081)	**(13,979)**	(12,162)
Subsidiaries to non-controlling shareholders	**(480)**	(1,125)	**(932)**	(1,253)
	(1,321)	(10,545)	**108,246**	67,436
Effect of exchange rate changes on cash	**191**	100	**(8)**	122
Change in cash	**4,814**	(4,024)	**(819)**	(4,283)
Cash, beginning of period	**12,799**	11,032	**18,432**	11,291
Cash, end of period	**$ 17,613**	$ 7,008	**$ 17,613**	$ 7,008

**** Restated, Note 8.***

Consolidated Balance Sheet (Unaudited)

(in thousands)	**30-Jun 2001**	30-Jun 2000*	31-Dec 2000
ASSETS			
Current assets			
Cash	**$ 17,613**	$ 7,008	$ 18,432
Accounts receivable	**81,111**	61,155	76,505
Materials and supplies	**15,446**	17,675	16,731
Assets of discontinued operations (Note 7)	**6,425**	51,456	53,843
	120,595	137,294	165,511
Other assets			
Corporate income tax deposit	**6,949**	6,751	13,636
Deferred charges	**80,254**	59,799	67,359
	87,203	66,550	80,995
Utilities' capital assets	**989,303**	876,072	908,846
Income producing properties	**204,129**	124,915	205,565
Long term investments	**81,774**	79,899	81,515
Goodwill	**34,636**	37,522	36,164
	$ 1,517,640	$ 1,322,252	$ 1,478,596
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank indebtedness	**$ 145,482**	$ 164,456	$ 34,446
Accounts payable and accrued charges	**89,343**	85,502	129,601
Current installments of long term debt	**16,416**	8,803	11,881
Liabilities of discontinued operations (Note 7)	**1,226**	47,488	48,502
	252,467	306,249	224,430
Long term debt	**684,947**	496,652	678,350
Preference shares	**50,000**	50,000	50,000
Deferred credits	**66,122**	81,855	82,174
Non-controlling interest	**33,640**	30,067	31,502
Shareholders' equity			
Common shares (Note 3)	**212,613**	156,903	209,294
Foreign currency translation adjustment	**1,808**	367	1,163
Retained earnings	**216,043**	200,159	201,683
	430,464	357,429	412,140
	$ 1,517,640	$ 1,322,252	$ 1,478,596

Restated, Note 8.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
June 30, 2001

1. Basis of Presentation

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and do not include all of the disclosures normally found in the Fortis Inc. ("the Corporation") annual consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the Corporation's consolidated financial statements for the year ended December 31, 2000.

These financial statements have been prepared following the same accounting policies and methods as those used in preparing the most recent annual financial statements.

2. Seasonal Nature of Operations

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

The Board of Commissioners of Public Utilities of Newfoundland 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, electricity sales revenue and purchased power expense are reported on a weather adjusted basis.

3. Capital Stock

Authorized

(a) an unlimited number of Common Shares without nominal or par value;
(b) an unlimited number of First Preference Shares, Series A without nominal or par value;
(c) an unlimited number of First Preference Shares, Series B without nominal or par value.

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

	Quarter Ended June 30, 2001		Year-to-Date June 30, 2001	
	Number of Shares	**Amount** (*in 000's*)	**Number of Shares**	**Amount** (*in 000's*)
Balance, beginning of period	**14,846,682**	**$ 211,572**	**14,778,198**	**$ 209,294**
Consumer Share Purchase Plan	**10,687**	**406**	**22,205**	**825**
Dividend Reinvestment Plan	**11,086**	**420**	**25,606**	**940**
Employee Share Purchase Plan	**5,666**	**215**	**24,315**	**883**
Executive Stock Option Plan	**-**	**-**	**23,797**	**671**
	14,874,121	**$ 212,613**	**14,874,121**	**$ 212,613**

At June 30, 2001, 2,469,555 common shares remained in reserve for issuance under the terms of the above plans.

Stock Options

The Corporation is authorized to grant directors of Fortis Inc. and certain key employees of Fortis Inc. and its subsidiaries options to purchase common shares of the Corporation.

Number of Options:	Quarter Ended June 30, 2001	Year-to-Date June 30,2001
Outstanding, beginning of period	**311,781**	**353,743**
Granted	**180,639**	**180,639**
Exercised	**-**	**(23,797)**
Cancelled	**-**	**(18,165)**
	492,420	**492,420**
Range of Exercise prices:		
Granted	**$ 38.27**	**$ 38.27**
Exercised	**$ -**	**$ 27.49-29.15**
Outstanding at June 30	**$ 29.15 - 45.67**	**$ 27.49-45.67**

Details of stock options outstanding are as follows:	Number of Shares	Exercise Price	Expiry Date
	9,821	$33.10	2002
	49,709	$45.67	2003
	35,000	$45.12	2003
	78,233	$36.83	2004
	139,018	$29.15	2005
	180,639	$38.27	2011
	492,420		

Earnings per share

The Corporation calculates earnings per common share on the weighted average number of common shares outstanding of 14,852,422 and 13,197,964 in June 2001 and 2000 respectively. Fully diluted earnings per common share are calculated using the treasury method.

Earnings per common share before and after discontinued operations (Note 7) are as follows:

	Quarter Ended June 30		Year-to-Date June 30	
Earnings per comon share	**2001**	2000	**2001**	2000
Basic				
Before discontinued operations	**$1.02**	$0.82	**$1.86**	$1.62
After discontinued operations	**$1.06**	$0.83	**$1.91**	$1.64
Fully diluted				
Before discontinued operations	**$1.02**	$0.82	**$1.86**	$1.62
After discontinued operations	**$1.06**	$0.83	**$1.90**	$1.64

4. Business Acquisitions

Belize Electric Company Limited

On January 26, 2001, the Corporation acquired a 95% interest in Belize Electric Company Limited (BECOL). BECOL owns and operates the 25 MW Mollejon hydro-electric facility, the only commercial hydroelectric facility in Belize. BECOL sells its entire output to Belize Electricity Limited under a 50-year power purchase agreement. The total consideration was $103,077,000 in cash. The acquisition was accounted for using the purchase method, whereby the results of operations have been included in the consolidated financial statements commencing February 2001.

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

(in 000's)

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

5. Segmented Information

Information by reportable segment is as follows:

Three months ended June 30, 2001 *(in $000's)*	Newfoundland Power	Maritime Electric	Canadian Niagara Power	Belize Electricity	FortisUS Energy	BECOL (*Note 4*)	Non-Utility	Corporate[1]	Inter-segment Eliminations	Consolidated
Operating revenues	88,773	23,951	5,066	18,520	1,254	2,411	18,950	1,046	(2,191)	157,780
Operating expenses	58,618	17,352	2,084	12,549	546	547	11,149	945	(1,288)	102,502
Amortization	9,808	2,389	343	2,097	116	444	955	826		16,978
Operating income	20,347	4,210	2,639	3,874	592	1,420	6,846	(725)	(903)	38,300
Finance charges	6,726	2,274	286	1,543	133	1,577	3,187	1,901	(903)	16,724
Income taxes	4,443	899	1,051	228	160		1,583	(195)		8,169
Non-controlling interest	156			666		(26)		(27)		769
	9,022	1,037	1,302	1,437	299	(131)	2,076	(2,404)	-	12,638
Gain on sale of income producing property							2,557			2,557
Results of discontinued operations (Note 7)							592			592
Earnings	9,022	1,037	1,302	1,437	299	(131)	5,225	(2,404)	-	15,787
Identifiable assets	639,680	201,760	32,719	189,364	27,837	102,536	221,529	130,122	(27,907)	1,517,640
Capital expenditures	9,838	4,076	937	6,845	16		4,092	48	-	25,852

Three months ended June 30, 2000 *(in $000's)*	Newfoundland Power	Maritime Electric	Canadian Niagara Power	Belize Electricity	FortisUS Energy	BECOL (*Note 4*)	Non-Utility	Corporate[1]	Inter-segment Eliminations	Consolidated
Operating revenues	85,800	22,316	4,157	16,107	980		12,442	858	(22)	142,638
Operating expenses	56,846	16,861	1,691	10,787	323		8,256	1,005	(22)	95,747
Amortization	8,777	2,251	330	1,667	138		840	784		14,787
Operating income	20,177	3,204	2,136	3,653	519		3,346	(931)	-	32,104
Finance charges	6,638	2,056	200	920	50		1,882	2,216		13,962
Income taxes	4,363	570	832	383	172		843	(670)		6,493
Non-contolling interest	156			746				(27)		875
	9,020	578	1,104	1,604	297		621	(2,450)	-	10,774
Results of discontinued operations (Note 7)							137			137
Earnings	9,020	578	1,104	1,604	297		758	(2,450)	-	10,911
Identifiable assets	623,213	181,934	29,829	161,211	21,202		184,699	120,164	-	1,322,252
Capital expenditures	12,611	2,717	741	3,885	2		2,557	24	-	22,537

[1]Dividends received from Caribbean Utilities Company, Ltd. are included in Corporate operating revenues.

Year-to-Date June 30, 2001 (in $000's)	Newfoundland Power	Maritime Electric	Canadian Niagara Power	Belize Electricity	FortisUS Energy	BECOL (Note 4)	Non-Utility	Corporate[1]	Inter-segment Eliminations	Consolidated
Operating revenues	204,855	48,520	10,598	33,938	1,965	4,077	35,739	2,203	(3,881)	338,014
Operating expenses	139,291	39,297	4,317	23,145	954	708	22,329	1,286	(2,978)	228,349
Amortization	20,635	4,728	702	3,918	230	889	1,859	1,652		34,613
Operating income	44,929	4,495	5,579	6,875	781	2,480	11,551	(735)	(903)	75,052
Finance charges	13,479	4,521	549	2,755	322	2,848	6,262	3,739	(903)	33,572
Income taxes	9,951	14	2,370	418	160		2,419	(44)		15,288
Non-controlling interest	313			1,172		(42)		(55)		1,388
	21,186	(40)	2,660	2,530	299	(326)	2,870	(4,375)	-	24,804
Income tax reassessment - Canadian Niagara Power			257							257
Gain on sale of income producing property							2,557			2,557
Results of discontinued operations (Note 7)							721			721
Earnings	21,186	(40)	2,917	2,530	299	(326)	6,148	(4,375)	-	28,339
Identifiable assets	639,680	201,760	32,719	189,364	27,837	102,536	221,529	130,122	(27,907)	1,517,640
Capital expenditures	15,630	7,834	1,626	11,553	19	-	7,499	193	-	44,354

Year-to-Date June 30, 2000 (in $000's)	Newfoundland Power	Maritime Electric	Canadian Niagara Power	Belize Electricity	FortisUS Energy	BECOL (Note 4)	Non-Utility	Corporate[1]	Inter-segment Eliminations	Consolidated
Operating revenues	197,886	44,771	8,299	30,899	1,733		23,724	1,150	(41)	308,421
Operating expenses	135,337	34,679	3,420	21,608	615		16,299	1,264	(41)	213,181
Amortization	18,167	4,209	656	3,312	274		1,648	1,565		29,831
Operating income	44,382	5,883	4,223	5,979	844		5,777	(1,679)	-	65,409
Finance charges	13,480	3,956	394	2,050	150		3,491	3,789		27,310
Income taxes	11,881	953	1,677	383	251		1,293	(1,142)		15,296
Non-contolling interest	313			1,126				(55)		1,384
	18,708	974	2,152	2,420	443		993	(4,271)	-	21,419
Results of discontinued operations (Note 7)							241			241
Earnings	18,708	974	2,152	2,420	443		1,234	(4,271)	-	21,660
Identifiable assets	623,213	181,934	29,829	161,211	21,202		184,699	120,164	-	1,322,252
Capital expenditures	21,395	5,388	1,375	8,335	112		4,740	34	-	41,379

[1]Dividends received from Caribbean Utilities Company, Ltd. are included in Corporate operating revenues.

6. Commitments

On March 7, 2001, Newfoundland Power entered into an agreement to acquire 100,000 Aliant Telecom Inc. poles in Newfoundland over a five-year period at a price of approximately $50 million. Newfoundland Power's application to acquire the poles was denied by the Newfoundland and Labrador Board of Commissioners of Public Utilities (PUB). In its ruling, the PUB acknowledged the benefits of Newfoundland Power owning the 70,000 joint use poles outlined in its proposal. Although the PUB agreed financial benefits from the 30,000 non-joint use poles would flow to Newfoundland Power's customers, it concluded that, based on its interpretation of legislation, these poles should not be included in Newfoundland Power's regulated assets.

On July 26, 2001, Newfoundland Power filed additional evidence with the PUB related to its acquisition of the Aliant Telecom Inc. poles. Newfoundland Power has asked the PUB to evaluate this additional evidence and to approve the purchase of the joint use poles for inclusion in its rate base.

On June 13, 2001, the Corporation entered into an agreement with Abitibi-Consolidated Inc. to develop additional capacity at two of Abitibi-Consolidated Inc.'s hydroelectric plants. Under the agreement, Fortis, through a wholly owned non-regulated subsidiary, will hold a 51 per cent interest in the redevelopment project. Abitibi-Consolidated Inc. will continue to use the existing annual generation of the facility while the additional energy resulting from the redevelopment will be sold under a 30 year, take-or-pay power purchase agreement with Newfoundland and Labrador Hydro. The project is expected to cost approximately $65 million and will be financed principally with non-recourse debt.

In July 2001, Canadian Niagara Power signed an agreement to lease and operate the electricity distribution business of Port Colborne Hydro Inc. under the terms of a $15.7 million, 10-year deal. The transaction is subject to review and approval by the Ontario Energy Board.

7. Discontinued Operations

On June 22, 2001, an agreement was signed to sell the deposits and loans of Fortis Trust for cash consideration of $5.8 million. Earnings from discontinued operations include the Corporation's share of the income from the operations of Fortis Trust for the period ended June 22, 2001. The 2000 consolidated balance sheet, statements of earnings, retained earnings and cash flows have been reclassified to conform with the 2001 presentation. The assets and liabilities of discontinued operations have been reported elsewhere in these consolidated financial statements.

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

Statement of Earnings		**2001** (in 000's)		**2000** (in 000's)
Operating Revenues	**$**	**2,101**	$	2,139
Earnings from discontinued operations net of tax expense of $172 (2000 - $185)	**$**	**216**	$	241
Gain on disposal of discontinued operations net of tax expense of $349		**505**		-
Results of discontinued operations	**$**	**721**	$	241

8. Comparative Figures

During the fourth quarter of 2000, Belize Electricity and the Belize Public Utilities Commission established a Cost of Power Rate Stabilization Account (CPRSA), effective January 1, 2000. The CPRSA is designed to normalize changes in the price of electricity due to fluctuating fuel costs and will stabilize electricity rates for consumers while providing the company with a mechanism to recover the cost of electricity over time. During the fourth quarter of 2000, Belize Electricity recorded a $3.5 million CPRSA receivable. The portion of the rate stabilization adjustment associated with the second quarter of 2000 resulted in a $572,000 increase in consolidated second quarter earnings. The adjustment resulted in a $48,000 increase in consolidated earnings on a year-to-date basis. Accordingly, the comparative 2000 quarterly figures have been restated.

Dates – Dividends* and Earnings

Expected Earnings Release Dates

October 31, 2001
January 30, 2002
April 24, 2002
July 31, 2002

Expected Dividend Record Dates

November 9, 2001
February 8, 2002
May 3, 2002
August 9, 2002

Expected Dividend Payment Dates

September 1, 2001
December 1, 2001
March 1, 2002
June 1, 2002

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

Registrar and Transfer Agent

Computershare Trust Company of Canada

Share Listings

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

Share Price ($)
Quarter Ended June 30

	2001	2000
High	39.50	33.75
Low	36.75	29.50
Close	36.97	32.55

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