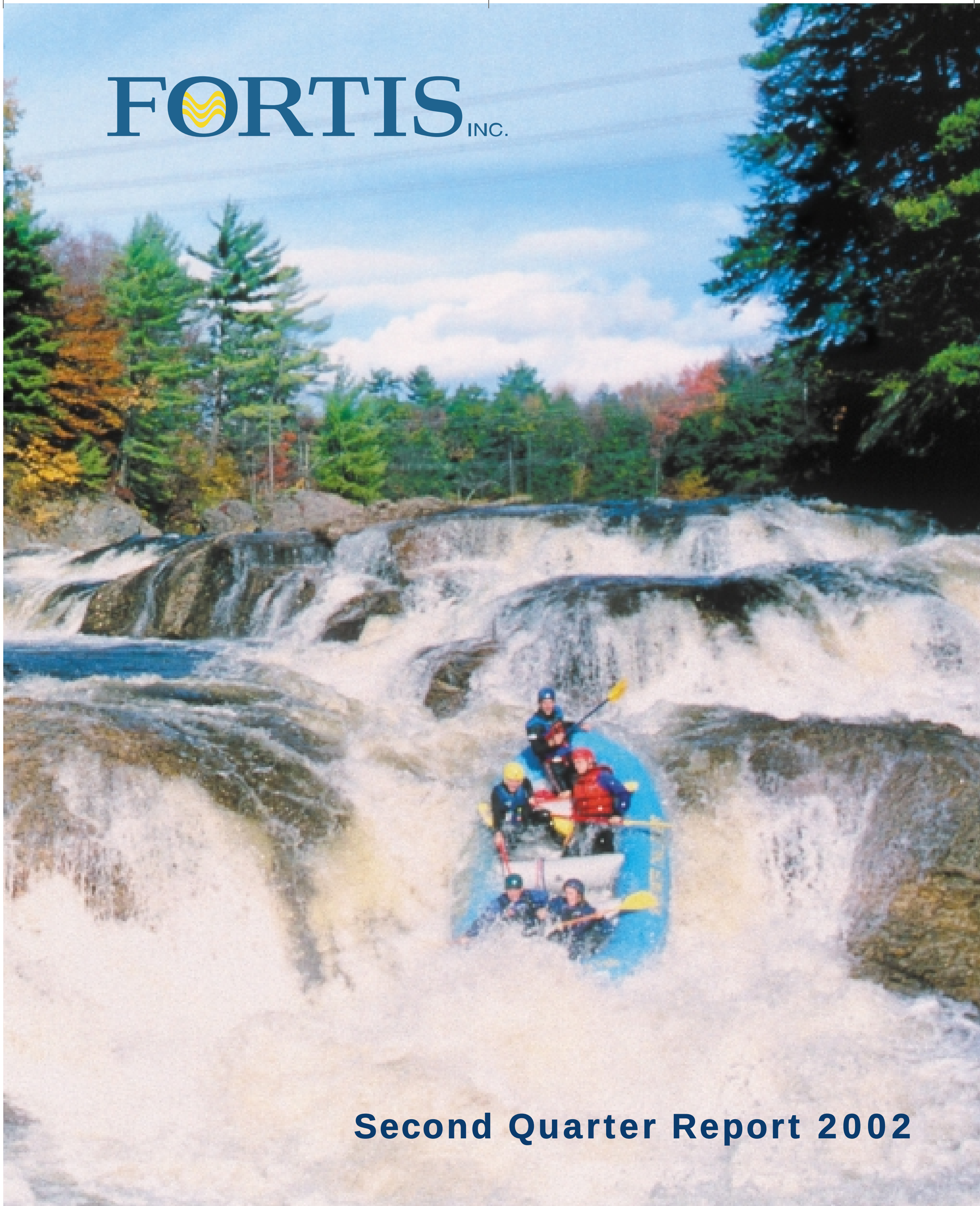


FORTIS INC.

Second Quarter Report 2002

Dear Shareholder:

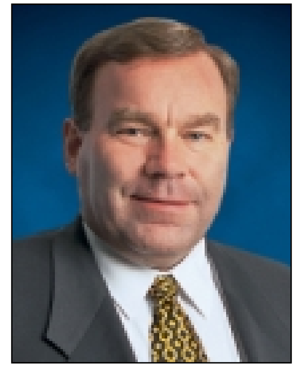
Fortis Inc. has delivered a seventeen per cent increase in recurring earnings to our shareholders this quarter compared to the second quarter last year.

Fortis has made recent acquisitions and investments in support of our strategy to pursue profitable growth opportunities and to continue to deliver strong earnings to our shareholders.

In May, Fortis entered into an agreement with Enbridge Consumers Energy Inc. (Enbridge) to acquire Enbridge's 100 per cent interest in Cornwall Street Railway Light and Power Company Limited (Cornwall Electric) for an aggregate cash purchase price of $67 million.

Cornwall Electric is an Ontario-based electric transmission and distribution utility which supplies electricity to approximately 22,600 customers in the City of Cornwall, South Glengarry, South Stormont and the Ontario portion of the Mohawk Territory of Akwesasne.

The acquisition of Cornwall Electric is another significant step for Fortis in growing our utility assets in Ontario and builds on our investment in Canadian Niagara Power.



We expect this acquisition to be immediately accretive to the earnings of Fortis.

In June, Fortis made a public offering of two million Common Shares for gross proceeds to the Corporation of $97.7 million.

Subsequent to quarter-end, Fortis completed its acquisition of the remaining fifty per cent interest in Canadian Niagara Power for an aggregate purchase price of $49 million. Canadian Niagara Power is well-positioned to meet the challenges and opportunities presented by the restructuring of the Ontario electricity market and we are highly confident in the company's ability to successfully expand in Ontario.

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

Fortis Inc.
Financial Highlights
Period Ended June 30

($000s)	Quarter 2002	Quarter 2001	Year-to-date 2002	Year-to-date 2001
Revenue	**166,565**	156,837	**349,321**	336,274
Cash flow from operations[1]	**32,327**	34,570	**65,202**	66,987
Recurring earnings	**16,545**	13,399	**31,539**	28,502
Non-recurring items	**-**	3,149	**-**	3,535
Earnings applicable to common shares	**16,545**	16,548	**31,539**	32,037
Recurring earnings per common share ($)	**1.05**	0.90	**2.05**	1.92
Earnings per common share ($)	**1.05**	1.11	**2.05**	2.16

($000s)	Gross Revenue			
	Quarter		Year-to-date	
	2002	2001	2002	2001
Newfoundland Power	**91,440**	88,773	**206,864**	204,855
Maritime Electric[2]	**23,225**	24,261	**48,324**	48,745
Canadian Niagara Power[3]	**13,796**[4]	10,132	**22,356**[4]	21,196
Belize Electricity	**20,017**	18,520	**38,175**	33,938
Belize Electric (BECOL)	**3,272**	2,411	**6,093**	4,077
Fortis Properties	**23,241**	18,950	**41,502**	35,739

	Energy Sales (GWh)			
	Quarter		Year-to-date	
	2002	2001	2002	2001
Newfoundland Power	**1,198**	1,165	**2,773**	2,739
Maritime Electric[2]	**251**	266	**536**	535
Canadian Niagara Power	**238**[4]	159	**393**[4]	314
Belize Electricity	**71**	67	**133**	124
BECOL[5]	**17**	9	**29**	24

(1) Before working capital adjustments
(2) Results of Maritime Electric include operations of FortisUS Energy.
(3) 100% of revenue shown for Canadian Niagara Power (CNP). In July 2002, Fortis Inc. acquired the remaining 50% interest in CNP.
(4) Effective May 1, 2002, CNP's distribution and generation businesses were separated as required by restructuring of the Ontario electricity market. CNP's unregulated generation business now sells its production entirely into the Ontario market and its regulated distribution business meets its sales requirements from power purchased from the market. Prior to May 1, 2002, CNP's generation business supplied power directly to its distribution customers. Sales and revenues since May 1, 2002 are greater than in prior periods as distribution sales are now met with purchased power.
(5) Fortis Inc. acquired a 95% interest in BECOL in January 2001. Comparative figures provided for information only.

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

Recurring earnings for the second quarter were $16.5 million, $3.1 million higher than recurring earnings of $13.4 million for the second quarter last year. This increase represents recurring earnings per common share of $1.05, seventeen per cent higher than recurring earnings per common share of $0.90 for the second quarter last year. Year-to-date, recurring earnings were $31.5 million compared to $28.5 million for the same period last year. Year-to-date, recurring earnings per common share increased to $2.05 from $1.92 in 2001. The increase was primarily attributable to increased earnings from BECOL, Belize Electricity and Fortis Properties and a reduction in corporate expense associated with the implementation of new accounting rules regarding goodwill amortization.

On a non-recurring basis, earnings for the second quarter were $16.5 million comparable to the same period in 2001. Earnings per common share decreased to $1.05 for the second quarter compared to $1.11 for the second quarter of 2001. Year-to-date, non-recurring earnings were $31.5 million compared to $32.0 million for the first half of last year. On a non-recurring basis, earnings per common share were $2.05 for the first half of 2002 compared to $2.16 for the same period last year.

Revenue for the second quarter increased to $166.6 million from $156.8 million for the second quarter of 2001. Year-to-date, revenue increased approximately four per cent to $349.3 million from $336.3 million for the

Fortis Inc.
Earnings Contribution by Company
Period Ended June 30

($ millions)	Quarter		Year-to-date	
	2002	2001	**2002**	2001
Earnings / (Loss)				
Newfoundland Power	**9.1**	9.0	**19.3**	21.2
Maritime Electric(1)	**1.9**	2.0(2)	**3.6**	3.8(2)
Canadian Niagara Power	**1.4**	1.3	**2.5**	2.6
Belize Electricity	**1.8**	1.5(2)	**3.0**	2.7(2)
BECOL	**0.5**	(0.1)	**0.5**	(0.3)
Caribbean Utilities	**1.3**	1.0	**2.4**	2.1
Fortis Properties	**2.5**	2.1	**3.5**	2.9
Corporate	**(2.0)**	(3.4)	**(3.3)**	(6.5)
Earnings before non-recurring items	**16.5**	13.4	**31.5**	28.5
Fortis Trust - Discontinued Operations	**-**	0.1	**-**	0.2
Gain on sale of Fortis Trust	**-**	0.5	**-**	0.5
Interest on income tax reassessment - CNP	**-**	-	**-**	0.3
Gain on sale of Centennial Building	**-**	2.5	**-**	2.5
Earnings applicable to common shares	**16.5**	16.5	**31.5**	32.0

(1) *Results of Maritime Electric include operations of FortisUS Energy.*
(2) *Restated. See Note 10 to the consolidated financial statements.*

first half of 2001. Revenue associated with the acquisition of assets by Fortis Properties as well as increased energy sales at most utilities led the growth in revenue.

Cash flow from operations for the second quarter was $32.3 million compared to $34.6 million for the same period last year. Year-to-date, cash flow from operations was $65.2 million compared to $67.0 million for the same period last year.

UTILITY OPERATIONS

NEWFOUNDLAND POWER

Newfoundland Power's earnings for the second quarter were $9.1 million, up slightly from the same quarter last year. Year-to-date, earnings were $19.3 million, a $1.9 million decrease compared to the same period last year. In 2001, the utility's earnings were higher due to a tax refund from Canada Customs and Revenue Agency related to the resolution of a long-standing income tax issue.

Energy sales for the second quarter were 1,198 GWh, a 2.8 per cent increase over the same quarter last year. Year-to-date, energy sales were 2,773 GWh compared to 2,739 GWh for the same period in 2001. Growth in the number of customers and average residential energy usage, reflecting the strong economic growth in the Newfoundland economy, contributed to the increase in energy sales.

Revenue for the second quarter was $91.4 million compared to $88.8 million for the same quarter last year. Year-to-date, revenue was $206.9 million, $2.0 million higher than the same period last year. Revenue was higher due to increased energy sales and increased pole rental revenues partially offset by a 0.6 per cent decrease in electricity rates effective January 1, 2002.

Newfoundland Power's operating expenses excluding purchased power costs were $12.3 million compared to $13.6 million for the second quarter of 2001. Year-to-date, operating expenses excluding purchased power costs were $25.2 million compared to $26.3 million for the same period last year. The decrease in operating expenses is associated with costs pertaining to an early retirement program in 2001.

Amortization expense for the second quarter was $10.5 million compared to $9.8 million for the same period last year. The company's continued investment in the electricity system combined with the purchase of joint-use poles from Aliant Telecom Inc. resulted in the increased amortization expense.

MARITIME ELECTRIC[1]

Maritime Electric's earnings for the second quarter were $1.9 million, a $0.1 million decrease compared to restated earnings of $2.0 million for the same period last year.[2] Year-to-date, earnings were $3.6 million, $0.2 million lower than restated earnings of $3.8 million for the first half of 2001. The decrease in earnings was primarily attributable to an increase in purchase power expenses associated with a scheduled maintenance outage of the New Brunswick Power Point Lepreau Nuclear Generating Station (Point Lepreau) partially offset by increased

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

2 Comparative 2001 figures have been restated to reflect the amendments to the Maritime Electric Company Limited Regulation Act which came into effect October 2001 and had application effective January 1, 2001. (See Note 10 to the Financial Statements.)

production at FortisUS Energy. Point Lepreau returned to service on July 13, 2002 and, as a result, lower relative energy prices are anticipated in the second half of the year.

Energy sales by Maritime Electric for the second quarter were 220 GWh compared to 239 GWh for the same period last year. Year-to-date, energy sales were 476 GWh compared to 492 GWh for the first half of 2001. The decline in energy sales was primarily attributable to a cessation of wholesale energy sales to the City of Summerside. Energy sales for the four plants owned by FortisUS Energy were 31 GWh in the second quarter compared to 27 GWh for the second quarter of 2001. Year-to-date, energy sales were 60 GWh, a 17 GWh increase over the first half of last year. Increased rainfall levels contributed to the higher production this year.

Revenue for the second quarter was $23.2 million, a $1.1 million decrease compared to the same period last year. Year-to-date, revenue was $48.3 million, slightly lower than revenue of $48.7 million for the same period in 2001. The decrease in revenue was primarily attributable to the decrease in wholesale energy sales partially offset by the increased electricity rates and the increased sales for FortisUS Energy.

Maritime Electric's operating expenses excluding energy costs were $2.4 million for the second quarter compared to $2.6 million for the same period last year. Year-to-date, operating expenses were $5.2 million compared to $4.9 million last year. The increase in operating expenses year-to-date was primarily the result of increased maintenance costs and property taxes.

CANADIAN NIAGARA POWER

Canadian Niagara Power contributed $1.4 million to earnings in the second quarter compared to $1.3 million for the same period last year. Year-to-date, Canadian Niagara Power contributed $2.5 million compared to $2.6 million for the first half of 2001. The decrease in earnings resulted from lower prices on energy sales in Canada and the United States partially offset by an increase in distribution rates to the utility's customers and higher transmission rates due to the restructuring of electricity rates in Ontario as of May 1, 2002.

On May 1, 2002, Canadian Niagara Power's distribution and generation businesses were separated as required by the restructuring of the Ontario electricity market.

On May 1, 2002, Canadian Niagara Power's distribution and generation businesses were separated as required by the restructuring of the Ontario electricity market. The utility's unregulated generation business now sells its production entirely into the Ontario market and its regulated distribution business meets its sales requirements from power purchased from the market. Prior to May 1, 2002, the utility's generation business supplied power directly to the company's distribution customers. Services provided to customers of Port Colborne under the lease agreement finalized in April 2002 are also included in current results. Therefore, energy sales, revenue and purchased power costs are higher this year compared to 2001.

The following table summarizes Canadian Niagara Power's energy sales and revenues on a segmented basis.

	GWh Sales				Revenue ($000s)			
	2nd Quarter		Year-to-date		2nd Quarter		Year-to-date	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
Generation	**139**	92	**224**	177	**4,777**	4,754	**7,801**	9,580
Distribution	**99**	67	**169**	137	**8,075**	4,935	**13,433**	10,208
Transmission	**-**	-	**-**	-	**783**	-	**783**	-
Other*	**-**	-	**-**	-	**161**	443	**339**	1,408
Total	**238**	159	**393**	314	**13,796**	10,132	**22,356**	21,196

**Other revenue includes interest on investments, gains/losses on disposals, foreign exchange and marketing sales.*

Energy sales for the second quarter were 238 GWh compared to 159 GWh for the second quarter of 2001. Year-to-date, energy sales were 393 GWh compared to 314 GWh for the same period last year. Distribution energy sales for the second quarter were 99 GWh compared to 67 GWh for the second quarter of 2001. Year-to-date, distribution energy sales were 169 GWh compared to 137 GWh for the first half of last year.

Revenue for the second quarter was $13.8 million compared to $10.1 million for the same period last year. Year-to-date, revenue was $22.4 million compared to $21.2 million for the same period in 2001. Revenue from generation sales was $4.8 million for the second quarter, comparable to the same period last year. Year-to-date, revenue from generation sales was $7.8 million compared to $9.6 million last year. The decrease in revenue resulted from lower average prices this year compared to last year. Year-to-date, generation energy prices averaged $34 per megawatt hour (MWh) compared to $54 per MWh for the first half of 2001.

Revenue from distribution sales was $8.1 million for the second quarter compared to $4.9 million for the same period last year. Year-to-date, revenue from distribution was $13.4 million compared to $10.2 million for the first half of 2001. Revenue associated with transmission was $0.8 million in the second quarter and year-to-date. The increase in revenue from transmission is associated with the restructuring of the Ontario electricity market whereby transmission revenue is provided based on Canadian Niagara Power's share of the transmission assets in the province.

Canadian Niagara Power's operating expenses excluding energy costs were $1.8 million for the second quarter compared to $2.1 million for the same period last year. Year-to-date, operating expenses were $3.6 million compared to $4.3 million last year. The decrease in operating expenses was primarily the result of lower water right expenses.

BELIZE ELECTRICITY[3]

Belize Electricity contributed $1.8 million to earnings in the second quarter compared to $1.5 million for the same quarter last year. Year-to-date, Belize Electricity contributed $3.0 million, $0.3 million higher than earn-

3 Comparative 2001 figures have been restated to reflect the adoption of the new recommendation of the Canadian Institute of Chartered Accountants on accounting for foreign exchange gains and losses. (See Note 10 to the Financial Statements.)

ings of $2.7 million for the same period last year. The increase in earnings resulted primarily from increased energy sales partially offset by foreign exchange losses that are recorded in accordance with new accounting standards.

Energy sales for the second quarter were 71 GWh, a six per cent increase over energy sales of 67 GWh for the same period last year. Year-to-date, energy sales were 133 GWh, a 9 GWh increase over energy sales of 124 GWh for the first half of 2001. Continued strong growth in the residential sector and completion of a comprehensive Street Lighting Program contributed to the increase in energy sales.

Revenue for the second quarter was $20.0 million, a $1.5 million increase over the same period last year. Year-to-date, revenue was $38.2 million compared to $33.9 million for the first half of 2001 reflecting the strong growth in energy sales.

Energy costs for the second quarter were $9.6 million compared to $9.0 million for the same period last year. Year-to-date, energy costs were $18.3 million compared to $16.6 million for the first half of 2001 consistent with the growth in energy sales.

Belize Electricity's operating expenses excluding energy costs and foreign exchange gains and losses were $3.4 million for the second quarter compared to $3.6 million for the second quarter of 2001. Year-to-date, operating expenses excluding energy costs and foreign exchange gains and losses were $6.8 million compared to $6.6 million for the first half of last year. In the second quarter, Belize Electricity incurred a foreign exchange loss of $0.4 million compared to a foreign exchange gain of $0.2 million for the same period last year. Year-to-date, the company incurred a loss of $0.5 million compared to a gain of $0.4 million in the first half of 2001.

Amortization expense for the second quarter was $2.1 million comparable to the same quarter last year. Year-to-date, amortization expense was $4.2 million, a $0.3 million increase over the first half of 2001.

Second quarter financing charges were $1.7 million comparable to the second quarter last year. Year-to-date, financing charges were $3.5 million compared to $2.8 million for the first half of 2001. The increased financing charges are associated with the acquisition of transmission line assets from BECOL in April 2001.

Belize Electricity has adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) on accounting for foreign exchange gains and losses. As a result, the 2001 comparative financial statements have been restated to record a $0.1 million foreign currency gain for the second quarter of 2001 and a $0.3 million gain for the first half of 2001 associated with long-term debt denominated in Euros. In the second quarter of 2002, Belize Electricity recognized a foreign currency loss of $0.4 million associated with the same loan. Year-to-date, Belize Electricity recognized a foreign currency loss of $0.5 million associated with the same loan.

BECOL

In the second quarter, BECOL contributed $0.5 million to earnings compared to a loss of $0.1 million for the second quarter of 2001. Year-to-date, BECOL contributed $0.5 million to earnings, a $0.8 million increase over last year. The increase in earnings is attributable to increased energy production partially offset by increased financing costs. 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.

Energy production for the second quarter was 17 GWh, almost double production of 9 GWh for the same period last year. Year-to-date, energy production was 29 GWh compared to 24 GWh for the first half of 2001. The increase in energy production is primarily attributable to the higher-than-average rainfall in June.

Revenue for the second quarter was $3.3 million compared to $2.4 million for the same period last year. Year-to-date, revenue was $6.1 million compared to $4.1 million last year. The increase in revenue is primarily attributable to an additional month's energy sales included in 2002 results, increased energy production and increased interest income associated with the sale of the company's transmission assets.

Operating expenses for the second quarter were $0.5 million consistent with the same period last year. Year-to-date, operating expenses were $0.9 million compared to $0.7 million for the first half of 2001. The increase in operating expenses is timing related as 2002 includes one more month of expenses. Financing costs for the second quarter were $1.9 million compared to $1.6 million for the same period last year. Year-to-date, financing costs were $3.8 million compared to $2.8 million for the first half of 2001. The $1.0 million increase in financing costs resulted from the replacement of short-term borrowings with long-term debt and one additional month's interest in 2002.

CARIBBEAN UTILITIES

Fortis owns 22 per cent 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 $1.3 million from Caribbean Utilities were included in the earnings of Fortis compared to $1.0 million in the second quarter of 2001. Year-to-date, dividends of $2.4 million were received from Caribbean Utilities compared to $2.1 million for the first half of 2002. The number of shares held by Fortis has increased to 5.4 million compared to 4.8 million for the first half of last year.

NON-UTILITY OPERATIONS

FORTIS PROPERTIES

Recurring earnings were $2.5 million for the second quarter compared to $2.1 million for the second quarter of last year. Year-to-date, recurring earnings were $3.5 million, $0.6 million higher than for the same period last year. The increase in earnings is the result of increased income from recently acquired commercial properties and increased operating income from hotel properties.

Revenue for the second quarter was $23.2 million compared to $19.0 million for the second quarter last year. Year-to-date, revenue was $41.5 million, $5.8 million higher than the first half of 2001. The increase in revenue is attributable to the acquisition of properties in the last eight months including TD Place, Cabot Place I and King's Place as well as the opening of the Four Points by Sheraton Hotel in Halifax.

Fortis Properties' occupancy level in its Real Estate Division was 95.1 per cent at June 30, 2002, slightly lower than 96.2 per cent at June 30, 2001. In its Hospitality Division, revenue per available room (REVPAR) for the second quarter was $65.02 compared to $58.53 for the same period last year. The increase in REVPAR was the result of an improvement in occupancy and an increase in average room rate.

In April 2002, Fortis Properties acquired King's Place in downtown Fredericton, New Brunswick for $27.7 million. King's Place is a 289,437 square foot multi-use office and retail complex located in Fredericton's business district.

In May 2002, Fortis Properties issued $29 million of 7.42% First Mortgage Bonds for a ten-year term. The financing has been used to finance the recent acquisitions of Cabot Place I and King's Place.

CORPORATE

Corporate Expenses

Corporate expenses for the second quarter were $2.0 million compared to $3.4 million for the same period last year. Year-to-date, corporate expenses were $3.3 million compared to $6.5 million for the first half of 2001. The decrease in corporate expenses was primarily due to cessation of goodwill amortization in accordance with new accounting guidelines and a lower effective tax rate in the first half of 2002.

CONSOLIDATED FINANCIAL POSITION

Assets and Liabilities

Total assets as at June 30, 2002 were $1.8 billion compared to $1.5 billion as at June 30, 2001. The increase relates to the acquisition of poles and related infrastructure from Aliant Telecom Inc. together with organic growth of the Corporation's utility asset base and the addition of income-producing properties including TD Place, Cabot Place I, King's Place and the Four Points by Sheraton Hotel in Halifax.

The $18.8 million increase in accounts receivable was primarily due to the enactment of regulations by the Government of Prince Edward Island resulting in the deferral of energy costs recoverable from customers beginning April 1, 2002 and growth in Belize Electricity's Cost of Power Rate Stabilization Adjustment account.

The $6.1 million decrease in the assets of discontinued operations resulted from the sale of the assets of Fortis Trust.

The $12.9 million increase in deferred charges largely resulted from an increase in deferred pension costs at Newfoundland Power.

The $12.7 million increase in long-term investments resulted from the purchase of 0.7 million shares of Caribbean Utilities during the first half of 2002.

The $109.4 million increase in long-term debt resulted from the issue of $71.7 million in financing in November 2001 associated with the acquisition of BECOL, the private placement of $16.0 million in Unsecured Subordinated Convertible Debentures by Fortis Inc. during the first quarter of 2002 and the issuance of $29 million First Mortgage Bonds by Fortis Properties in May 2002 partially offset by a $13.5 million repayment of long-term debt by Newfoundland Power in the third quarter of 2001.

The $4.1 million increase in deferred credits primarily resulted from contributions in aid of construction by Belize Electricity customers offset by an increase in corporate taxes recoverable.

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 decrease in the foreign currency translation adjustment since June 2001 reflects the depreciation of the United States dollar compared to the Canadian dollar.

Cash Flow

Cash flow from operations before working capital adjustments for the second quarter was $32.3 million compared to $34.6 million for the same period last year.

Cash used in investing totalled $66.6 million in the second quarter compared to $11.1 million for the same period last year. In addition to the Corporation's ongoing capital initiatives, expenditures on investing activities included the purchase of King's Place.

Cash from financing in the current quarter was $84.2 million compared to cash used in financing of $1.3 million for the same period last year. During the second quarter, the Corporation completed a public offering of two million common shares for net proceeds of $93.8 million and Fortis Properties issued $29.0 million in 7.42% First Mortgage Bonds.

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 Balance Sheets (Unaudited)

(in thousands)		**30-Jun 2002**		30-Jun* 2001		31-Dec* 2001
ASSETS						
Current assets						
Cash and cash equivalents	**$**	**64,031**	$	17,613	$	14,285
Accounts receivable		**106,204**		87,395		102,156
Materials and supplies		**16,192**		15,446		18,173
Assets of discontinued operations		**321**		6,425		321
		186,748		126,879		134,935
Other assets						
Corporate income tax deposit		**6,949**		6,949		6,949
Deferred charges		**93,162**		80,254		83,224
		100,111		87,203		90,173
Utilities' capital assets		**1,082,841**		989,308		1,064,257
Income producing properties		**263,012**		204,129		220,338
Long-term investments		**94,485**		81,774		82,211
Goodwill (Note 2)		**32,838**		34,636		32,838
	$	**1,760,035**	$	1,523,929	$	1,624,752
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities						
Short-term borrowings	**$**	**115,056**	$	145,482	$	129,882
Accounts payable and accrued charges		**115,747**		91,209		121,898
Current installments of long-term debt		**18,928**		10,805		20,644
Liabilities of discontinued operations		**11**		1,226		11
		249,742		248,722		272,435
Long-term debt		**791,843**		690,549		746,092
Preference shares		**50,000**		50,000		50,000
Deferred credits		**70,261**		66,121		70,283
Non-controlling interest		**35,819**		33,940		36,421
Shareholders' equity						
Common shares (Note 4)		**316,608**		212,613		216,440
Foreign currency translation adjustment		**1,397**		1,808		5,380
Retained earnings		**244,365**		220,176		227,701
		562,370		434,597		449,521
	$	**1,760,035**	$	1,523,929	$	1,624,752

*Restated, Note 10.

FORTIS INC.

Consolidated Statements of Earnings (Unaudited)
For period ended June 30

(in thousands)	Quarter Ended 2002	2001*	Six Months Ended 2002	2001*
Operating revenues	**$ 166,565**	$ 156,837	**$ 349,321**	$ 336,274
Expenses				
Operating	**103,974**	100,217	**226,205**	220,046
Amortization	**16,885**	16,978	**34,648**	34,613
	120,859	117,195	**260,853**	254,659
Operating income	**45,706**	39,642	**88,468**	81,615
Finance charges				
Interest	**17,190**	15,980	**34,005**	32,084
Dividends on preference shares	**744**	744	**1,488**	1,488
Earnings before income taxes and undernoted items	**27,772**	22,918	**52,975**	48,043
Income taxes	**10,197**	8,718	**19,654**	18,064
Earnings before undernoted items	**17,575**	14,200	**33,321**	29,979
Gain on sale of income producing property, net of tax $644	**-**	2,557	**-**	2,557
Income tax reassessment - Canadian Niagara Power	**-**	-	**-**	257
Results of discontinued operations	**-**	592	**-**	721
Non-controlling interest	**(1,030)**	(801)	**(1,782)**	(1,477)
Earnings applicable to common share	**$ 16,545**	$ 16,548	**$ 31,539**	$ 32,037
Average common shares outstanding (000s)	**15,761**	14,852	**15,402**	14,852
Earnings per common share ($)	**$1.05**	$1.11	**$2.05**	$2.16
Fully diluted earnings per common share ($)	**$1.04**	$1.11	**$2.04**	$2.15

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

(in thousands)	Quarter Ended 2002	2001*	Six Months Ended 2002	2001*
Balance at beginning of period	**$ 235,672**	$ 210,618	**$ 227,701**	$ 201,683
Change in accounting policy for foreign exchange gains/(losses)				435
As restated	**235,672**	210,618	**227,701**	202,118
Earnings applicable to common shares	**16,545**	16,548	**31,539**	32,037
	252,217	227,166	**259,240**	234,155
Dividends on common shares	**(7,852)**	(6,990)	**(14,875)**	(13,979)
Balance at end of period	**$ 244,365**	$ 220,176	**$ 244,365**	$ 220,176

* Restated, Note 10

Consolidated Statements of Cash Flows (Unaudited)
For period ended June 30

(in thousands)	Quarter Ended 2002	Quarter Ended 2001*	Six Months Ended 2002	Six Months Ended 2001*
Cash from (used in) operations				
Earnings applicable to common shares	**$ 16,545**	$ 16,548	**$ 31,539**	$ 32,037
Items not affecting cash				
Amortization	**16,885**	16,978	**34,648**	34,613
Future income taxes	**(363)**	4,767	**(173)**	5,424
Accrued employee future benefits	**(1,593)**	(1,145)	**(3,660)**	(3,185)
Other	**853**	(2,578)	**2,848**	(1,902)
	32,327	34,570	**65,202**	66,987
Change in non-cash working capital	**(1,123)**	(16,919)	**(14,354)**	(38,144)
Cash from continuing operations	**31,204**	17,651	**50,848**	28,843
Cash from discontinued operations	**–**	(594)	**-**	(281)
	31,204	17,057	**50,848**	28,562
Cash from (used in) investing				
Capital additions	**(62,592)**	(25,852)	**(109,841)**	(44,354)
Business acquisitions, net of cash	**-**	(312)	**-**	(102,087)
Long-term investments	**(1,989)**	(239)	**(12,341)**	(259)
Proceeds on sale of capital assets	**-**	10,934	**4**	10,934
Net assets on wind-up of subsidiary	**-**	–	**137**	-
Change in corporate tax deposit	**-**	6,557	**-**	6,687
Change in deferred charges and credits	**(2,030)**	(2,201)	**(4,779)**	(8,540)
	(66,611)	(11,113)	**(126,820)**	(137,619)
Cash from (used in) financing				
Issue of common shares	**96,004**	1,041	**100,170**	3,319
Proceeds from long-term debt	**41,989**	14,911	**64,176**	16,474
Repayment of long-term debt	**(4,861)**	(4,745)	**(10,171)**	(7,690)
Change in short-term borrowings	**(42,902)**	(5,464)	**(13,864)**	110,318
Contributions in aid of construction	**1,956**	406	**1,949**	736
Dividends				
Common shares	**(7,852)**	(6,990)	**(14,875)**	(13,979)
Subsidiaries to non-controlling shareholders	**(123)**	(480)	**(961)**	(932)
	84,211	(1,321)	**126,424**	108,246
Effect of exchange rates on cash	**(864)**	191	**(706)**	(8)
Change in cash and cash equivalents	**47,940**	4,814	**49,746**	(819)
Cash and cash equivalents, beginning of period	**16,091**	12,799	**14,285**	18,432
Cash and cash equivalents, end of period	**$ 64,031**	$ 17,613	**$ 64,031**	$ 17,613

*Restated, Note 10

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
June 30, 2002

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, 2001.

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. Significant Accounting Policies

Goodwill

Prior to January 1, 2002, goodwill was amortized on a straight-line basis from the dates of acquisition. In accordance with the adoption of new accounting standards introduced in 2001, CICA Handbook Section 3062, the Corporation discontinued amortization of all goodwill effective January 1, 2002.

Under the new standards, goodwill and intangible assets with indefinite lives are no longer amortized but, instead, are tested for impairment at least annually by comparing their values with their book values. Any impairment in value is charged against income for the period.

Stock-based compensation

Effective January 1, 2002, the Corporation adopted the recommendations of Handbook Section 3870 issued by the CICA, which establishes standards for recognition, measurement and disclosure of stock-based compensation. See Note 5 for further details.

Foreign exchange gains and losses

The Corporation has adopted the new recommendations of the CICA on accounting for foreign exchange gains and losses. See Note 10 for further details.

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.

Newfoundland and Labrador Board of Commissioners of Public Utilities 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.

4. 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, 2002		Year-to-date June 30, 2002	
	Number of Shares	Amount *(in 000s)*	Number of Shares	Amount *(in 000s)*
Balance, beginning of period	15,088,248	$ 220,605	14,980,507	$ 216,440
Consumer Share Purchase Plan	7,538	367	17,332	834
Dividend Reinvestment Plan	9,878	480	20,570	990
Employee Share Purchase Plan	- (1)	- (1)	12,713	606
Public offering	2,000,000	95,157	2,000,000	95,157
Executive, Director and 2002 Stock Option Plans	-	-	74,542	2,582
	17,105,664	$ 316,609	17,105,664	$ 316,609

(1) Shares under this plan were issued in July 2002 versus June in the previous year.

At June 30, 2002, 3,468,012 common shares remained in reserve for issuance under the terms of the above plans.

Stock Options

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

Number of Options:	Quarter ended June 30, 2002	Year-to-date June 30, 2002
Outstanding, beginning of period	**362,306**	**436,848**
Granted	**180,298**	**180,298**
Exercised	**-**	**(74,542)**
Cancelled	**(1,568)**	**(1,568)**
	541,036	**541,036**
Range of Exercise Prices:		
Granted	**$ 48.14**	**$ 48.14**
Exercised	**$ -**	**$ 29.15 - 45.12**
Outstanding at June 30	**$ 29.15 - 48.14**	**$ 29.15 - 48.14**

Details of stock options outstanding are as follows:	Number of Shares	Exercise Price	Expiry Date
	49,709	$45.67	2003
	20,000	$45.12	2003
	53,466	$36.83	2004
	63,492	$29.15	2005
	30,000	$38.27	2006
	144,071	$38.27	2011
	180,298	$48.14	2012
	541,036		

The stock options which expire in 2012 vest evenly over a four-year period, commencing in 2002. At June 30, 2002, the Corporation had three stock-based compensation plans: Executive Stock Option Plan, the Directors' Stock Option Plan and the 2002 Stock Option Plan. The 2002 Stock Option Plan was adopted at the Annual and Special Meeting on May 15, 2002 to ultimately replace the Executive and Directors' Stock Option Plans. The Directors' and Executive Stock Options Plans will cease to exist when all outstanding options are exercised or expire in or before 2011.

Earnings per common share

The Corporation calculates earnings per common share on the weighted average number of common shares outstanding. The year-to-date weighted average common shares outstanding is 15,401,805 and 14,852,422 at June 30, 2002 and 2001, respectively. The quarter ended weighted average common shares outstanding is 15,760,720 and 14,852,422 at June 30, 2002 and 2001, respectively. Fully diluted earnings per common share are calculated using the treasury method.

Earnings per common share before and after discontinued operations are as follows:

	Quarter ended June 30		**Year-to-date June 30**	
Earnings per common share	**2002**	2001	**2002**	2001
Basic				
Before discontinued operations	**$1.05**	$1.07	**$2.05**	$2.11
After discontinued operations	**$1.05**	$1.11	**$2.05**	$2.16
Fully diluted				
Before discontinued operations	**$1.04**	$1.07	**$2.04**	$2.11
After discontinued operations	**$1.04**	$1.11	**$2.04**	$2.15

5. Stock-based Compensation

On May 15, 2002, the Corporation issued 180,298 options on Common Shares under its 2002 Stock Option Plan at the five-day average trading price of $48.14. These options vest evenly over a four-year period on each anniversary of the date of grant. The options expire ten years after the date of grant.

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

	June 30, 2002
Dividend Yield	**4.07%**
Expected Volatility	**13.00%**
Risk-free Interest Rate	**5.30%**
Weighted-average Expected Life	**7.5 years**

The Corporation currently records no compensation expense upon the issuance of stock options under its Stock Option Plans. Had the Corporation used the fair value method, the compensation expense would be amortized over the four-year vesting period of the options. Upon exercise, the proceeds of the option is 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, pro-forma compensation expense would have increased by $0.1 million resulting in a pro-forma earnings for the three months ended June 30, 2002 of $16.4 million and a pro-forma earnings for the six months ended June 30, 2002 of $31.4 million.

Based on these pro-forma earnings, basic earnings per share for the three- and six- month periods ended June 30, 2002 would have been $1.04 and $2.04, respectively. Fully diluted earnings per share for the three- and six- month periods ended June 30, 2002 would have been $1.04 and $2.03, respectively.

6. Segmented Information

Information by reportable segment is as follows:

Three months ended June 30, 2002 *(in thousands of dollars)*	Newfoundland Power	Maritime Electric	Canadian Niagara Power	Belize Electricity	BECOL	Non-Utility	Corporate[1]	Inter-segment Eliminations	Consolidated
Operating revenues	91,440	23,225	6,898	20,017	3,272	23,241	2,336	(3,864)	166,565
Operating expenses	58,907	15,233	3,766	13,414	479	14,085	351	(2,261)	103,974
Amortization	10,491	2,442	389	2,064	410	934	155		16,885
Operating income	22,042	5,550	2,743	4,539	2,383	8,222	1,830	(1,603)	45,706
Finance charges	6,539	2,139	427	1,675	1,871	3,694	3,192	(1,603)	17,934
Income taxes	6,276	1,556	899	248		2,000	(782)		10,197
Non-controlling interest	153			850	56		(29)		1,030
Earnings	9,074	1,855	1,417	1,766	456	2,528	(551)		16,545
Goodwill		19,858	12,980						32,838
Identifiable assets, excluding Goodwill	696,385	249,912	35,704	211,247	105,318	273,125	183,076	(27,570)	1,727,197
Capital expenditures	10,885	3,928	770	3,396	334	29,157	14,122		62,592

Three months ended June 30, 2001 *(in thousands of dollars)*	Newfoundland Power	Maritime Electric	Canadian Niagara Power	Belize Electricity	BECOL	Non-Utility	Corporate[1]	Inter-segment Eliminations	Consolidated
Operating revenues	88,773	24,261	5,066	18,520	2,411	18,950	1,047	(2,191)	156,837
Operating expenses	58,618	15,714	2,084	12,448	547	11,149	945	(1,288)	100,217
Amortization	9,808	2,505	343	2,097	444	955	826		16,978
Operating income	20,347	6,042	2,639	3,975	1,420	6,846	(724)	(903)	39,642
Finance charges	6,726	2,407	286	1,543	1,577	3,187	1,901	(903)	16,724
Income taxes	4,443	1,606	1,051	229		1,583	(194)		8,718
Non-controlling interest	156			698	(26)		(27)		801
	9,022	2,029	1,302	1,505	(131)	2,076	(2,404)		13,399
Gain on sale of income producing property						2,557			2,557
Results of discontinued operations						592			592
Earnings	9,022	2,029	1,302	1,505	(131)	5,225	(2,404)		16,548
Goodwill		20,423	13,910			303			34,636
Identifiable assets, excluding Goodwill	639,680	235,882	32,677	189,364	102,536	221,529	95,532	(27,907)	1,489,293
Capital expenditures	9,838	4,095	934	6,845		4,092	48		25,852

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

Year to Date June 30, 2002 *(in thousands of dollars)*	Newfoundland Power	Maritime Electric	Canadian Niagara Power	Belize Electricity	BECOL	Non-Utility	Corporate[1]	Inter-segment Eliminations	Consolidated
Operating revenues	206,864	48,324	11,178	38,175	6,093	41,502	5,087	(7,902)	349,321
Operating expenses	139,432	32,267	5,695	25,587	858	26,343	676	(4,653)	226,205
Amortization	21,659	4,888	775	4,188	836	1,999	303		34,648
Operating income	45,773	11,169	4,708	8,400	4,399	13,160	4,108	(3,249)	88,468
Finance charges	13,173	4,636	640	3,460	3,843	6,760	6,230	(3,249)	35,493
Income taxes	12,944	2,957	1,580	472		2,938	(1,237)		19,654
Non-controlling interest	306			1,452	83		(59)		1,782
Earnings	19,350	3,576	2,488	3,016	473	3,462	(826)		31,539
Goodwill		19,858	12,980						32,838
Identifiable assets, excluding Goodwill	696,385	249,912	35,704	211,247	105,318	273,125	183,076	(27,570)	1,727,197
Capital expenditures	27,810	7,668	1,168	7,022	441	44,466	21,266		109,841

Year to Date June 30, 2001 *(in thousands of dollars)*	Newfoundland Power	Maritime Electric	Canadian Niagara Power	Belize Electricity	BECOL	Non-Utility	Corporate[1]	Inter-segment Eliminations	Consolidated
Operating revenues	204,855	48,745	10,598	33,938	4,077	35,739	2,203	(3,881)	336,274
Operating expenses	139,291	32,225	4,317	22,869	708	22,329	1,285	(2,978)	220,046
Amortization	20,635	4,958	702	3,918	889	1,859	1,652		34,613
Operating income	44,929	11,562	5,579	7,151	2,480	11,551	(734)	(903)	81,615
Finance charges	13,479	4,843	549	2,755	2,848	6,262	3,739	(903)	33,572
Income taxes	9,951	2,948	2,370	419		2,419	(43)		18,064
Non-controlling interest	313			1,261	(42)		(55)		1,477
	21,186	3,771	2,660	2,716	(326)	2,870	(4,375)		28,502
Gain on sale of income producing property						2,557			2,557
Income tax reassessment- Canadian Niagara Power			257						257
Results of discontinued operations						721			721
Earnings	21,186	3,771	2,917	2,716	(326)	6,148	(4,375)		32,037
Goodwill		20,423	13,910			303			34,636
Identifiable assets, excluding Goodwill	639,680	235,882	32,677	189,364	102,536	221,529	95,532	(27,907)	1,489,293
Capital expenditures	15,630	7,853	1,626	11,553		7,499	193		44,354

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

7. Long-term Debt

During March 2002, the Corporation issued US$10 million of Unsecured Subordinated Convertible Debentures bearing an interest rate of 6.75 per cent per annum, payable semi-annually on January 31 and July 31 in each year, and maturing on March 12, 2012. The Debentures may be redeemed by Fortis at par at any time on or after March 12, 2007, and are convertible, at the option of the holder, into Fortis Common Shares at C$58.20 per share. The Debentures are subordinated to all other indebtedness of Fortis, other than subordinated indebtedness ranking equally with the Debentures.

During May 2002, Fortis Properties Corporation issued $29 million in Series 1 First Mortgage Bonds. The First Mortgage Bonds bear an interest rate of 7.42 per cent per annum and are secured by a first mortgage charge on Cabot Place I located in St. John's, Newfoundland and Labrador and King's Place located in Fredericton, New Brunswick.

8. Commitments

On May 8, 2002, the Corporation entered into an agreement to acquire a 100 per cent interest in Cornwall Street Railway Light and Power Company Limited for an aggregate purchase price of $67 million. The closing of the transaction is subject to obtaining required regulatory approval. Upon acquiring the required approvals, the transaction is expected to close in the third quarter of 2002.

9. Subsequent Event

In July 2002, the Corporation acquired the remaining fifty per cent interest in Canadian Niagara Power Company, Limited for an aggregate purchase price of $49 million.

10. Comparative Figures

On May 15, 2001, amendments to the Maritime Electric Company Limited Regulation Act were passed enabling the Lieutenant Governor in Council to make regulations amending basic rates. The regulations have application as of January 1, 2001 and came into effect on October 13, 2001. As a result of the amendments, the comparative consolidated earnings have increased by $3.5 million from the earnings previously reported in the June 30, 2001 Interim Consolidated Statement of Earnings.

On January 1, 2002, the Corporation adopted the new recommendation of the CICA on accounting for foreign exchange gains and losses which requires the recognition of foreign exchange gains and losses on long-term debt directly into income. The recommendation was applied retroactively and comparative financial statements have been restated to reflect this change. The cumulative effect of the change associated with long-term debt of Belize Electricity denominated in Euros, as of January 1, 2001, was a $0.4 million increase in opening retained earnings and a $0.2 million increase in non-controlling interest. The June 30, 2001 financial statements have been restated to record a $0.2 million increase in earnings applicable to common shares. The impact of foreign currency losses for the three- and six-month periods ended June 30, 2002 are $0.4 million and $0.5 million, respectively.

Dates – Dividends* and Earnings

Expected Earnings Release Dates

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

Expected Dividend Record Dates

November 9, 2002
February 7, 2003
May 9, 2003
August 8, 2003

Expected Dividend Payment Dates

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

* *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		
	2002	2001
High	**49.10**	38.00
Low	**48.50**	36.75
Close	**49.10**	36.97

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