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FORTIS INC.

QUARTERLY REPORT

JUNE 30, 1999

FORTIS INC.
REPORT TO SHAREHOLDERS

Results for the quarter ended June 30, 1999

Consolidated earnings for the three months ended June 30, 1999 were $7.9 million up from $7.7 million for the corresponding period in 1998. Increases in the earnings of Newfoundland Power and Fortis Properties, were partially offset by a slight decrease in Maritime Electric's earnings for the second quarter. Comparative figures for 1998 have been restated to reflect the regulatory order received by Newfoundland Power in July 1998. Fortis Inc.'s earnings for the quarter ended June 30, 1998 were previously reported at $6.6 million.

RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 1999

Earnings applicable to common shares increased $2.4 million over the first six months of 1998 to $18.5 million. This equates to $1.42 per share compared to $1.25 in 1998. Increased energy sales in all three electric utilities, rate increases in two utilities, and efficiency improvements all contributed to improved earnings performance. Improved performance of Fortis Properties' hospitality operations also positively impacted overall earnings.

UTILITY SUBSIDIARIES

Newfoundland Power

Year-to-date energy sales were 2,606 GWh, a 1.3 per cent increase over the same period last year. This growth is attributed to a 0.9 per cent increase in the number of customers, combined with an improved economic climate in Newfoundland.

Year-to-date 1999 revenues are $193.7 million, 2.4 per cent higher than for the same period last year. The increase results from higher energy sales combined with a 1 per cent increase in electricity rates effective February 1, 1999.

Efficiency gains achieved at Newfoundland Power's hydro plants, as well as production from the new Rose Blanche plant resulted in purchased power costs increasing at a lesser rate than the increase in energy sales. Meanwhile, the company maintained other operating expenses at 1998 levels. As a result of corporate emphasis on managing operating expenses, per customer operating costs decreased 10% over the last three years.

Earnings for the six months ended June 30, were $16.0 million compared to $15.5 million in 1998.

On June 30, 1999, the P.U.B. approved a $3.1 million capital budget supplement. Capital expenditures are expected to total $40 million in 1999 and demonstrate Newfoundland Power's commitment to a safe, reliable electrical system for its customers.

Maritime Electric

Energy sales for the six months ended June 30, 1999 were 449.4 GWh, an increase of 4.1% over the same period in 1998. This improvement reflects an increase in per capita consumption in the residential sector and continued growth in the commercial sector.

Revenue for the period was $42.3 million compared to $39.8 million in 1998 reflecting the 2.9% increase in rates on October 1, 1998 and the increase in energy sales.

Operating expenses for the period were $29.3 million compared to $29.8 million for the same period in 1998 despite increased energy purchases. The decrease was due primarily to lower oil prices and an improvement in the operating performance of the NB Power Point Lepreau Nuclear Generating Station during the first quarter.

Earnings applicable to common shares were $2.7 million for the period ended June 30, 1999 compared to $1.4 million for the same period in 1998.

Canadian Niagara Power

Revenue for the six months ended June 30, 1999 increased $1.7 million from $18.5 million in 1998 to $20.2 million in 1999 primarily due to energy marketing activity during the first quarter and higher energy prices induced by warm weather and nuclear plant shutdowns during the second quarter.

Operating expenses for the first six months increased $1.7 million to $9.7 million predominantly as a result of an increase in purchased power costs.

Fortis' share of Canadian Niagara's earnings for the first six months of 1999 was $2.2 million compared to $2.3 million in 1998.

NON-UTILITY SUBSIDIARIES

Fortis Properties

Revenue for the first half of 1999 increased $2.6 million to $18.1 million from $15.5 million in 1998 due to significant gains in hotel occupancy, particularly in the Newfoundland properties, reflecting Fortis Properties' continued commitment to customer service.

Operating expenses for the six months ended June 30, 1999 were $12.6 million compared to $11.1 million for the same period in 1998, reflecting additional costs due to the increase in hotel occupancy.

Fortis Properties continues to achieve increases in earnings over previous years. Earnings for the first six months of the year were $0.6 million compared to a $0.1 million loss for the same period in 1998. The real estate operations have successfully maintained earning levels consistent with 1998, while the hospitality operations achieved a $1.0 million increase in operating income.

Fortis Trust

Fortis Trust continues to focus on the quality of its mortgage portfolio and maximizing profitability. Earnings for the six months ended June 30, 1999 were commensurate with 1998 levels of $0.25 million.

Year 2000

A significant challenge to virtually all businesses is the need to prepare for the impact of the century change on computer systems. Many information systems in current use have been designed to identify calendar years by reference to only the last two digits of the year. Unless these systems are appropriately modified, the arrival of 2000 will create system confusion or failure, with attendant business disruptions. The Year 2000 issue impacts each of the Fortis companies. The principal risks faced by the electrical utilities relate to complex computer applications used in the delivery of customer service and the ability of their generation suppliers to deliver electricity. All of the Fortis companies also rely on information technology systems for financial management and reporting.

The solution to the problem lies in replacing or updating hardware and software in all affected systems. Committees have been established in each of the Fortis companies to deal with the Y2K issue and ensure full compliance. Committee members include both information technology specialists and system users. As of June 30th, 1999 corrections had been implemented and tested on virtually all internal systems. The loss of energy supply from external suppliers represents the most significant external Year 2000 risk for Fortis' electric utilities. Extensive communications have taken place with external suppliers to coordinate Y2K activity and use all reasonable efforts to ensure continuity of supply. Work is continuing on contingency planning for critical business functions. The focus in the next quarter will be on testing these plans to ensure they work properly.

August 13, 1999 H. Stanley Marshall
President and CEO

DIRECTORS & OFFICERS

Directors

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

Corporate Officers

H. Stanley Marshall *President and CEO*

Karl W. Smith *Vice President, Finance and CFO*

Ronald W. McCabe *General Counsel and Corporate Secretary*

CORPORATE INFORMATION

Share Listings

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

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

Registrar and Transfer Agent – Montreal Trust Company

Share Prices (TSE &ME)

Quarter Ended – June 30

	1999	1998
High	$38.50	$46.50
Low	$33.75	$44.50
Close	$34.20	$45.00

Investor Relations Department

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FORTIS INC.

CONSOLIDATED STATEMENT OF EARNINGS
(Unaudited)

	3 Months Ended June 30 *(in thousands)*		Year to Date June 30 *(in thousands)*	
	1999	1998 *(notes 1 & 2)*	**1999**	1998 *(notes 1 & 2)*
Operating revenues	**$ 121,700**	$ 115,216	**$ 266,439**	$ 255,888
Expenses				
Operating expenses	**81,902**	77,553	**182,264**	178,966
Depreciation and amortization	**12,556**	11,869	**25,065**	23,331
	94,458	89,422	**207,329**	202,297
Operating income	**27,242**	25,794	**59,110**	53,591
Finance charges				
Interest on long term debt	**10,638**	10,163	**21,019**	20,360
Dividends on preference shares	**743**	743	**1,487**	1,487
Earnings before income taxes	**15,861**	14,888	**36,604**	31,744
Income taxes	**7,824**	7,189	**17,850**	15,525
Earnings before non-controlling interest and discontinued operations	**8,037**	7,699	**18,754**	16,219
Results of Discontinued Operations	-	119	**-**	179
Earnings before non-controlling interest	**8,037**	7,818	**18,754**	16,398
Non-controlling interest	**129**	129	**258**	258
Earnings applicable to common shares	**$ 7,908**	$ 7,689	**$ 18,496**	$ 16,140
Average common shares outstanding	**13,034**	12,895	**13,034**	12,895
Earnings per common share	**$ 0.61**	$ 0.59	**$ 1.42**	$ 1.25
Dividends paid per common share	**$ 0.45**	$ 0.45	**$ 0.90**	$ 0.90

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
(Unaudited)

	1999	1998	**1999**	1998
Balance at beginning of period	**$ 194,284**	$ 188,126	**$ 189,585**	$ 185,480
Earnings applicable to common shares	**7,908**	7,689	**18,496**	16,140
	202,192	195,815	**208,081**	201,620
Dividends on common shares	**5,890**	5,805	**11,779**	11,610
Balance at end of period	**$ 196,302**	$ 190,010	**$ 196,302**	$ 190,010

Note: 1. The second quarter comparative figures have been restated to reflect the retroactive rate decrease ordered by the Public Utilities Board on July 31, 1998, effective January 1, 1998.

2. The 1998 comparative figures included in the statement of earnings have been reclassified to reflect discontinued operations resulting from the sale of the partnership interest in AT&T Canada (Newfoundland).

CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Year to Date June 30 *(in thousands)*	
	1999	1998
Cash from operations		
Earnings applicable to common shares	**$ 18,496**	$ 16,140
Items not affecting cash	**27,174**	23,766
Change in non-cash working capital	**9,128**	(8,768)
	54,798	31,138
Cash used in investing		
Capital additions - net	**(33,045)**	(24,662)
Mortgages	**2,808**	275
Change in deferred charges and credits	**(2,425)**	(1,877)
	(32,662)	(26,264)
Cash from external financing		
Issue of common shares	**2,715**	5,643
Net repayment of long term debt	**(395)**	(10,860)
Change in bank indebtedness	**(12,811)**	10,980
Change in deposits due beyond one year	**(2,518)**	(2,795)
	(13,009)	2,968
Dividends		
Common shares	**(11,779)**	(11,610)
Subsidiaries to minority shareholders	**(258)**	(258)
	(12,037)	(11,868)
Change in cash	**(2,910)**	(4,026)
Cash, beginning of period	**6,961**	11,823
Cash, end of period	**$ 4,051**	$ 7,797

CONSOLIDATED BALANCE SHEET
(Unaudited)

	As at June 30 *(in thousands)*	
	1999	1998
CURRENT ASSETS		
Cash	**$ 4,051**	$ 7,797
Other current assets	**61,312**	57,461
	65,363	65,258
OTHER ASSETS		
Mortgages receivable - Fortis Trust	**52,190**	57,293
Corporate income tax deposit	**15,595**	15,595
Deferred charges	**54,083**	45,848
Income-producing properties	**96,947**	93,558
Capital assets	**701,081**	686,782
Goodwill	**40,451**	43,380
	$ 1,025,710	$ 1,007,714
LIABILITIES		
Current liabilities	**$ 117,970**	$ 154,507
Long term debt	**433,942**	388,945
Preference shares	**50,000**	50,000
Deposits due beyond one year - Fortis Trust	**13,227**	17,649
Deferred credits	**53,962**	51,397
Non-controlling interest	**8,498**	8,498
	677,599	670,996
SHAREHOLDERS' EQUITY		
Common shares	**151,809**	146,708
Earnings retained and invested in the business	**196,302**	190,010
	348,111	336,718
	$ 1,025,710	$ 1,007,714