



FortisBC Energy Inc.

An indirect subsidiary of Fortis Inc.

Condensed Consolidated Interim Financial Statements
For the quarter ended March 31, 2026 and 2025
(Unaudited)

FortisBC Energy Inc.
Condensed Consolidated Balance Sheets (Unaudited)
As at
(in millions of Canadian dollars)

ASSETS	Note	March 31, 2026	December 31, 2025
Current assets			
Cash		\$ 72	\$ 17
Accounts receivable and other current assets, net	9	349	299
Inventories		25	46
Prepaid expenses		4	8
Regulatory assets	9	330	279
Total current assets		780	649
Property, plant and equipment, net		7,351	7,264
Intangible assets, net		139	141
Regulatory assets		1,683	1,744
Other assets	9	43	46
Goodwill		913	913
TOTAL ASSETS		\$ 10,909	\$ 10,757
LIABILITIES AND EQUITY			
Current liabilities			
Credit facilities	10	\$ 171	\$ 395
Accounts payable and other current liabilities	9	1,035	886
Current portion of long-term debt	9	150	150
Regulatory liabilities		57	63
Total current liabilities		1,413	1,494
Long-term debt	9	3,324	3,324
Regulatory liabilities		432	398
Deferred income tax		976	970
Other liabilities	9	150	147
Total liabilities		6,295	6,333
Equity			
Common shares ¹		2,641	2,541
Additional paid-in capital		1,245	1,245
Retained earnings		719	629
Shareholder's equity		4,605	4,415
Non-controlling interests		9	9
Total equity		4,614	4,424
TOTAL LIABILITIES AND EQUITY		\$ 10,909	\$ 10,757

1 500 million authorized common shares with no par value; 424.4 million issued and outstanding at March 31, 2026 (December 31, 2025 – 418.5 million).

See accompanying notes to these Condensed Consolidated Interim Financial Statements.

FortisBC Energy Inc.
Condensed Consolidated Statements of Earnings (Unaudited)
For the quarter ended March 31
(in millions of Canadian dollars)

	Note	Quarter ended	
		2026	2025
Revenue	5	\$ 690	\$ 640
Expenses			
Cost of natural gas		234	220
Operation and maintenance		84	83
Property and other taxes		22	22
Depreciation and amortization		103	89
Total expenses		443	414
Operating income		247	226
Other income		12	11
Finance charges	6	38	40
Earnings before income taxes		221	197
Income tax expense		51	43
Net earnings		\$ 170	\$ 154

See accompanying notes to these Condensed Consolidated Interim Financial Statements.

FortisBC Energy Inc.
Condensed Consolidated Statements of Changes in Equity (Unaudited)
For the three months ended March 31
(in millions of Canadian dollars, except share numbers)

	Common Shares (# millions)	Common Shares	Additional Paid-in Capital	Non - Controlling Interests	Retained Earnings	Total
As at December 31, 2024	405.8	2,316	1,245	9	500	4,070
Net earnings	-	-	-	-	154	154
Issuance of common shares	12.7	225	-	-	-	225
Dividends on common shares	-	-	-	-	(67)	(67)
As at March 31, 2025	418.5	2,541	1,245	9	587	4,382
As at December 31, 2025	418.5	2,541	1,245	9	629	4,424
Net earnings	-	-	-	-	170	170
Issuance of common shares	5.9	100	-	-	-	100
Dividends on common shares	-	-	-	-	(80)	(80)
As at March 31, 2026	424.4	2,641	1,245	9	719	4,614

See accompanying notes to these Condensed Consolidated Interim Financial Statements.

FortisBC Energy Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)
For the quarter ended March 31
(in millions of Canadian dollars)

	Note	Quarter ended	
		2026	2025
Operating activities			
Net earnings		\$ 170	\$ 154
Adjustments to reconcile net earnings to cash from operating activities:			
Depreciation and amortization		103	89
Accrued employee future benefits		(3)	(2)
Equity component of allowance for funds used during construction		(9)	(7)
Deferred income tax, net of regulatory adjustments		10	29
Change in regulatory assets and liabilities	2	9	24
Change in working capital	2, 8	158	201
Cash from operating activities		438	488
Investing activities			
Property, plant and equipment additions	8	(346)	(332)
Intangible asset additions		(2)	(3)
Contributions in aid of construction		190	127
Change in other assets and other liabilities		(21)	(28)
Cash used in investing activities		(179)	(236)
Financing activities			
Proceeds from credit facility		612	577
Repayment of credit facility		(836)	(955)
Issuance of common shares		100	225
Dividends on common shares		(80)	(67)
Cash used in financing activities		(204)	(220)
Net change in cash		55	32
Cash at beginning of period		17	13
Cash at end of period		\$ 72	\$ 45

Supplementary Information to Consolidated Statements of Cash Flows (note 8).

See accompanying notes to these Condensed Consolidated Interim Financial Statements.

FortisBC Energy Inc.
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the quarter ended March 31, 2026 and 2025

1. DESCRIPTION OF THE BUSINESS

FortisBC Energy Inc. ("FEI" or the "Corporation") is a wholly-owned subsidiary of FortisBC Holdings Inc. ("FHI"), which is a wholly-owned subsidiary of Fortis Inc. ("Fortis"). Fortis shares are listed on both the Toronto Stock Exchange and the New York Stock Exchange.

FEI is a regulated gas utility and is the largest distributor of natural gas in British Columbia ("BC"), serving approximately 1,108,000 residential, commercial, industrial, and transportation customers through approximately 51,870 kilometers of natural gas pipelines. The Corporation provides transmission and distribution services to its customers, and obtains natural gas and renewable gas supplies on behalf of most residential, commercial, and industrial customers. Natural gas supplies are sourced primarily from northeastern BC and, through the Corporation's Southern Crossing Pipeline, from Alberta.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These Condensed Consolidated Interim Financial Statements ("Interim Financial Statements") have been prepared by management in accordance with accounting principles generally accepted in the United States of America ("US GAAP") for Interim Financial Statements and are presented in Canadian dollars unless otherwise specified. As a result, these Interim Financial Statements do not include all of the information and disclosures required in annual financial statements and should be read in conjunction with the Corporation's 2025 Annual Audited Consolidated Financial Statements ("Annual Financial Statements"). In management's opinion, the Interim Financial Statements include all adjustments that are necessary to present fairly the consolidated financial position, results of operations, and cash flows of the Corporation. Prior year comparatives in the Condensed Consolidated Statements of Cash Flows have been recast to align with current year presentation.

The accounting policies and methods of application used in the preparation of these Interim Financial Statements are consistent with the accounting policies used in FEI's Annual Financial Statements as at and for the year ended December 31, 2025.

The Interim Financial Statements include the accounts of the Corporation and its subsidiaries and its 85 percent interest in the Mt. Hayes Storage Limited Partnership ("MHLP"). The Corporation consolidates 100 percent of its subsidiaries and recognizes 15 percent of the MHLP as non-controlling interests. All intercompany transactions and balances have been eliminated upon consolidation.

An evaluation of subsequent events through May 5, 2026, the date these Interim Financial Statements were issued, was completed to determine whether any circumstances warranted recognition or disclosure of events or transactions in the Interim Financial Statements as at March 31, 2026. Except as stated in note 9, no subsequent events have been identified for disclosure in these Interim Financial Statements.

FortisBC Energy Inc.
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the quarter ended March 31, 2026 and 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Policies

FEI considers the applicability and impact of all Accounting Standards Updates ("ASUs") issued by the Financial Accounting Standards Board ("FASB"). During the three months ended March 31, 2026, there were no ASUs issued by FASB that have a material impact on these Interim Financial Statements.

Future Accounting Pronouncements

The following updates have been issued by FASB but have not yet been adopted by the Corporation. Any ASUs issued by FASB that are not included in the Interim Financial Statements were assessed and determined to be either not applicable to the Corporation or not expected to have a material impact on the Interim Financial Statements.

Disaggregation of Income Statement Expenses

ASU No. 2024-03, *Disaggregation of Income Statement Expenses*, issued in November 2024, is effective for the Corporation's December 31, 2027 annual financial statements, and for interim periods beginning in 2028 on a prospective basis, with retrospective application and early adoption permitted. The ASU requires entities to disclose disaggregated information about five expense categories underlying its income statement line items. The Corporation is assessing the impact of adoption of this ASU on the disclosures to its consolidated financial statements.

Targeted Improvements to the Accounting for Internal-Use Software

ASU No. 2025-06, *Targeted Improvements to the Accounting for Internal-Use Software*, issued in September 2025, is effective for the Corporation's December 31, 2028 annual financial statements, and may be adopted prospectively, retrospectively, or using a modified transition approach, with early adoption permitted. The ASU removes references to development stages and requires capitalization of software costs once funding is authorized and project completion is probable, including assessment of whether significant development uncertainty exists. The guidance also clarifies that all capitalized internal-use software costs must follow the disclosure requirements in ASC Topic 360, *Property, Plant and Equipment*. The Corporation is assessing the impact of adoption of this ASU on its consolidated financial statements.

FortisBC Energy Inc.
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For the quarter ended March 31, 2026 and 2025

3. REGULATORY MATTERS

Rate Framework for 2025 to 2027 ("Rate Framework")

In March 2025, the BCUC issued its decision on FEI and FBC's application requesting approval of a Rate Framework for the years 2025 to 2027. The Rate Framework builds upon the 2020-2024 Multi-Year Rate Plan ("MRP") and for FEI includes, amongst other items, updates to depreciation and capitalized overhead rates, a revised level of operation and maintenance expense per customer indexed for inflation less a fixed productivity adjustment factor, a similar approach to growth capital, a forecast approach to sustainment and other capital, continued collection of an innovation fund recognizing the need to accelerate investment in clean energy innovation, an updated set of service quality indicators designed to ensure the Corporation maintains service levels, and a continued 50/50 sharing between customers and the Corporation of variances from the allowed return on equity ("ROE"). The Rate Framework also includes a continuation of the main deferral mechanisms that were in place under the MRP.

In December 2025, the BCUC approved a 2026 delivery rate increase of 10.13 percent over 2025 rates, and a 2026 forecast average rate base of \$6,838 million.

4. SEASONALITY OF OPERATIONS

Interim results fluctuate due to the seasonal demands for natural gas, the movements of natural gas prices, and the timing and recognition of regulatory decisions. FEI's operations normally generate higher net earnings in the first and fourth quarters of the fiscal year and lower net earnings in the second quarter, which are partially offset by net losses in the third quarter. These fluctuations in quarterly net earnings are generally the result of changes in revenue from customer load as a result of weather, while certain expenses such as depreciation, interest and operating expenses remain more evenly distributed throughout the fiscal year. As a result of the seasonality, interim net earnings are not indicative of net earnings on an annual basis.

FortisBC Energy Inc.
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the quarter ended March 31, 2026 and 2025

5. REVENUE

Disaggregation of Revenue

The following table presents the disaggregation of the Corporation's revenue by type of customer:

<i>(\$ millions)</i>	Quarter ended March 31	
	2026	2025
Residential	398	387
Commercial	217	210
Industrial	72	51
Transportation	22	22
Total natural gas revenue	709	670
Alternative revenue (a)	(31)	(47)
Other revenue (b)	12	17
Total revenue	690	640

(a) Alternative revenue includes the Earnings Sharing Mechanism, which recognizes the 50/50 sharing of variances from the allowed ROE, the Revenue Stabilization Adjustment Mechanism, and flow-through variances related to industrial and other customer revenue.

(b) Other revenue is primarily comprised of other flow-through and regulatory deferral adjustments resulting from cost recovery variances in regulated forecasts used to set gas delivery rates.

6. FINANCE CHARGES

<i>(\$ millions)</i>	Quarter ended March 31	
	2026	2025
Interest on long-term debt	40	38
Interest on short-term debt	2	5
Debt component of allowance for funds used during construction	(4)	(3)
Total finance charges	38	40

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7. EMPLOYEE FUTURE BENEFITS

The Corporation is a sponsor of pension plans for eligible employees. The plans include registered defined benefit pension plans and supplemental unfunded arrangements. In addition to pensions, the Corporation provides other post-employment benefits (“OPEB”) for certain of its retired employees. The following table presents the net benefit cost for these plans.

<i>(\$ millions)</i>	Quarter ended March 31			
	Defined Benefit Pension and Supplemental Plans		OPEB Plans	
	2026	2025	2026	2025
Components of net benefit cost				
Service costs	5	6	1	1
Interest costs	12	11	1	1
Expected return on plan assets	(15)	(14)	-	-
Amortization of actuarial gains	-	-	(1)	(1)
Regulatory adjustment	-	(1)	-	1
Net benefit cost	2	2	1	2

The Corporation’s estimated 2026 contributions are \$17 million (estimated 2025 contributions - \$16 million) for defined benefit pension plans and \$4 million (estimated 2025 contributions - \$4 million) for OPEB plans.

8. SUPPLEMENTARY INFORMATION TO CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(\$ millions)</i>	Quarter ended March 31	
	2026	2025
Change in working capital		
Accounts receivable and other current assets	(49)	(33)
Inventories	21	21
Prepaid expenses	4	8
Regulatory assets	39	23
Accounts payable and other current liabilities	133	175
Regulatory liabilities	10	7
Total change in working capital	158	201
Non-cash investing activities as at March 31		
Accrued capital expenditures	276	127

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9. FINANCIAL INSTRUMENTS

The Corporation has natural gas contracts subject to regulatory deferral, all of which are Level 2 of the fair value hierarchy. Under the hierarchy, fair value of Level 2 financial instruments is determined using pricing inputs that are observable in the marketplace.

Recurring Fair Value Measures

The following table presents the fair value of assets and liabilities that are accounted for at fair value on a recurring basis. Contracts that are “in the money” are included in accounts receivable and other current assets or in long-term other assets, and “out of the money” are included in accounts payable and other current liabilities or in long-term other liabilities.

<i>(\$ millions)</i>	As at	
	March 31, 2026	December 31, 2025
Assets		
Current	1	-
Long-term	-	1
Total assets	1	1
Liabilities		
Current	(58)	(42)
Long-term	(23)	(17)
Total liabilities	(81)	(59)
Total liabilities, net	(80)	(58)

Natural gas contracts held by FEI are not designated as hedges and any unrealized gains and losses arising from changes in fair value of these contracts are deferred as a regulatory asset or liability for recovery from, or refund to, customers in future rates, as permitted by the BCUC, as shown in the following table.

<i>(\$ millions)</i>	As at	
	March 31, 2026	December 31, 2025
Unrealized net loss recorded to current regulatory assets	80	58

Cash inflows and outflows associated with the settlement of all derivative instruments are included in operating cash flows on the Corporation’s Condensed Consolidated Statements of Cash Flows.

The Corporation has elected gross presentation for its derivative contracts under master netting agreements and collateral positions which are netted where the intent and legal right to offset exists. The following table presents the potential offset of counterparty netting.

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9. FINANCIAL INSTRUMENTS (continued)

<i>(\$ millions)</i>	Gross Amount Recognized on Balance Sheet	Counterparty Netting of Natural Gas Contracts	Cash Collateral Posted	Net Amount
As at March 31, 2026				
Accounts receivable and other current assets	1	(1)	15	15
Accounts payable and other current liabilities	(58)	1	-	(57)
Other long-term liabilities	(23)	-	-	(23)
As at December 31, 2025				
Accounts receivable and other current assets	-	-	15	15
Other assets	1	(1)	-	-
Accounts payable and other current liabilities	(42)	-	-	(42)
Other long-term liabilities	(17)	1	-	(16)

Volume of Derivative Activity

The Corporation had various natural gas derivative contracts subject to regulatory deferral that will settle on various expiration dates through 2030. The volumes related to these natural gas derivatives are outlined below.

<i>(petajoules)</i>	As at	
	March 31, 2026	December 31, 2025
Natural gas physically-settled supply contracts	145	147
Natural gas financially-settled commodity swaps	69	78

Financial Instruments Not Measured At Fair Value

The following table presents the carrying value, excluding unamortized debt issuance costs, and estimated fair value of the Corporation's current and long-term portion of debt.

		As at			
		March 31, 2026		December 31, 2025	
<i>(\$ millions)</i>	Fair Value Hierarchy	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-term debt	Level 2	3,495	3,357	3,495	3,398

Subsequent to March 31, 2026, the Corporation repaid the \$150 million Series 27 Debenture that matured on April 8, 2026.

10. GUARANTEES

The Corporation had letters of credit outstanding at March 31, 2026 totaling \$39 million (December 31, 2025 - \$39 million) which are primarily to support the funding of one of the Corporation's pension plans and have been applied against FEI's \$40 million uncommitted letter of credit facility.