



FortisBC Energy Inc.

An indirect subsidiary of Fortis Inc.

Condensed Consolidated Interim Financial Statements

For the quarter and nine months ended September 30, 2025 and 2024
(Unaudited)

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

		September 30,	December 31,
ASSETS	Note	2025	2024
Current assets			
Cash		\$ 6	\$ 13
Accounts receivable and other current assets, net	9	153	325
Inventories		52	46
Prepaid expenses		37	13
Regulatory assets	9	224	226
Total current assets		472	623
Property, plant and equipment, net		7,181	6,884
Intangible assets, net		126	129
Regulatory assets		1,715	1,494
Other assets	9	37	39
Goodwill		913	913
TOTAL ASSETS		\$ 10,444	\$ 10,082
LIABILITIES AND EQUITY			
Current liabilities			
Credit facilities	10	\$ 459	\$ 518
Accounts payable and other current liabilities	9	781	787
Current portion of long-term debt	9	150	-
Regulatory liabilities		93	70
Total current liabilities		1,483	1,375
Long-term debt	9	3,125	3,274
Regulatory liabilities		383	347
Deferred income tax		953	848
Other liabilities	9	141	168
Total liabilities		6,085	6,012
Equity			
Common shares ¹		2,541	2,316
Additional paid-in capital		1,245	1,245
Retained earnings		564	500
Shareholder's equity		4,350	4,061
Non-controlling interests		9	9
Total equity		4,359	4,070
TOTAL LIABILITIES AND EQUITY		\$ 10,444	\$ 10,082

1 500 million authorized common shares with no par value; 418.5 million issued and outstanding at September 30, 2025 (December 31, 2024 – 405.8 million).

See accompanying notes to these Condensed Consolidated Interim Financial Statements.

FortisBC Energy Inc.
Condensed Consolidated Statements of Earnings (Unaudited)
For the quarter and nine months ended September 30
(in millions of Canadian dollars)

		Quarter ended		Nine months ended	
	Note	2025	2024	2025	2024
Revenue	5	\$ 276	\$ 241	\$ 1,283	\$ 1,129
Expenses					
Cost of natural gas		58	45	374	282
Operation and maintenance		79	76	243	226
Property and other taxes		21	24	65	66
Depreciation and amortization		96	84	274	252
Total expenses		254	229	956	826
Operating income		22	12	327	303
Other income		13	12	36	30
Finance charges	6	38	39	115	118
(Loss) earnings before income taxes		(3)	(15)	248	215
Income tax (recovery) expense		(2)	(9)	50	47
Net (loss) earnings		(1)	(6)	198	168
Net earnings attributable to non-controlling interests		-	-	1	1
Net (loss) earnings attributable to controlling interest		\$ (1)	\$ (6)	\$ 197	\$ 167

See accompanying notes to these Condensed Consolidated Interim Financial Statements.

FortisBC Energy Inc.
Condensed Consolidated Statements of Changes in Equity (Unaudited)
For the nine months ended September 30
(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, 2023	391.6 \$	2,041 \$	1,245 \$	9 \$	515 \$	3,810
Net earnings	-	-	-	1	167	168
Net distribution to Mt. Hayes Storage LP Partners	-	-	-	(1)	-	(1)
Issuance of common shares	14.2	275	-	-	-	275
Dividends on common shares	-	-	-	-	(175)	(175)
As at September 30, 2024	405.8 \$	2,316 \$	1,245 \$	9 \$	507 \$	4,077
As at December 31, 2024	405.8 \$	2,316 \$	1,245 \$	9 \$	500 \$	4,070
Net earnings	-	-	-	1	197	198
Net distribution to Mt. Hayes Storage LP Partners	-	-	-	(1)	-	(1)
Issuance of common shares	12.7	225	-	-	-	225
Dividends on common shares	-	-	-	-	(133)	(133)
As at September 30, 2025	418.5 \$	2,541 \$	1,245 \$	9 \$	564 \$	4,359

See accompanying notes to these Condensed Consolidated Interim Financial Statements.

FortisBC Energy Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)
For the quarter and nine months ended September 30
(in millions of Canadian dollars)

	Note	Quarter ended		Nine months ended	
		2025	2024	2025	2024
Operating activities					
Net (loss) earnings		\$ (1)	\$ (6)	\$ 198	\$ 168
Adjustments to reconcile net earnings to cash from operating activities:					
Depreciation and amortization		96	84	274	252
Accrued employee future benefits		(2)	(3)	(7)	(11)
Equity component of allowance for funds used during construction		(10)	(8)	(26)	(18)
Deferred income tax, net of regulatory adjustments		(27)	5	9	10
Amortization of debt issue costs		-	-	1	1
Change in regulatory assets and liabilities		(81)	(31)	(84)	(71)
Change in working capital	8	(34)	193	135	122
Cash (used in) from operating activities		(59)	234	500	453
Investing activities					
Property, plant and equipment additions	8	(212)	(232)	(777)	(638)
Intangible asset additions		-	(3)	(9)	(11)
Contributions in aid of construction		140	2	378	5
Change in other assets and other liabilities		(59)	(13)	(135)	(70)
Proceeds from disposal of capital assets		-	-	5	-
Cash used in investing activities		(131)	(246)	(538)	(714)
Financing activities					
Proceeds from credit facility		683	718	1,667	1,729
Repayment of credit facility		(493)	(946)	(1,726)	(1,521)
Credit facility renewal costs		(1)	-	(1)	(1)
Net distributions to non-controlling interests		-	-	(1)	(1)
Issuance of common shares		-	275	225	275
Dividends on common shares		-	-	(133)	(175)
Cash from financing activities		189	47	31	306
Net change in cash		(1)	35	(7)	45
Cash at beginning of period		7	11	13	1
Cash at end of period		\$ 6	\$ 46	\$ 6	\$ 46

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 and nine months ended September 30, 2025 and 2024

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 1,100,700 residential, commercial, industrial, and transportation customers through approximately 51,700 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 have been prepared by management in accordance with accounting principles generally accepted in the United States of America ("US GAAP") for Condensed Consolidated Interim Financial Statements and are presented in Canadian dollars unless otherwise specified. As a result, these Condensed Consolidated 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 2024 Annual Audited Consolidated Financial Statements ("Annual Financial Statements"). In management's opinion, the Condensed Consolidated 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 Condensed Consolidated 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, 2024.

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

An evaluation of subsequent events through November 3, 2025, the date these Condensed Consolidated Interim Financial Statements were issued, was completed to determine whether any circumstances warranted recognition or disclosure of events or transactions in the Condensed Consolidated Interim Financial Statements as at September 30, 2025. No subsequent events have been identified for disclosure in these Condensed Consolidated Interim Financial Statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Policies

Improvements to Income Tax Disclosures

Accounting Standards Update ("ASU") No. 2023-09, *Improvements to Income Tax Disclosures*, issued in December 2023, is effective for the Corporation January 1, 2025 on a prospective basis, with retrospective application and early adoption permitted. Principally, it requires additional disclosure in annual financial statements of income tax information by jurisdiction to reflect an entity's exposure to potential changes in tax legislation, and associated risks and opportunities. The Corporation does not expect the ASU to materially impact its annual disclosures.

FEI considers the applicability and impact of all ASUs issued by the Financial Accounting Standards Board ("FASB"). During the nine months ended September 30, 2025, there were no other ASUs issued by FASB that have a material impact on the Condensed Consolidated 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 Condensed Consolidated 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 Condensed Consolidated 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.

Measurement of Credit Losses for Accounts Receivable and Contract Assets

ASU No. 2025-05, *Measurement of Credit Losses for Accounts Receivable and Contract Assets*, issued in July 2025, is effective for the Corporation's December 31, 2026 annual financial statements on a prospective basis, with early adoption permitted. The ASU provides entities with an option to use a practical expedient to estimate credit losses which would use existing conditions as of the balance sheet date, rather than forecast conditions for the contractual term of the asset. The Corporation is assessing the impact of adoption of this ASU on 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.

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 November 2024, the BCUC approved a 2025 delivery rate increase of 7.75 percent over 2024 rates, on an interim and refundable basis, and a 2025 forecast average rate base of \$6,470 million. In July 2025, FEI filed updated annual review materials for 2025, requesting to set the 2025 delivery rate increase of 7.75 percent as permanent, and an updated 2025 forecast average rate base of \$6,452 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.

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Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the quarter and nine months ended September 30, 2025 and 2024

5. REVENUE

Disaggregation of Revenue

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

	Quarter ended September 30		Nine months ended September 30	
<i>(\$ millions)</i>	2025	2024	2025	2024
Residential	106	104	661	592
Commercial	63	56	372	320
Industrial	43	24	140	85
Transportation	14	17	52	55
Total natural gas revenue	226	201	1,225	1,052
Other contract revenue (a)	-	-	1	1
Total revenue from contracts with customers	226	201	1,226	1,053
Alternative revenue (b)	27	27	(5)	38
Other revenue (c)	23	13	62	38
Total revenue	276	241	1,283	1,129

- (a) Other contract revenue includes utility customer connection fees and agreements with certain customers to provide transportation of natural gas over utility owned infrastructure.
- (b) 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.
- (c) 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

	Quarter ended September 30		Nine months ended September 30	
<i>(\$ millions)</i>	2025	2024	2025	2024
Interest on long-term debt	38	37	115	114
Interest on short-term debt	4	5	11	12
Debt component of allowance for funds used during construction	(4)	(3)	(11)	(8)
Total finance charges	38	39	115	118

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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.

Quarter ended September 30				
	Defined Benefit Pension and Supplemental Plans		OPEB Plans	
<i>(\$ millions)</i>	2025	2024	2025	2024
Components of net benefit cost				
Service costs	5	5	1	-
Interest costs	11	10	1	1
Expected return on plan assets	(14)	(14)	-	-
Amortization of actuarial gains	1	-	(1)	(1)
Amortization of past service credit	-	(1)	-	-
Regulatory adjustment	(1)	-	1	(1)
Net benefit cost	2	-	2	(1)

Nine months ended September 30				
	Defined Benefit Pension and Supplemental Plans		OPEB Plans	
<i>(\$ millions)</i>	2025	2024	2025	2024
Components of net benefit cost				
Service costs	16	16	2	2
Interest costs	33	30	3	3
Expected return on plan assets	(41)	(42)	-	-
Amortization of actuarial gains	1	-	(3)	(2)
Amortization of past service credit	(1)	(1)	-	-
Regulatory adjustment	(2)	(1)	3	(1)
Net benefit cost	6	2	5	2

The Corporation’s estimated 2025 contributions are \$16 million (estimated 2024 contributions - \$15 million) for defined benefit pension plans and \$4 million (estimated 2024 contributions - \$3 million) for OPEB plans.

FortisBC Energy Inc.
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the quarter and nine months ended September 30, 2025 and 2024

8. SUPPLEMENTARY INFORMATION TO CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Quarter ended September 30		Nine months ended September 30	
<i>(\$ millions)</i>	2025	2024	2025	2024
Change in working capital				
Accounts receivable and other current assets	33	50	213	135
Inventories	(9)	(9)	(6)	26
Prepaid expenses	12	13	(24)	(28)
Accounts payable and other current liabilities	(70)	139	(48)	(11)
Total change in working capital	(34)	193	135	122
<i>(\$ millions)</i>			2025	2024
Non-cash investing activities as at September 30				
Accrued capital expenditures			262	182

FortisBC Energy Inc.
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the quarter and nine months ended September 30, 2025 and 2024

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.

(\$ millions)	As at	
	September 30, 2025	December 31, 2024
Assets		
Current	1	1
Long-term	3	1
Total assets	4	2
Liabilities		
Current	(50)	(74)
Long-term	(13)	(28)
Total liabilities	(63)	(102)
Total liabilities, net	(59)	(100)

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.

(\$ millions)	As at	
	September 30, 2025	December 31, 2024
Unrealized net loss recorded to current regulatory assets	59	100

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.

FortisBC Energy Inc.
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the quarter and nine months ended September 30, 2025 and 2024

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 September 30, 2025				
Accounts receivable and other current assets	1	(1)	15	15
Other assets	3	(3)	-	-
Accounts payable and other current liabilities	(50)	1	-	(49)
Other long-term liabilities	(13)	3	-	(10)
As at December 31, 2024				
Accounts receivable and other current assets	1	-	15	16
Other assets	1	(1)	-	-
Accounts payable and other current liabilities	(74)	-	-	(74)
Other long-term liabilities	(28)	1	-	(27)

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.

	As at	
<i>(petajoules)</i>	September 30, 2025	December 31, 2024
Natural gas physically-settled supply contracts	191	105
Natural gas financially-settled commodity swaps	89	116

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		
		September 30, 2025		December 31, 2024
<i>(\$ millions)</i>	Fair Value Hierarchy	Carrying Value	Estimated Fair Value	Carrying Value
Long-term debt	Level 2	3,295	3,226	3,295
				Estimated Fair Value
				3,252

10. GUARANTEES

The Corporation had letters of credit outstanding at September 30, 2025 totaling \$39 million (December 31, 2024 - \$39 million) which are primarily to support the funding of one of the Corporation's pension plans and have been applied against FEI's \$55 million uncommitted letter of credit facility.

11. SUBSEQUENT EVENT

On October 14, 2025, the Corporation entered into an agreement to issue \$200 million of unsecured Medium Term Note ("MTN") Debentures. The MTN Debentures bear interest at a rate of 3.38 per cent to be paid semi-annually and mature on October 16, 2030. The closing of the issuance occurred on October 16, 2025, with net proceeds being used to repay draws on the operating credit facility.