

WESTCOAST ENERGY INC.

(a subsidiary of Enbridge Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

March 31, 2025

WESTCOAST ENERGY INC.

CONSOLIDATED STATEMENTS OF EARNINGS

	Three months ended March 31,	
	2025	2024
<i>(unaudited; millions of Canadian dollars)</i>		
Operating revenues <i>(Note 3)</i>	251	250
Operating expenses		
Operating and administrative	57	60
Depreciation and amortization	53	52
Property and other taxes	43	48
Total operating expenses	153	160
Operating income	98	90
Income from equity investments <i>(Note 4)</i>	205	144
Other income	11	4
Interest expense	(28)	(35)
Earnings before income taxes	286	203
Income tax expense	(15)	(19)
Earnings	271	184
Earnings attributable to noncontrolling interests	(1)	—
Earnings attributable to common shareholders	270	184

The accompanying notes are an integral part of these interim consolidated financial statements.

WESTCOAST ENERGY INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended March 31,	
	2025	2024
<i>(unaudited; millions of Canadian dollars)</i>		
Earnings	271	184
Other comprehensive income/(loss), net of tax		
Other comprehensive income/(loss) from equity investee	(3)	3
Other comprehensive income/(loss), net of tax	(3)	3
Comprehensive income	268	187
Comprehensive income attributable to noncontrolling interests	(1)	—
Comprehensive income attributable to common shareholders	267	187

The accompanying notes are an integral part of these interim consolidated financial statements.

WESTCOAST ENERGY INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Three months ended March 31,	
	2025	2024
<i>(unaudited; millions of Canadian dollars)</i>		
Common shares		
Balance at beginning and end of period	2,760	2,760
Additional paid-in capital		
Balance at beginning and end of period	1,685	1,685
Retained earnings		
Balance at beginning of period	2,656	2,274
Earnings attributable to common shareholders	270	184
Balance at end of period	2,926	2,458
Accumulated other comprehensive income		
Balance at beginning of period	57	34
Other comprehensive income/(loss) attributable to common shareholders, net of tax	(3)	3
Balance at end of period	54	37
Total Westcoast Energy Inc. shareholders' equity	7,425	6,940
Noncontrolling interests		
Balance at beginning of period	31	33
Earnings attributable to noncontrolling interests	1	—
Distributions to noncontrolling interests	(1)	(1)
Balance at end of period	31	32
Total equity	7,456	6,972

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WESTCOAST ENERGY INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31,	
	2025	2024
<i>(unaudited; millions of Canadian dollars)</i>		
Operating activities		
Earnings	271	184
Adjustments to reconcile earnings to net cash provided by operating activities:		
Depreciation and amortization	53	52
Deferred income tax expense	15	19
Income from equity investments <i>(Note 4)</i>	(205)	(144)
Distributions from equity investments <i>(Note 4)</i>	168	138
Allowance for equity funds used during construction	(5)	(2)
Net defined pension and other postretirement benefit costs	(2)	(2)
Changes in operating assets and liabilities	35	19
Net cash provided by operating activities	330	264
Investing activities		
Capital expenditures	(109)	(116)
Restricted long-term investments	(7)	(4)
Net cash used in investing activities	(116)	(120)
Financing activities		
Demand loan from affiliate, net	(199)	(142)
Distributions to noncontrolling interests	(1)	(1)
Net cash used in financing activities	(200)	(143)
Net change in cash and restricted cash	14	1
Cash and restricted cash at beginning of period	17	20
Cash and restricted cash at end of period	31	21

The accompanying notes are an integral part of these interim consolidated financial statements.

WESTCOAST ENERGY INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2025	December 31, 2024
<i>(unaudited; millions of Canadian dollars; number of shares in millions)</i>		
Assets		
Current assets		
Cash	29	15
Restricted cash	2	2
Accounts receivable	110	105
Accounts receivable from affiliates	6	13
Other current assets	3	3
Inventory	30	29
	180	167
Property, plant and equipment, net	5,262	5,189
Long-term investments <i>(Note 4)</i>	5,396	5,362
Deferred amounts and other assets	1,061	1,033
Total assets	11,899	11,751
Liabilities and equity		
Current liabilities		
Accounts payable and other	331	242
Accounts payable to affiliates	66	66
Current portion of long-term debt	474	474
Demand loan from affiliate	1,258	1,457
	2,129	2,239
Long-term debt	674	674
Deferred income taxes	1,251	1,220
Other long-term liabilities	389	429
	4,443	4,562
Contingencies <i>(Note 8)</i>		
Equity		
Share capital		
Common shares <i>(144 outstanding at March 31, 2025 and December 31, 2024)</i>	2,760	2,760
Additional paid-in capital	1,685	1,685
Retained earnings	2,926	2,656
Accumulated other comprehensive income	54	57
Total Westcoast Energy Inc. shareholders' equity	7,425	7,158
Noncontrolling interests	31	31
	7,456	7,189
Total liabilities and equity	11,899	11,751

The accompanying notes are an integral part of these interim consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements of Westcoast Energy Inc. ("we", "our", "us" and "Westcoast") have been prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP) for interim consolidated financial information. They do not include all of the information and notes required by US GAAP for annual consolidated financial statements and should therefore be read in conjunction with our audited consolidated financial statements and notes for the year ended December 31, 2024. In the opinion of management, the interim consolidated financial statements contain all normal recurring adjustments necessary to present fairly our financial position, results of operations and cash flows for the interim periods reported. These interim consolidated financial statements follow the same significant accounting policies as those included in our audited consolidated financial statements for the year ended December 31, 2024. Amounts are stated in Canadian dollars unless otherwise noted.

We conduct our business through a single reportable segment. Westcoast's chief operating decision makers use earnings before interest, income taxes and depreciation and amortization (EBITDA) to assess segment performance and to set targets.

EBITDA can be reconciled to the Consolidated Statements of Earnings as follows:

	Three months ended March 31,	
	2025	2024
(millions of Canadian dollars)		
EBITDA	367	290
Interest expense	(28)	(35)
Depreciation and amortization	(53)	(52)
Earnings before income taxes	286	203

2. CHANGES IN ACCOUNTING POLICIES

FUTURE ACCOUNTING POLICY CHANGES

Income Tax Disclosures

Accounting Standards Update (ASU) 2023-09 was issued in December 2023 to improve income tax disclosures by requiring specified categories in the annual rate reconciliation that meet quantitative thresholds and further disaggregation on income taxes paid by jurisdiction. ASU 2023-09 is effective January 1, 2025 and should be applied prospectively, with retrospective application being permitted. The effects of the new standard on the presentation of our income tax note disclosures will be reflected in our December 31, 2025 annual consolidated financial statements.

Disaggregation of Income Statement Expenses

ASU 2024-03 was issued in November 2024 to improve financial reporting by requiring entities to disclose additional information about specific expense categories in the notes to financial statements at interim and annual reporting periods. The ASU requires entities to disclose 1) the amounts of (a) purchases of inventory, (b) employee compensation, (c) depreciation, (d) intangible asset amortization, (e) depreciation, depletion and amortization recognized as part of oil and gas producing activities, (f) expense reimbursements included in a relevant expense caption, and (g) selling expenses, and 2) a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively. ASU 2024-03 is effective January 1, 2027, with interim period disclosure requirements effective after January 1, 2028 and can be applied either prospectively or retrospectively. We are currently assessing the impact of the new standard on our annual disclosures for the year ending December 31, 2027 and on our interim disclosures beginning in 2028.

3. REVENUE

REVENUE FROM CONTRACTS WITH CUSTOMERS

Major Services

	Three months ended March 31,	
	2025	2024
<i>(millions of Canadian dollars)</i>		
Gas transportation revenue	244	245
Total revenue from contracts with customers ¹	244	245
Other revenue ²	7	5
Total revenue	251	250

¹ Revenue from natural gas pipeline transportation services which is recognized over time.

² Primarily relates to restricted funds held and collected from customers for future pipeline abandonment costs.

Contract Balances

	Contract Receivables
<i>(millions of Canadian dollars)</i>	
Balance as at March 31, 2025	86
Balance as at December 31, 2024	81

Contract receivables represent the amount of receivables derived from contracts with customers. Payments are received monthly from customers under long-term transportation contracts.

Revenue to be Recognized from Unfulfilled Performance Obligations

Total revenue from performance obligations expected to be fulfilled in future periods is \$603 million, all of which is expected to be recognized during the remaining nine months ending December 31, 2025. Excluded from these amounts are variable consideration, the effects of escalation on certain tolls, contracts that have durations of one year or less pursuant to the practical expedient provision of the standard and interruptible contracts not enforceable until volumes are nominated by customers for transportation, all of which could represent a significant portion of our overall revenues.

4. LONG-TERM INVESTMENTS

EQUITY INVESTMENTS

	Ownership Interest	March 31, 2025	December 31, 2024
<i>(millions of Canadian dollars)</i>			
Enbridge Gas Inc.	46%	5,385	5,351
Sarnia Airport Storage Pool Limited Partnership	50%	11	11
		5,396	5,362

Summarized income and distributions from, and contributions to our equity investments are as follows:

	Three months ended March 31,	
	2025	2024
<i>(millions of Canadian dollars)</i>		
Enbridge Gas Inc.		
Income from equity investment	205	144
Distributions from equity investment ¹	168	138

¹ These distributions included a return of capital of \$103 million for the three months ended March 31, 2025 (2024 - \$138 million), which had no impact on our ownership interest in Enbridge Gas Inc. (EGI).

5. DEBT

CREDIT FACILITIES

As at March 31, 2025 and December 31, 2024, we had access to Enbridge Inc.'s (Enbridge) demand letter of credit facilities totaling \$850 million. As at March 31, 2025, \$31 million (December 31, 2024 - \$32 million) of letters of credit were issued by us.

DEBT COVENANTS

We were in compliance with all terms and conditions of our Trust Indenture as at March 31, 2025.

6. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk of gain or loss due to the volatility of currency exchange rates. We incur expenses and hold cash balances that are denominated in United States (US) dollars. As a result, our earnings and cash flows are exposed to fluctuations resulting from US dollar exchange rate variability.

INTEREST RATE RISK

Our earnings and cash flows are exposed to short-term interest rate variability due to the regular repricing of our variable rate debt, including our demand loan from Enbridge. Our portfolio mix of fixed and variable rate debt instruments is monitored by Enbridge and we do not typically manage the fair value of our debt instruments. Our other comprehensive income/(loss) is exposed to interest rate variability resulting from changes in actuarial assumptions, including the discount rate, that are used to determine the accrued benefit obligation relating to our defined benefit pension plans.

LIQUIDITY RISK

Liquidity risk is the risk that we will not be able to meet our financial obligations, including commitments and guarantees, as they become due. In order to mitigate this risk, we forecast cash requirements over a 12-month rolling time period to determine whether sufficient funds will be available. Our primary sources of liquidity and capital resources are funds generated from operations, our demand loan from Enbridge, draws under Enbridge's demand letter of credit facilities and long-term debt, which includes debentures and medium-term notes. These sources are expected to be sufficient to enable us to fund all anticipated requirements. Additional liquidity, if necessary, is expected to be available through access to the capital markets and through a capital injection from our affiliates or our ultimate parent, Enbridge.

CREDIT RISK

Our principal customers for natural gas transmission are local distribution companies, end-use industrial and commercial customers, exploration and production customers and marketers located in western Canada, the US Pacific Northwest, the Maritime provinces in Canada and the northeastern US.

Credit risk arises from the possibility that a counterparty will default on its contractual obligations. We are primarily exposed to credit risk from accounts receivable, and we mitigate this risk through credit exposure limits and contractual requirements, as well as the assessment of credit ratings. We actively monitor the financial strength of our customers and, in select cases, obtain additional security to minimize the risk of default of receivables if a counterparty's financial strength has deteriorated. The maximum exposure to credit risk related to these financial assets is their carrying value.

Our expected credit loss is determined based on historical credit losses by age of receivables, adjusted for any forward-looking information and management expectations, using a loss allowance matrix. This estimate is revised each reporting period to reflect current expectations. When we have determined that collection efforts are unlikely to be successful, amounts charged to the expected credit loss account are applied against the impaired accounts receivable.

FAIR VALUE MEASUREMENTS

Our financial assets and liabilities measured at fair value on a recurring basis include investments in exchange-traded funds. We also disclose the fair value of other financial instruments not measured at fair value. The fair value of financial instruments reflects our best estimates of market value based on generally accepted valuation techniques or models and is supported by observable market prices and rates. When such values are not available, we use discounted cash flow analysis from applicable yield curves based on observable market inputs to estimate fair value.

FAIR VALUE OF FINANCIAL INSTRUMENTS

We categorize our financial instruments measured at fair value into one of three different levels depending on the observability of the inputs employed in their measurement.

Level 1

Level 1 includes financial instruments measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date. An active market for a financial instrument is considered to be a market where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Under the fair value hierarchy, cash and cash equivalents are classified as Level 1. Our Level 1 financial instruments consist of exchange-traded funds that are held in trust in accordance with the Canada Energy Regulator's (CER) regulatory requirements under the Land Matters Consultation Initiative.

Level 2

Level 2 includes financial instrument valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Financial instruments in this category are valued using models or other industry standard valuation techniques derived from observable market data. Such valuation techniques include inputs such as quoted forward prices, time value, volatility factors and broker quotes that can be observed or corroborated in the market for the entire duration of the financial instrument. We have categorized the fair value of our long-term debt as Level 2. The fair value of our long-term debt is based on quoted market prices for instruments of similar credit risk and tenor.

Level 3

Level 3 includes financial instrument valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the asset or liability's fair value. Generally, Level 3 financial instruments are longer dated transactions, occur in less active markets, occur at locations where pricing information is not available or have no binding broker quote to support Level 2 classification. We have developed methodologies, benchmarked against industry standards, to determine fair value for these financial instruments based on the extrapolation of observable future prices and rates. We do not have any financial instruments valued using Level 3 inputs.

Fair Value of Other Financial Instruments

As at March 31, 2025 and December 31, 2024, our long-term debt, including the current portion, had a carrying value of \$1.2 billion before debt issuance costs, and a fair value of \$1.2 billion (December 31, 2024 - \$1.2 billion).

We had restricted long-term investments held in trust totaling \$314 million and \$305 million as at March 31, 2025 and December 31, 2024, respectively, which are included in Deferred amounts and other assets in the Consolidated Statements of Financial Position and are classified as Level 1 in the fair value hierarchy. These securities are classified as available-for-sale and represent restricted funds which are collected from customers and held in trust for the purpose of funding pipeline abandonment in accordance with the CER's regulatory requirements. During the three months ended March 31, 2025, we purchased \$7 million of restricted long-term investments (2024 - purchases of \$6 million and sales of \$2 million). The net cash flow impact is presented in Cash Flows from Investing Activities in the Consolidated Statements of Cash Flows. There were unrealized holding gains of \$2 million on these investments for the three months ended March 31, 2025 (2024 - gains of \$12 million).

The fair value of financial assets and liabilities other than restricted long-term investments and long-term debt described above approximate their carrying value due to the short period to maturity.

7. INCOME TAXES

The effective income tax rates for the three months ended March 31, 2025 and 2024 were 5.2% and 9.4%, respectively.

The period-over-period decrease in the effective income tax rate is primarily due to the change in our intercorporate equity investment balance in EGI relative to the change in earnings.

8. CONTINGENCIES

We are subject to various legal and regulatory actions and proceedings which arise in the normal course of business, including interventions in regulatory proceedings and challenges to regulatory approvals and permits. While the final outcome of such actions and proceedings cannot be predicted with certainty, management believes that the resolution of such actions and proceedings will not have a material impact on our interim consolidated financial position or results of operations.