Nova Scotia
POWER
An Emera Company

Management's Discussion & Analysis

As at February 23, 2026

Management's Discussion & Analysis ("MD&A") provides a review of the results of operations of Nova Scotia Power Inc. during the fourth quarter of 2025 relative to the same quarter in 2024; for the full year of 2025 relative to 2024 and selected financial information for 2023; and its financial position as at December 31, 2025 relative to 2024. Throughout this discussion, "NSPI" and "Company" refer to Nova Scotia Power Inc. and its consolidated subsidiary NS Power Energy Marketing Incorporated ("NSPEMI").

This discussion and analysis should be read in conjunction with the NSPI annual audited consolidated financial statements and supporting notes as at and for the year ended December 31, 2025. NSPI follows United States Generally Accepted Accounting Principles ("USGAAP" or "GAAP"). Additional information related to NSPI, including the Company's Annual Information Form, can be found on SEDAR+ at www.sedarplus.ca.

NSPI's accounting policies are subject to examination and approval by the Nova Scotia Energy Board ("NSEB", formerly the Nova Scotia Utility and Review Board). The rate-regulated accounting policies of NSPI may differ from those used by non-rate-regulated businesses with respect to the timing of recognition of certain assets, liabilities, revenues, and expenses.

All amounts are in Canadian dollars ("CAD"), unless otherwise stated.

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking information and statements which reflect the current view with respect to the Company's expectations regarding future growth, results of operations, performance, earnings, capital investment, sales volumes, recovery of costs, timing of regulatory decisions, the expected impact of the cybersecurity incident ("Cybersecurity Incident") on the Company's financial position and results of operations, information technology ("IT") systems restoration, insurance recoveries, and business continuity processes as well as other matters relating to the Cybersecurity Incident, including business prospects and opportunities, and may not be appropriate for other purposes within the meaning of applicable Canadian securities laws. All such information and statements are made pursuant to safe harbour provisions contained in applicable securities legislation. The words "anticipates", "believes", "budget", "could", "estimates", "expects", "forecast", "intends", "may", "might", "plans", "projects", "schedule", "should", "targets", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. The forward-looking information reflects management's current beliefs and is based on information currently available to NSPI's management and should not be read as guarantees of future events, performance or results, and will not necessarily be accurate indications of whether, or the time at which, such events, performance or results will be achieved.

The forward-looking information is based on reasonable assumptions and is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. Factors that could cause results or events to differ from current expectations include, without limitation: regulatory and political risk; change in law risk; operating and maintenance risks; changes in economic conditions; commodity price and availability risk; liquidity and capital market risk; changes in credit ratings; rate base growth; timing and costs associated with certain capital investments; expected impacts on NSPI of challenges in the global economy; potential impacts of trade disputes and tariffs; estimated energy consumption rates; maintenance of adequate insurance coverage and receipt of proceeds; changes in customer energy usage patterns; developments in technology that could impact demand for electricity; climate risk; weather risk, including higher frequency and severity of weather events; risk of wildfires; unanticipated maintenance and other expenditures; derivative financial instruments and hedging; interest rate risk; inflation risk; counterparty risk; disruption of fuel supply; supply chain risk; environmental risks; foreign exchange; regulatory and government decisions, including changes to environmental legislation, financial reporting and tax legislation; risks associated with pension plan performance and funding requirements; loss of service area; risks and costs associated with failure of IT infrastructure and cybersecurity incidents; including IT system restoration and business continuity processes; uncertainties associated with infectious diseases, pandemics and similar public health threats; risks associated with health and safety; market energy sales prices; labour relations; and availability of labour and management resources.

Readers are cautioned not to place undue reliance on forward-looking information, as actual results could differ materially from the plans, expectations, estimates or intentions and statements expressed in the forward-looking information. All forward-looking information in this MD&A is qualified in its entirety by the above cautionary statements and, except as required by law, NSPI undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise.

INTRODUCTION AND STRATEGIC OVERVIEW

NSPI is a vertically integrated regulated electric utility. It is the primary electricity supplier in Nova Scotia, Canada. NSPI has $8.1 billion of assets and provides electricity generation, transmission and distribution services to approximately 565,000 customers. NSPI owns approximately 5,000 kilometres of transmission facilities and 29,000 kilometres of distribution facilities. To ensure reliability of service, NSPI aims to maintain access to generating capacity greater than firm peak demand. NSPI owns 2,422 Megawatts ("MW") of generating capacity, of which 44 per cent is coal and/or oil-fired; 28 per cent is natural gas and/or oil; 19 per cent is hydro, wind or solar; 7 per cent is petroleum coke ("petcoke") and 2 per cent is biomass-fueled generation. In 2025, NSPI began operations of two 50 MW 4-hour grid-scale battery facilities to further enhance reliability. In addition, NSPI has contracts to purchase renewable energy from independent power producers ("IPP") and community feed in tariff ("COMFIT") participants, which own 573 MW of capacity. This includes IPPs in which NSPI has an ownership interest. NSPI also has rights to 153 MW of Maritime Link capacity, representing Newfoundland and Labrador Hydro's ("NLH") Nova Scotia Block ("NS Block") delivery obligations. In 2025, NSPI derived more than 40 per cent of its electric sales from renewable sources and achieved a 49 per cent reduction in generation from solid fuel compared to 2005 levels.

NLH is obligated to provide NSPI with approximately 900 Gigawatt hours ("GWh") of energy annually over 35 years. In addition, until March 31, 2026, NLH is obligated to provide approximately 240 GWh of additional energy from the Supplemental Energy Block transmitted through the Maritime Link. NSPI has the option of purchasing additional market-priced energy from NLH through the Energy Access Agreement. The Energy Access Agreement enables NSPI to access a market-priced bid from NLH for up to 1.8 Terawatt hours ("TWh") of energy in any given year and, on average, 1.2 TWh of energy per year through August 31, 2041.

NSPI is working closely with the provincial government as the Province aims to transition off coal and reach 80 per cent renewable electricity sales by 2030. These are ambitious goals set by the federal and provincial governments to address climate change. NSPI is working with the provincial government as it pursues these goals, while continuing to provide safe and reliable electricity to customers. For further details on the renewable energy transition, developments related to provincial and federal environmental laws and regulations, and risks around achieving climate-related and environmental legislative requirements refer to the "Outlook – Environmental Legislation and Climate Change" section below.

NSPI is a wholly-owned subsidiary of Emera Incorporated ("Emera"). NSPI holds a 100 per cent investment in NSPEMI, an energy business that purchases and sells electricity and natural gas in the United States of America's energy commodity market. NSPI holds a 50 per cent indirect voting interest in Wasoqonatl Transmission Incorporated ("WTI"), for further details refer to the "Outlook – Developments" section.

NSPI is a public utility as defined in the *Public Utilities Act* (Nova Scotia) ("Act") and is subject to regulation under the Act by the NSEB. The Act gives the NSEB supervisory powers over NSPI's operations and expenditures. Electricity rates for NSPI's customers are subject to NSEB approval. NSPI is not subject to a general annual rate review process but rather participates in hearings held from time to time at NSPI's or the NSEB's request.

NSPI is regulated under a cost-of-service model, with rates set to recover prudently incurred costs of providing electricity service to customers and provide a reasonable return to investors. NSPI's approved regulated return on equity ("ROE") range is 8.75 per cent to 9.25 per cent, based on an actual five-quarter average regulated common equity component of up to 40 per cent of approved rate base.

NSPI has a NSEB approved Fuel Adjustment Mechanism ("FAM") allowing NSPI to recover fluctuating fuel and certain fuel-related costs from customers through annual fuel rate adjustments. Differences between prudently incurred fuel costs and amounts recovered from customers through electricity rates in a year are deferred to a FAM regulatory asset or liability and recovered from or returned to customers in subsequent periods. Refer to note 5 of NSPI's consolidated financial statements as at December 31, 2025 for further details on NSPI's regulatory mechanisms.

The energy industry is seasonal in nature. Seasonal patterns and other weather events, including the number and severity of storms, can affect the demand for energy and cost of service. Results in any one quarter are not necessarily indicative of results in any other quarter, or for the year as a whole.

OUTLOOK

Operations

NSPI's earnings are most directly impacted by the range of ROE and capital structure approved by the NSEB, the prudent management and approved recovery of operating costs, electric sales volumes, weather, the approved recovery of regulatory deferrals and the timing and amount of capital investment.

Assuming new base rates are approved by the NSEB in the general rate application ("GRA") and are generally consistent with the settlement agreement, NSPI anticipates earning at the low end of its allowed ROE range in 2026 and expects earnings in 2026 to be higher than 2025. For further details on the GRA and the settlement agreement refer to the "Developments" section. Sales volumes are expected to be higher in 2026 than 2025. Capital investment for 2026, including allowance for funds used during construction ("AFUDC"), is expected to be approximately $720 million (2025 – $712 million). NSPI is primarily investing in capital projects required to support power system reliability and reliable service for customers.

Environmental Legislation and Climate Change

NSPI is subject to environmental laws and regulations as set by both the Government of Canada and the Nova Scotia Provincial Government (the "Province"). NSPI continues to work with both levels of government to comply with these laws and regulations, to maximize efficiency of emission control measures and minimize customer cost. NSPI anticipates that costs prudently incurred to achieve legislated compliance will be recoverable under NSPI's regulatory framework. NSPI faces risks associated with achieving climate-related and environmental legislative requirements, including the risk of non-compliance, which could adversely affect NSPI's operations and financial performance. For further discussion on these risks and environmental legislation and regulations, refer to the "Enterprise Risk and Risk Management" section. Recent developments related to climate initiatives and provincial and federal environmental laws and regulations are outlined below.

Nova Scotia Energy Reform Act:
On October 15, 2025, the Nova Scotia Independent Energy System Operator ("IESO Nova Scotia") announced that the organization will be phased in over two phases during an 18-month period. On December 1, 2025, the first phase was complete following the transfer of system planning and interconnection functions. The second phase is expected to be complete in 2027 as the IESO Nova Scotia assumes responsibility for system operations. The establishment of IESO Nova Scotia follows Bill 404 - Energy Reform (2024) Act enacted in April 2024, which established the NSEB, and phased transition to IESO Nova Scotia.

Air Quality Regulations:
On March 25, 2025, NSPI received a Certificate of Variance ("COV") from Nova Scotia Environment and Climate Change ("NSECC") which provides flexibility on the timing of sulfur dioxide ("SO2") emissions over the 2025 through 2034 period, including compensating for excess emissions in 2022. The flexibility lowers compliance costs for customers without increasing total emissions over the period.

DEVELOPMENTS

General Rate Application ("GRA"):
On September 18, 2025, NSPI filed a consensus GRA with the NSEB, reflecting a settlement agreement reached with customer representatives. The GRA proposes average annual rate increases of 1.8 per cent in 2026 and 2.4 per cent in 2027. The proposed rates would result in annual revenue (fuel and non-fuel) increases of $62 million in 2026 and $108 million in 2027. The hearing for the matter concluded in January 2026 and a decision by the NSEB is expected by early Q2 2026.

Wasoqonatl Transmission Line:
On March 5, 2025, NSPI, the Canada Infrastructure Bank ("CIB") and the Wskijinu'k Mtmo'taqnuow Agency ("WMA") announced the Wasoqonatl transmission line project which will create a reliability intertie between Nova Scotia and New Brunswick. The project is owned by a new regulated utility, WTI, which is wholly-owned by a newly formed limited partnership between NSPI, CIB and WMA. NSPI is responsible for providing construction, operation, maintenance and administrative services to WTI. NSPI has a 50 per cent indirect voting interest in WTI which is recorded as "Investments subject to significant influence" on the Consolidated Balance Sheets. On November 20, 2025, the NSEB approved WTI's application of a $685 million capital investment, including AFUDC, for the reliability intertie.

Cybersecurity Incident:
On April 25, 2025, NSPI discovered a cybersecurity incident (the "Cybersecurity Incident") involving unauthorized access into certain parts of its IT network and servers supporting portions of its business applications. There was no disruption to any of NSPI's physical operations.

The Company implemented business continuity processes for certain impacted business and administrative functions. The systematic restoration of affected IT systems and corresponding transition away from business continuity process continues to progress in a planned, controlled and phased approach. The Company maintains cyber insurance coverage and is working with the insurer on the claims process. In Q4 2025, the Company recognized $1 million, after-tax, in costs related to the Cybersecurity Incident. For the year ended December 31, 2025, the Company recognized $7 million in after-tax costs related to the Cybersecurity Incident. For information on the risks associated with cybersecurity incidents generally, refer to the 'Enterprise Risk and Risk Management' section.

Class Action Lawsuit:
NSPI was named as a defendant in a claim for a class action lawsuit filed with the Supreme Court of Nova Scotia, seeking damages arising from the Cybersecurity Incident. The amount of damages has not been specified. Due to the preliminary stage of legal proceedings, an estimate of a possible loss related to this claim cannot be made.

Appointments

Effective February 11, 2025, Dan Muldoon joined the NSPI Board of Directors. Mr. Muldoon retired as the Executive Vice President, Project Development and Operations Support at Emera in 2025.

Effective December 1, 2025, Jared Green became Emera and NSPI's Chief Financial Officer, succeeding Greg Blunden. Mr. Green most recently served as President and Chief Executive Officer of TriSummit Utilities (previously AltaGas Canada).

Effective March 1, 2026, Vivek Sood will become President and CEO of NSPI, succeeding Peter Gregg. Most recently, Mr. Sood retired as Executive Vice President, Related Businesses from Sobeys Inc in 2024, and has served as a member of the NSPI Board of Directors since June 2024.

FINANCIAL REVIEW OF 2025

Consolidated Statements of Income

For the millions of dollars	Three months ended December 31		Year ended December 31	
	2025	2024	**2025**	2024
Operating revenues	**$ 504**	$ 479	**$ 1,944**	$ 1,855
Fuel for generation and purchased power	**269**	(216)	**1,065**	509
FAM and other deferrals	**(29)**	436	**(137)**	350
Operating, maintenance and general ("OM&G")	**107**	95	**370**	350
Demand-side management ("DSM")	**16**	15	**63**	58
Provincial grants and taxes	**12**	12	**49**	48
Depreciation and amortization	**77**	73	**298**	282
Total operating expenses	**452**	415	**1,708**	1,597
Income from operations	**52**	64	**236**	258
Other income, net	**(7)**	(7)	**(32)**	(28)
Interest expense, net	**43**	42	**172**	168
Income before provision for income taxes	**16**	29	**96**	118
Income tax recovery	**(6)**	(42)	**(45)**	(42)
Net income	**$ 22**	$ 71	**$ 141**	$ 160

Highlights of the changes are summarized in the following table:

For the millions of dollars		Three months ended December 31		Year ended December 31
Net income – 2024	**$**	**71**	**$**	**160**
Increased operating revenues (refer to "Operating Revenues" section for explanation)		25		89
Increased fuel for generation and purchased power (refer to "Fuel for Generation and Purchased Power" section for explanation)		(485)		(556)
Increased FAM and other deferrals (refer to note 5 of NSPI's audited consolidated financial statements as at December 31, 2025 for explanation)		465		487
Increased OM&G expenses quarter-over-quarter due to increased storm costs and costs related to the Cybersecurity Incident (for further details on the Cybersecurity Incident refer to the "Developments" section). Year-over-year due to higher costs for transmission and distribution operations, costs related to the Cybersecurity Incident and power generation operations, partially offset by higher administrative overhead allocated to property, plant and equipment ("PP&E")		(12)		(20)
Increased depreciation and amortization due to increased PP&E in-service		(4)		(16)
Decreased income tax recovery quarter-over-quarter primarily due to the utilization of tax loss carryforwards recognized as a deferred income tax regulatory liability in the prior year and decreased tax deductions in excess of accounting depreciation related to PP&E		(36)		3
Other		(2)		(6)
Net income – 2025	**$**	**22**	**$**	**141**

Operating Revenues

NSPI's operating revenues include sales of electricity and other services as summarized in the following table:

For the millions of dollars		Three months ended December 31 **2025**		2024		Year ended December 31 **2025**		2024
Electric revenues	**$**	**495**	$	467	**$**	**1,908**	$	1,813
Other revenues		**9**		12		**36**		42
Operating revenues	**$**	**504**	$	479	**$**	**1,944**	$	1,855

Electric Revenues

NSPI's electric revenues are affected by rates approved by the NSEB and electric sales volumes. NSPI's electric revenues include revenues related to the recovery of fuel costs and non-fuel costs. The FAM allows NSPI to recover all prudently incurred fuel and certain fuel-related costs and consequently, revenues related to the recovery of fuel costs do not have a material impact on NSPI's net income.

Electric sales volumes are primarily driven by weather, number of customers, customer usage, general economic conditions, and DSM activities. Residential and commercial electricity sales are seasonal, with the first quarter historically generating the highest sales, reflecting colder weather and fewer daylight hours in the winter season.

NSPI's residential customers include individual homes, apartments and condominiums. Commercial customers include small retail operations, large office and commercial complexes, universities and hospitals. Industrial customers include manufacturing facilities and other large volume operations. Other electric customers consist primarily of municipal electric utilities, users of street and area lighting services, and export energy customers.

Electric Sales Volume

For the Gigawatt hours ("GWh")	Three months ended December 31 **2025**	 2024	Year ended December 31 **2025**	 2024
Residential	**1,411**	1,343	**5,292**	5,096
Commercial	**766**	763	**3,084**	3,046
Industrial	**535**	569	**2,098**	2,217
Other	**57**	57	**231**	222
Total	**2,769**	2,732	**10,705**	10,581

Electric Revenues

For the millions of dollars	Three months ended December 31 **2025**	 2024	Year ended December 31 **2025**	 2024
Residential	**$ 285**	$ 260	**$ 1,073**	$ 997
Commercial	**132**	128	**522**	499
Industrial	**67**	69	**270**	276
Other	**11**	10	**43**	41
Total	**$ 495**	$ 467	**$ 1,908**	$ 1,813

Highlights of the changes in electric revenues are summarized in the following table:

For the millions of dollars	Three months ended December 31	Year ended December 31
Electric revenues – 2024	**$ 467**	**$ 1,813**
Increased electricity pricing effective January 1, 2025, and February 18, 2025	18	64
Increased sales volumes due to favourable weather	9	30
Excluding the impact of weather, increased residential and commercial sales volumes	6	14
Excluding the impact of weather, decreased industrial sales volumes	(5)	(13)
Electric revenues – 2025	**$ 495**	**$ 1,908**

Fuel for Generation and Purchased Power

NSPI's fuel costs are affected by commodity prices and generation mix, which is largely dependent on economic dispatch of the generating fleet. NSPI brings the lowest cost options on stream first after renewable energy from IPPs including COMFIT participants, for which NSPI has power purchase agreements in place, and the NS Block of energy, including the Supplemental Energy Block, which carries no additional fuel cost outside of the NSEB approved annual assessments paid to NSP Maritime Link Inc. ("NSPML") for the use of the Maritime Link. Generation mix may also be affected by plant outages, carbon pricing programs, including the Nova Scotia Output-Based Pricing System ("OBPS"), availability of renewable generation, including the NS Block, plant performance, and compliance with environmental regulations.

The high availability and capability of thermal generating stations continue to play a role in providing reliable energy to customers while NSPI is transitioning to more renewable generation. In 2025, thermal plant availability was 80 per cent compared to 82 per cent in 2024 and a four-year average of 81 per cent. The four-year average availability is in line with industry comparisons.

Production volumes by fuel type and average fuel cost are summarized in the following table:

For the	Three months ended December 31		Year ended December 31	
GWh (except as indicated)	**2025**	2024	**2025**	2024
Coal	**1,329**	976	**4,370**	3,347
Natural gas	**377**	516	**1,403**	2,317
Purchased power	**33**	118	**391**	620
Oil	**93**	64	**295**	132
Petcoke	**44**	40	**279**	374
Total non-renewables	**1,876**	1,714	**6,738**	6,790
Purchased Power - IPP, COMFIT and imports	**638**	608	**2,573**	2,086
NS Block	**306**	444	**1,134**	1,378
Wind, hydro and solar	**134**	151	**855**	932
Biomass	**54**	48	**174**	140
Total renewables	**1,132**	1,251	**4,736**	4,536
Total production volumes	**3,008**	2,965	**11,474**	11,326
Average fuel cost in dollars per Megawatt hour ("MWh") (1)	**$ 89**	$ (73)	**$ 93**	$ 45

(1) In Q4 2024, NSPI received refund of previous NSPML assessment payments, resulting in $486 million over-recovery of fuel costs. For further details refer to note 5 of NSPI's consolidated financial statements as at December 31, 2025.

Average fuel costs per MWh increased in Q4 2025 compared to Q4 2024 primarily due to a refund of previous NSPML assessment payments received in Q4 2024. For further details, refer to Note 5 in the NSPI Consolidated Financial Statements as of December 31, 2025. Increase in the average fuel cost per MWh were primarily driven by increased generation from solid fuel and oil, and lower delivery of the NS Block due to prior period make-up energy being fully received contributed to the increase in average fuel costs per MWh. These were partially offset by favourable commodity prices driven by changes in solid fuel and decreased OBPS compliance costs.

Average fuel costs per MWh increased year-to-date 2025 compared to 2024 primarily due to a refund of previous NSPML assessment payments received in Q4 2024. For further details, refer to Note 5 in the NSPI Consolidated Financial Statements as of December 31, 2025. Increase in the average fuel cost per MWh were driven by increased generation from solid fuel and oil, lower delivery of the NS Block due to prior period make-up energy being fully received, and reduced generation from hydro assets due to drier weather conditions contributed to the increase in average fuel costs per MWh. These were partially offset by decreased generation from natural gas.

Highlights of the changes in fuel for generation and purchased power are summarized in the following table:

For the millions of dollars	Three months ended December 31	Year ended December 31
Fuel for generation and purchased power – 2024	**$ (216)**	**$ 509**
Increased Maritime Link assessment (refer to note 5 of NSPI's consolidated financial statements as at December 31, 2025, and "Transactions with related parties" for further details)	492	510
Change in generation mix	15	70
Increased sales volumes	2	16
(Decreased) increased Nova Scotia OBPS carbon tax	(3)	4
Decreased commodity prices	(22)	(45)
Other	1	1
Fuel for generation and purchased power – 2025	**$ 269**	**$ 1,065**

FAM and FAM Regulatory Deferral

NSPI has a NSEB approved FAM, allowing NSPI to recover fluctuating fuel and certain fuel-related costs from customers through annual fuel rate adjustments. Differences between prudently incurred fuel costs and amounts recovered from customers through electricity rates in a given year are deferred to a FAM regulatory asset or liability and recovered from or returned to customers in subsequent periods.

Pursuant to the FAM Plan of Administration, NSPI’s fuel costs are subject to independent audit. On October 16, 2025, the NSEB’s decision on the FAM audit findings and recommendations relating to fiscal 2022 and 2023 were publicly released and included a disallowance of $1 million plus associated interest. The impact of the disallowance was recorded in Q4 2025.

Refer to note 5 of NSPI's consolidated financial statements as at December 31, 2025, for further details on the FAM regulatory asset and associated regulatory matters.

Provincial Grants

NSPI pays annual grants to the Province in lieu of municipal taxation other than deed transfer tax.

Income Taxes

In 2025, NSPI was subject to a combined Canadian federal and Nova Scotia provincial statutory corporate income tax rate of 29 per cent (2024 – 29 per cent). In 2025, NSPI’s effective tax rate was (47) per cent (2024 – (36) per cent) primarily due to investment tax credits and deferred income taxes on regulated income recorded as regulated assets and regulated liabilities.

Consolidated Balance Sheet Highlights

Significant changes in the Consolidated Balance Sheets between December 31, 2025 and December 31, 2024 include:

millions of dollars		Increase (Decrease)	Explanation
Assets			
Receivables, net	**$**	**140**	Increased due to timing of billing and receipts, partially offset by decreased cash collateral position on derivative instruments
Income taxes receivable		**40**	Increased due to clean technology investment tax credits
Derivative instruments (current and long-term)		**(20)**	Decreased due to weakening of the CAD dollar compared to the United States dollar ("USD")
Regulatory assets (current and long-term)		**225**	Increased deferred income tax regulatory asset and deferrals related to FAM, partially offset by decreased deferrals related to storm rider and derivative instruments.
Pension and post-retirement assets (current and long-term)		**168**	Increased due to higher investment returns and changes in actuarial assumptions
Property, plant and equipment, net of accumulated depreciation		**411**	Increased due to capital investment, partially offset by depreciation
Liabilities and Equity			
Bank indebtedness	**$**	**40**	Increased due to financing working capital requirements
Short-term debt		**500**	Increased due to addition of non-revolving term credit facility
Long-term debt (current and long-term)		**313**	Increased debt levels for general corporate purposes
Accounts payable		**103**	Increased due to timing of activity and related payments
Due to related parties (current and long-term)		**35**	Increased due to timing of payments
Regulatory liabilities (current and long-term)		**(75)**	Decreased deferrals related to FAM and derivative instruments
Other current liabilities		**(22)**	Decreased due to lower sales tax payable and decreased accrued OBPS carbon tax
Deferred income taxes		**120**	Increased due to tax deductions in excess of accounting depreciation related to PP&E, changes in pension and post-retirement assets and liabilities and an increase in FAM regulatory asset, partially offset by an increase in tax loss carryforwards
Other long-term liabilities		**16**	Increased due to increased customer deposits
Common stock		**(340)**	Decreased due to return of capital
Accumulated other comprehensive income (loss)		**145**	Decreased due to higher investment returns, favourable changes in actuarial assumptions and amortization
Retained earnings		**141**	Increased due to net income

LIQUIDITY AND CAPITAL RESOURCES

The Company generates internally sourced cash primarily through the generation, transmission and distribution of electricity. NSPI’s customer base is diversified by both sales volumes and rates among customer classes. Circumstances that could affect the Company’s ability to generate cash include changes to global macroeconomic conditions, downturns in NSPI’s markets, impact of fuel commodity price changes on collateral requirements and timely recoveries of fuel costs from customers, the loss of one or more large customers, regulatory decisions affecting customer rates, the recovery of regulatory assets, the accelerated payment of regulatory liabilities, changes in environmental legislation, political interference in the regulatory process, continued access to an investment grade credit rating and changes in weather patterns.

NSPI's future liquidity and capital needs will be predominantly for working capital requirements, ongoing rate base investment and debt servicing. In 2026, NSPI expects to invest approximately $720 million, including AFUDC, primarily in capital projects required to support power system reliability and reliable service for customers.

NSPI has access to a $800 million syndicated revolving bank line of credit and a $500 million non-revolving term facility with a combined $222 million available as at December 31, 2025. For further details, refer to the "Debt Management" section below.

Consolidated Cash Flow Highlights

Significant changes in the Consolidated Statements of Cash Flows between the years ended December 31, 2025 and 2024 include:

millions of dollars		**2025**		2024		Change
Cash, beginning of period	**$**	**-**	$	78	$	(78)
Provided by (used in):						
Operating cash flow before change in working capital		**293**		831		(538)
Change in working capital		**(175)**		88		(263)
Operating activities		**118**		919		(801)
Investing activities		**(631)**		(483)		(148)
Financing activities		**513**		(514)		1,027
Cash, end of period	**$**	**-**	$	-	$	-

Cash Flow from Operating Activities

Net cash provided by operating activities decreased $801 million to $118 million in 2025 compared to $919 million in 2024.

Operating cash flow before change in working capital decreased $538 million primarily due to increased fuel for generation and purchased power, 2024 including proceeds of $117 million from the FAM regulatory asset sale, and increased OM&G expenses, partially offset by increased electric revenues due to increased electricity pricing and increased residential and commercial sales, increased current income tax recovery due to clean technology investment tax credits (offset in working capital), recovery of storm rider deferral, and decreased interest expense on the revolving credit facility.

Changes in working capital decreased cash flows by $263 million primarily due to changes in accounts receivable, fuel inventory, and income taxes receivable (offset in operating cash flow).

Cash Flow used in Investing Activities

Net cash used in investing activities increased $148 million to $631 million in 2025 compared to $483 million in 2024 due to higher capital investment.

Cash Flow from Financing Activities

Net cash provided by financing activities increased $1,027 million to $513 million in 2025 compared to net cash used in financing activities of $514 million in 2024 primarily due to net borrowings under revolving credit facility in 2025 compared to net repayments in 2024, issuance of short-term debt, higher short-term bank indebtedness and higher proceeds from long-term debt, partially offset by return of capital to Emera in 2025 and retirement of long-term debt.

Working Capital

As at December 31, 2025, NSPI's working capital increased to $567 million from $468 million in 2024 primarily due to changes in accounts receivable, changes in income taxes receivable, and changes in other current liabilities, partially offset by changes in accounts payable, and changes in cash collateral positions on derivative instruments.

NSPI's future liquidity and capital needs will be predominately for working capital requirements, capital investment, dividends and debt servicing. Working capital is financed through internally generated cash flows and short-term credit facilities. The Company's expected future cash flows, credit facilities and continued access to debt capital markets for long-term financing is expected to be sufficient to meet the Company's requirements.

Contractual Obligations

As at December 31, 2025, contractual commitments for each of the next five years and in aggregate thereafter consisted of the following:

millions of dollars	2026	2027	2028	2029	2030	Thereafter	Total
Purchased power (1)	$ 344	$ 360	$ 347	$ 395	$ 388	$ 5,176	$ 7,010
Long-term debt (2)	40	-	-	599	-	3,034	3,673
Interest payment obligations (3)	169	165	165	156	147	1,785	2,587
Asset retirement obligations	2	-	-	-	-	302	304
Transportation (4)	38	22	20	20	20	115	235
Maritime Link assessment	199	-	-	-	-	-	199
Solid fuel supply	193	-	-	-	-	-	193
Capital projects	95	24	7	3	1	-	130
Pension and post-retirement obligations (5)	11	11	10	10	7	45	94
Long-term service agreements (6)	30	17	14	12	8	6	87
DSM	64	-	-	-	-	-	64
Leases (7)	2	1	1	1	1	42	48
Natural gas supply	22	-	-	-	-	-	22
	$ 1,209	$ 600	$ 564	$ 1,196	$ 572	$ 10,505	$ 14,646

(1) Represents NSPI's annual requirement to purchase 100 per cent of electricity production from IPPs and COMFIT participants over varying contract lengths up to 25 years based on estimated production volumes as well as agreements for the purchase of import power.
(2) NSPI's discount notes are backed by a revolving credit facility which matures in 2029.
(3) Future interest payments are calculated based on the assumption that all debt is outstanding until maturity. For debt instruments with variable rates, interest is calculated for all future periods using the rates in effect as at December 31, 2025.
(4) Purchasing commitments for transportation of solid fuel and natural gas.
(5) The estimated contractual obligation is calculated as the current legislatively required contributions to the registered funded pension plans, plus the estimated costs of further benefit accruals contracted under the Company's Collective Bargaining Agreement only and estimated benefit payments related to other unfunded benefit plans.
(6) Outsourced management of the Company's computer and communication infrastructure, software maintenance and support, shared service agreements at a co-generation facility, transmission and distribution line construction and maintenance services related to a generation facility and wind operating agreements.
(7) Operating leases for office space, land, telecommunications services, and rail cars.

NSPI has a contractual obligation to pay NSPML, a related party, for the use of the Maritime Link over approximately 38 years from its January 15, 2018, in-service date.

On December 23, 2025, NSPML received an Interim Order from the NSEB to collect up to $199 million from NSPI for the recovery of costs associated with the Maritime Link in 2026, subject to a monthly holdback of up to $4 million. Refer to note 5 of NSPI's consolidated financial statements as at December 31, 2025 for further details.

Capital Investment

Forecast 2026 and actual 2025 and 2024 capital investment, including AFUDC, is shown below:

millions of dollars	**2026 Forecast**	2025 Actual	2024 Actual
Distribution	$ 195	$ 174	$ 175
Generation	183	216	151
Transmission	247	242	107
General plant and other	95	80	54
Total	$ 720	$ 712	$ 487

Debt Management

NSPI has access to a syndicated revolving bank line of credit and a non-revolving term facility. NSPI also has an active commercial paper program for up to $800 million, of which the full amount outstanding is backed by the Company's operating credit facility. The amount of commercial paper issued results in an equal amount of its operating credit facility being considered drawn and unavailable. As at December 31, 2025, the Company's total credit facility, outstanding borrowings and available capacity were as follows:

millions of dollars	**Maturity**	**Credit Facility**	**Utilized**	**Available Capacity**
Revolving credit facility	June 2029	$ 800	$ 578	$ 222
Non-revolving term facility	May 2026	500	500	-

NSPI has debt covenants associated with its credit facilities. Covenants are tested regularly, and the Company is in compliance with covenant requirements as at December 31, 2025. NSPI's significant covenant is listed below:

Instrument	Financial Covenant	Requirement/Restriction	Calculation as at December 31, 2025
Syndicated credit facility	Debt to capital ratio	Less than or equal to 0.70:1	0.68:1

Financing Activity

On May 21, 2025, NSPI entered into a $500 million non-revolving facility which matures on May 21, 2026. The credit agreement contains customary representations and warranties, events of default and financial and other covenants. The non-revolving facility's interest rates are referenced to the Term CORRA or prime rate, plus a margin. Proceeds from this facility were used for general corporate purposes.

Credit Ratings

On January 22, 2025, S&P Global Ratings affirmed its BBB- issuer rating and revised its outlook to stable from negative.

On December 5, 2025, DBRS affirmed its BBB (high) rating and stable trend for NSPI.

Share Capital

For the year ended December 31, 2025, the Company issued 0.04 million (2024 – 0.04 million) common shares to Emera for total consideration of $0.4 million (2024 – $0.4 million) and returned $340 million of capital (2024 – nil) to Emera without a reduction in the amount of common shares outstanding. As at December 31, 2025, NSPI had 173.5 million common shares issued and outstanding (2024 – 173.5 million common shares).

PENSION FUNDING

For funding purposes, NSPI determines required contributions to its registered defined benefit pension plans based on smoothed asset values. This reduces volatility in the cash funding requirement as the impact of investment gains and losses are recognized over a five-year period. The cash required in 2026 for defined benefit pension plans is expected to be $10 million (2025 – $12 million). All pension plan contributions are tax deductible and will be funded with cash from operations.

NSPI's registered defined benefit pension plans employ a long-term strategic approach with respect to asset allocation, real return and risk. The underlying objective is to earn an appropriate return, given the Company's goal of preserving capital within an acceptable level of risk for the pension fund investments.

To achieve the overall long-term asset allocation, pension assets are managed by external investment managers per the pension plan's investment policy and governance framework. The asset allocation includes investments in the assets of Canadian and global equities, domestic and global bonds, and short-term investments. NSPI reviews investment manager performance on a regular basis and adjusts the plans' asset mixes as needed in accordance with the pension plans' investment policy.

NSPI's projected contributions to the defined contribution pension plans are $9 million for 2026 (2025 – $8 million).

OFF-BALANCE SHEET ARRANGEMENTS

Defeasance

Upon privatization of the former provincially owned Nova Scotia Power Corporation ("NSPC") in 1992, NSPI was appointed to manage and administer a portfolio of defeasance securities. The securities provide principal and interest streams to match the related defeased debt of NSPC, which as at December 31, 2025, totaled $200 million (2024 – $200 million).

The securities are held in trust for Nova Scotia Power Finance Corporation ("NSPFC"), an affiliate of the Province of Nova Scotia. Approximately 66 per cent of the defeasance portfolio consists of investments in the related debt, eliminating all risk associated with this portion of the portfolio.

Under the privatization agreements, NSPI administers the defeasance cash flows and obligations pursuant to a Management and Administration Agreement. The NSPFC bank accounts are included in NSPI's pool of bank accounts under a mirror netting agreement and therefore, from time to time, if any cash accumulates in the NSPFC bank account it is available until that cash is required to service the defeased NSPC debt.

Guarantees and Letters of Credit

As at December 31, 2025, the Company had $94 million USD (2024 - $104 million USD) of guarantees outstanding with terms of varying lengths, all of which are issued on behalf of NSPEMI.

As at December 31, 2025, the Company had $6 million USD and $8 million CAD of letters of credit outstanding (December 31, 2024 - $7 million USD and $3 million CAD).

TRANSACTIONS WITH RELATED PARTIES

The Company enters into transactions with Emera Inc. and other subsidiaries or investments of Emera Inc. in the normal course of operations. NSPI's related parties include investments accounted for using the equity method. As at December 31, 2025 related parties include Emera Inc., Brooklyn Power Corporation, Emera Energy Inc., Emera Energy Services, Inc., NSPML and the WTI equity investments. All related party transactions entered into by NSPI with its affiliates are governed by an Affiliate Code of Conduct approved by the NSEB.

Transactions between the Company and its related parties reported in the Consolidated Statements of Income and Consolidated Balance Sheets are as follows:

For the millions of dollars		Year ended December 31	
Nature of Service	**Presentation**	**2025**	2024
Sales:			
Management and administrative, and other services	OM&G	**$ 13**	$ 19
Rent and other services	Operating revenues	**2**	2
Purchases:			
Maritime Link assessment	Fuel for generation and purchased power	**185**	(324)
Net purchase of electricity and natural gas	Fuel for generation and purchased power	**36**	31
Management and administrative, and other services	OM&G	**13**	11

On March 5, 2025, NSPI sold development assets associated with the Wasoqonatl transmission line project to WTI for consideration of $15 million. The development assets were sold at cost with no gain or loss recognized in the Consolidated Statement of Income.

On December 19, 2025, NSPI invested $9 million in WTI and recorded this within "Investments subject to significant influence" on the Consolidated Balance Sheets. Equity earnings issued to NSPI from WTI for the year ended December 31, 2025 was nil. For further details refer to note 25 of NSPI's audited consolidated financial statements as at December 31, 2025.

For the year ended December 31, 2025, NSPI issued 0.04 million common shares (2024 – 0.04 million common shares) to Emera for total consideration of $0.4 million (2024 – $0.4 million) and returned $340 million of capital (2024 – nil) to Emera without a reduction in the amount of common shares outstanding.

As at December 31, 2025, NSPI had $185 million due to Emera and affiliates (December 31, 2024 – $150 million).

ENTERPRISE RISK AND RISK MANAGEMENT

NSPI has a business-wide risk management process which is monitored by the Board of Directors, and also reviewed with the Emera Enterprise Risk Management Committee to ensure risks are appropriately identified, assessed, monitored and subject to appropriate controls.

The significant business risks to NSPI are described below, many of which are beyond the Company's control, and could have a material adverse effect on operations, liquidity or access to or cost of capital, financial position, prospects, reputation, and/or results of operations (herein considered a "Material Adverse Effect"). The nature of risk is such that no such list is comprehensive, and the actual effect of any of the risks discussed could be materially different from what is described below. Additionally, other risks not presently known may arise, risks not currently considered material may become material in the future, or two or more risks which are not themselves material, could together be material.

Regulatory and Political Risk

NSPI is subject to complex legislative and regulatory frameworks that cover material aspects of their businesses. These frameworks influence key factors such as rates and cost structures, revenue requirements, allowed ROEs, capital structures, rate base and capital investments, and the recovery of purchased electricity and fuel costs and other costs. Regulators also review the prudency of costs and make other decisions that can impact customer rates and the reliability of service. NSPI's is regulated under a cost-of-service model and must obtain regulatory approvals for material aspects of their businesses, including changing or adding rates and/or riders. Such approvals often require public hearing proceedings involving numerous stakeholders, and there is no assurance in the outcomes or impact of any regulatory process or decision.

If NSPI is unable to recover a material amount of costs in a timely manner, are unable to earn a return on invested capital, are disallowed the recovery of certain costs, are subject to regulatory penalties, are not permitted to make certain capital investments, or are not permitted to invest in or divest certain utility assets, it could result in a Material Adverse Effect, including valuation impairments. Regulatory lag, the time between the incurrence of costs and the granting of the rates to recover those costs by regulators, may also result in a Material Adverse Effect.

Aspects of the acquisition, ownership, operations, siting, planning, construction, and decommissioning of electric generation, storage, transmission and distribution facilities are also subject to regulatory processes and approvals of regulators, government departments and agencies, and other third parties. The failure to obtain, maintain, and renew such approvals or significant changes in the terms and conditions thereof could have a Material Adverse Effect.

The regulatory framework, process and regulatory decisions may also be adversely affected by changes in government, shifts in government or public policy, legislative changes, regulatory decisions, geopolitical changes, changes in the economic environment, or other factors. Government interference in the regulatory process or regulatory decisions can undermine regulatory stability, predictability, and independence. Any such changes could have a Material Adverse Effect.

Aspects of the IESO Nova Scotia, once fully operational and during transition period, remain uncertain. Refer to Changes in Environmental Legislation.

Change in Law Risk

The Company is also exposed to changes in the political environment and leadership, changes in law or regulations, changes to governmental policies, trade disputes, and the imposition of tariffs, any of which may impact the Company's businesses, the markets for energy and inputs thereto, or general economic conditions, and which may result in a Material Adverse Effect. This may include initiatives regarding deregulation or restructuring of the energy industry, which may result in increased competition, and increased or unrecovered costs.

NSPI cannot predict future legislative, policy, or regulatory changes, whether caused by economic, political or other factors, or the resulting operating or compliance costs or other impacts. It may be difficult for NSPI to respond in an effective and timely manner to such future legislative, policy or regulatory changes.

Changes in Environmental Legislation

NSPI is subject to extensive regulation by federal, provincial and municipal authorities regarding environmental matters; primarily related to its utility operations. This includes laws, regulations and policies relating to GHG emissions, renewable energy standards, climate, air quality, water quality and usage, waste management, wastewater discharges, soil quality, aquatic and terrestrial habitats, hazardous waste, health, endangered species, and wildlife mortality.

Both the Province and the Government of Canada have enacted or introduced legislation that includes goals of net-zero GHG emissions by 2050. The Province has established targets with respect to the percentage of renewable energy in NSPI's generation mix and reductions in GHG emissions, as well as the goal to phase out coal-fired electricity generation by 2030. The Government of Canada has also enacted regulations imposing emissions standards on coal-fired generation that would effectively require the decommissioning of such facilities. While Nova Scotia is exempted from such regulations through 2029, there is no guarantee that such exemption will continue into the future. Failure to comply with applicable legislation or regulation could result in a Material Adverse Effect. NSPI continues to work with both the provincial and federal governments on measures to seek to address their carbon reduction goals.

Per- and polyfluoroalkyl substances ("PFAS"):
PFAS are man-made chemicals that are widely used in consumer products and can persist and bio-accumulate in the environment. The Company does not manufacture PFAS but because these contaminants are ubiquitous in products and the environment, it may impact NSPI's operations. Changes in environmental laws and regulations related to PFAS could result in new costs or obligations for investigation and cleanup and change the Company's land acquisition strategy for projects which could result in a Material Adverse Effect.

Greenhouse Gas Emissions:
NSPI is subject to GHG emission caps for the 2010 through 2030 period as outlined in the "Nova Scotia Greenhouse Gas Regulations", and further updated by Order in Council in 2013. The emission cap reduces from 10 megatonnes in 2010 to 4.5 megatonnes in 2030. The regulations allow for multi-year compliance periods recognizing the variability in electricity supply sources and demand. Pursuant to an Equivalency Agreement entered into between the Province and the Government of Canada in 2014 and renewed through 2029, these provincial regulations have been deemed equivalent to, and have exempted Nova Scotia from the application of federal GHG emissions regulations which would effectively require the retirement or conversion of coal-fired electricity generating units by the earlier of 50 years from commissioning or 2030. Over the decade, NSPI will work to comply with the decreasing emission caps through a combination of additional renewable generation, import of non-emitting energy, and energy efficiency and conservation.

The "Pan-Canadian Framework on Clean Growth and Climate Change" under the "Greenhouse Gas Pollution Pricing Act" put in place the legal mechanism for increasing the carbon tax in Canada by $15 per tonne annually and reaching $170 per tonne by 2030 beginning in 2023. Effective in 2023, the Province enacted amendments to the "Environment Act" which provided the framework for Nova Scotia to implement an OBPS to comply with these Government of Canada regulations. NSPI is a mandatory registrant under the OBPS.

The "Canadian Net-Zero Emissions Accountability Act" outlines the federal objective of attaining net-zero emissions by 2050. Further, the federal government's "2030 Emission Reduction Plan", required under the "Canadian Net-Zero Emissions Accountability Act", introduced the federal intention of attaining a net-zero electricity grid by 2035. On December 17, 2024, ECCC released a finalized version of the Clean Electricity Regulations (CER). The CER establish performance standards to significantly limit GHG emissions from fossil fuel–generated electricity starting in 2035 and help facilitate the Government of Canada's intention of achieving a net-zero electricity grid by the same year. NSPI continues to work with both the provincial and federal governments on measures to address their carbon dioxide reduction goals.

Renewable Energy Regulations:
The Province has established targets with respect to the percentage of renewable energy in NSPI's generation mix. Under the RER, the Company currently has a provincially mandated target of achieving at least 40 per cent of energy sales generated from renewable sources each year from 2020 through 2029. Beginning in 2030, the RER mandates that 80 per cent of electric sales be generated from renewable sources. Further, the Nova Scotia "Environmental Goals and Climate Change Reduction Act" established the goal to phase out coal-fired electricity generation by 2030. NSPI continues to work with both the provincial and federal governments on measures to address generation mix targets.

On April 6, 2023, the Province levied a $10 million penalty on NSPI for non-compliance with the RER compliance period ending in 2022. On May 26, 2023, NSPI initiated an appeal, through a proceeding with the NSEB, of the $10 million penalty levied on NSPI by the Province for non-compliance with the RER compliance period ending in 2022. The hearing concluded in 2025 and NSPI is awaiting a decision.

Nova Scotia Energy Reform Act:
On April 5, 2024, the Province enacted Bill 404 - Energy Reform (2024) Act. This legislation implements certain recommendations made by the Clean Electricity Solutions Task Force, which was established by the Province to advise the provincial government on Nova Scotia's transition away from coal to more renewable sources of energy. The legislation enacted the Energy and Regulatory Board Act, which established the NSEB. The NSEB will regulate energy and utility entities in Nova Scotia, with a mandate of increased focus on meeting energy transition demands. The legislation also enacts the More Access to Energy Act, which provides for the establishment and phased transition to the Nova Scotia Independent Energy System Operator. NSPI is fully engaged in working with the Province on these initiatives.

On October 15, 2025, the IESO Nova Scotia announced that the organization will be phased in over two phases during an 18-month period. On December 1, 2025, the first phase was complete following the transfer of system planning and interconnection functions. The second phase is expected to be complete in 2027 as the IESO Nova Scotia assumes responsibility for system operations.

Air Quality Regulations:
NSPI is subject to emission cap requirements for mercury, SO2 and nitrogen oxide ("NOx") as prescribed in the Regulations. The Regulations limit net mercury emissions to 35 kg per year for the period of 2020 through 2029. NSPI is eligible to remit 10 kg of mercury credits per year to comply with the annual cap. Beginning in 2021, emissions compliance periods for NOx came into effect, as outlined in the Regulations as follows:

Year	**NOx Caps (tonnes)**
2021-2024[1]	56,000
2025	11,500
2026-2029	44,000
2030	8,800

[1]NOx four-year cap for 2021-2024 is 56 tonnes, with no single year exceeding 14.995 tonnes.

Beginning in 2025, emissions compliance periods for SO2 came into effect, as outlined in the Certificate of Variance as follows:

Year	SO2 Caps (tonnes)
2025	45,000
2026	45,000
2027	40,000
2028	28,000
2030	9,000
2031	9,000
2032	9,000
2033	9,000
2034	9,000

NSPI is currently within, or forecasts the ability to meet, the prescribed limits for the current compliance periods. For the compliance periods ending in 2022, NSPI exceeded the prescribed limits for Mercury and SO2. As per the Regulations, NSPI can compensate for the excess Mercury and SO2 emissions within the three years following the year of exceedance, by reducing emissions equal to the amount of the excess emissions or can apply for an exemption by the Minister citing “unusual and unavoidable circumstances”. NSPI compensated for the excess mercury emissions within three years ending in 2025.

NSPI received a Certificate of Variance from NSECC on March 25, 2025, which provides flexibility on the timing of SO2 emissions over the 2025 through 2034 period, including compensating for the excess 14,410 tonnes of SO2 emissions in 2022. The flexibility lowers compliance costs for customers without increasing total emissions over the period.

These and new or revised environmental laws, regulations, policies, or interpretations of those laws, regulations or policies could result in a Material Adverse Effect by, among other things, preventing or delaying the development of energy infrastructure projects, restricting the use or output of certain facilities, requiring the early retirement of coal-fired generation, that could result in stranded costs, limiting the availability or use of certain fuels required for the production of electricity, requiring additional pollution control equipment, changing the nature and timing of capital investments, requiring significant capital investments, imposing operating or other costs associated with compliance including carbon taxes or emissions allowances, or by limiting or eliminating certain operations or rendering such operations uneconomical. Impacts could be more significant in the future as the result of new or revised laws or requirements or stricter or more expansive application of existing environmental laws, regulations and policies. Failure to recover environmental costs in a timely manner through rates may also result in a Material Adverse Effect.

In addition to imposing continuing compliance obligations, there are permit requirements, laws and regulations authorizing the imposition of penalties for non-compliance, exposing NSPI to legal or regulatory proceedings, disputes, civil fines, injunctive relief, criminal penalties and other sanctions, which could result in a Material Adverse Effect.

Weather Risk

A Material Adverse Effect may arise from weather seasonal variations impacting energy consumption, as well as severe weather events, changing air temperatures, wildfires and other severe weather conditions that are expected to become more frequent and intense in the future. Refer to “Climate Risk”.

The temperature, seasonal variations, and other weather conditions significantly influence the availability and demand for electricity, the price of energy commodities, such as fuel, and the production of electricity at power generation facilities. For example, NSPI could see lower sales in winter months if temperatures are warmer than expected.

Severe weather events or conditions such as hurricanes, floods, storm surge, tornadoes, droughts, fires, extreme temperatures, snow or ice storms, and other natural disasters create a risk of physical damage to the Company's assets and a risk of extended service outages or fuel supply disruptions. For example, high winds can cause widespread damage to transmission and distribution infrastructure, solar generation, and wind-powered generation. Substantially all of the Company's fossil fueled generation assets are located at or near coastal sites and, as such, are exposed to the separate and combined effects of rising sea levels and increasing storm intensity, including storm surges and flooding.

Severe weather events or conditions could reduce revenues and require the Company to incur additional costs, such as repair and replacement costs, costs of replacement power and fuel, increased insurance costs, impacting cash flows and resulting in the need to access additional financing sources. These could result in a Material Adverse Effect if not resolved or mitigated in a timely and efficient manner through insurance or regulatory cost recovery. This risk to transmission and distribution facilities is typically not insured, and as such the restoration cost is generally recovered through regulatory processes, either in advance through reserves, or after the fact through the establishment of regulatory assets. Recovery is not assured, is subject to prudency review, and may be subject to delay resulting in increased debt and debt servicing costs.

Severe weather events or other catastrophic natural disasters could also result in long-term reductions in demand for electricity or the slowing of customer growth in the Company's service territory, which could have a Material Adverse Effect.

High winds, lack of precipitation, and accumulation of fallen dead vegetation also increase the risk of wildfires resulting from the Company's infrastructure or for which the Company may otherwise have responsibility. If it is found to be responsible for such a fire, the Company could suffer material costs, losses and damages, all or some of which may not be recoverable through insurance, legal, regulatory cost recovery or other processes. If not recovered through these means or if recovery is delayed, they could result in a Material Adverse Effect. Resulting costs could include fire suppression costs, regeneration, timber value, increased insurance costs and costs arising from damages and losses incurred by third parties.

The Company purchases power from third-party owned hydroelectricity sources and operates hydroelectric generation in certain of its markets. Such generation depends on availability of water and the hydrological profile of water sources. Changes in precipitation patterns, water temperatures and air temperatures could adversely affect the availability of water and consequently the amount of electricity that may be produced from such facilities.

Climate Risk

Physical Risk:
Changes in climate may negatively impact the Company's operations as a result of increased frequency and intensity of weather events and related physical risks, any of which could result in a Material Adverse Effect (for more information refer to "Weather Risk" and "System Operating and Maintenance Risks"). An increase in physical risk associated with climate change can also adversely impact the cost and availability of insurance, insurance deductibles and self-retention, as well as credit ratings, which could affect credit risk spreads on new long-term debt and credit facilities, as well as their availability (refer to "Liquidity and Capital Markets Risk").

Transition Risk:
As government policy related to the environment, renewable energy, and decarbonization continues to shift, the Company is exposed to increased uncertainty and risk arising from policy, legal, regulatory, technology, and market changes, which could result in a Material Adverse Effect. The energy transition will require the Company to address changes to environmental policies, laws and regulations (refer to "Changes in Environmental Legislation"). The Company's ability to address transition risk for the long-term is impacted by this increased policy uncertainty and the need to balance stakeholder expectations for reliability and affordability of energy.

The Company will be required to manage the impacts of these ongoing changes on customer demand and rates, while maintaining and integrating intermittent renewable energy and new technologies, making investments required to meet new resiliency and security standards, and adapting the Company's infrastructure and generating capacity to meet load growth, changing customer demands and usage patterns. The energy transition and the ability of the Company to achieve government mandated environmental requirements will require significant capital investment and is dependent upon many factors which are outside of the Company's direct control, including the actions of governments, regulators, independent system operators, independent power producers, interconnected utilities, Indigenous communities, other stakeholders, the development and commercialization of new and emerging technologies, and the use of offsets. These external factors and legislative, policy, or regulatory changes may cause the pace of the energy transition (including emissions reductions and the addition of more renewable energy) to materially differ from some stakeholder expectations. Depending on the regulatory response to government legislation and regulations, the Company may be exposed to the risk of reduced recovery through rates in respect of the affected assets.

Given concerns regarding carbon-emitting generation, assets and businesses may, over time, become difficult or uneconomic to insure in commercial insurance markets. Some insurance companies have limited their exposure to coal-fired electricity generation and are evaluating the medium and long-term impacts of changes in climate which may result in less insurance capacity, more restrictive coverage and increased premiums in the future. The Company could also face litigation or regulatory action related to environmental harms from GHG emissions or failure to substantiate certain environmental claims.

The failure to effectively respond to risks associated with changes in climate could adversely affect the Company's ability to deliver safe, reliable, and cost-effective service, the Company's reputation with stakeholders, its ability to operate and grow, and the Company's access to, and cost of, capital, each of which could result in a Material Adverse Effect.

Cybersecurity Risk

NSPI is exposed to potential risks related to cyberattacks, data breaches, cyber-extortion, and unauthorized access that could result in a Material Adverse Effect. The Company increasingly relies on IT systems, networks and cloud infrastructure, and third-party service providers to effectively manage and safely operate its assets. This includes controls for interconnected systems of generation, distribution and transmission as well as financial, billing and other enterprise systems. As the Company operates critical energy infrastructure, it may be at greater risk of cyberattacks, which could include those from nation-state cyber threat actors. Major emerging and ongoing global conflicts may also elevate this risk, by increasing the sophistication, magnitude, and frequency of cyberattacks.

Cyberattacks can reach the Company's assets and information via their interfaces with third parties or the public internet and gain access to critical and non-critical infrastructures. Cyberattacks can also occur via personnel with access to critical assets or trusted networks. Methods used to attack critical assets could include generic or energy-sector-specific malware delivered via network transfer, removable media, attachments, links in e-mails or other communications, or social engineering. The methods used by attackers are continuously evolving and can be difficult to predict and detect and may become more sophisticated, frequent, severe, and difficult to stop to the extent that attackers are able to leverage evolving artificial intelligence ("AI") models or tools.

Despite security measures in place, the Company's systems, assets and information could experience security breaches that could cause system failures, disrupt energy supply and delivery, business operations, or adversely affect safety. Such breaches could compromise customer, employee-related or other information systems and could result in loss of service to customers, unavailability of critical assets, safety issues, compromise billing and customer-facing information, such as outage maps, disrupt internal control and financial and back office processes, or result in the release, loss, corruption, destruction, and/or misuse of critical, sensitive, confidential or proprietary information, intellectual property, or personal information of customers or employees. These breaches could also delay delivery or result in contamination or degradation of hydrocarbon products the Company transports, stores or distributes.

Cyberattacks or unauthorized access may cause lost revenues, costs, losses, regulatory penalties and third-party damages all, or some of which may not be recoverable through insurance, legal, regulatory cost recovery or other processes. To the extent that the Company maintains cybersecurity insurance coverage, such coverage is subject to aggregate limits that, depending on the scope and scale of impacts to the Company, are more likely to be exhausted as a result of a sophisticated single cyberattack or if multiple events were to occur within a single policy period. There is no guarantee that the Company will be able to renew such coverage on acceptable terms in the future. Resulting costs could include, amongst others, response, recovery and remediation costs, increased protection or insurance costs and costs arising from damages and losses incurred by third parties. This could result in a Material Adverse Effect and there is no assurance that cyberattacks, or other security breaches can be adequately addressed in a timely manner.

The Company seeks to manage these risks by aligning to a common set of cybersecurity standards and policies derived, in part, on the National Institute of Standards and Technology's Cyber Security Framework, by following program maturity objectives, through periodic security assessments, exercising and improving cybersecurity incident readiness and response programs, by hiring third-party cybersecurity experts, and employee communication and training. With respect to certain of its assets, the Company is required to comply with rules and standards relating to cybersecurity and IT including, but not limited to, those mandated by bodies such as the North American Electric Reliability Corporation and Northeast Power Coordinating Council that have been approved by the NSEB. The status of key elements of the Company's cybersecurity program is reported to the Board of Director on a quarterly basis. The recruitment and retention of qualified cybersecurity talent is a global issue, and difficulties in securing such resources may adversely impact the Company's ability to address these risks.

Energy Consumption Risk

NSPI is affected by demand for energy based on changing customer patterns due to fluctuations in a number of factors including general economic conditions, weather events, customers' focus on energy efficiency, changes in rates, and advancements in new technologies, such as rooftop solar, electric vehicles, data centers, and battery storage. Government policies promoting energy efficiency, distributed generation, and new technology developments that enable those policies, have the potential to impact how electricity enters the system and how it is bought and sold. In addition, increases in distributed generation may impact demand resulting in lower load and revenues. These changes could negatively impact NSPI's operations, rate base, net earnings and cash flows and result in a Material Adverse Effect.

Foreign Exchange Risk

The Company is exposed to foreign currency exchange rate changes. NSPI may enter foreign exchange forward and swap contracts to limit exposure on certain foreign currency transactions such as fuel purchases and capital investment. Currency forwards are used to fix the CAD cost to acquire USD, reducing exposure to currency rate fluctuations. NSPI's regulatory framework permits the recovery of prudently incurred costs, including foreign exchange. The Company does not utilize derivative financial instruments for foreign currency trading or speculative purposes.

The risk due to fluctuation of the CAD against the USD for fuel purchases is measured and managed. In 2026, NSPI expects approximately 41 per cent of its anticipated net fuel costs to be denominated in USD. Forward contracts to buy $175 million USD were in place as at December 31, 2025, at a weighted average rate of $1.3569, representing 64 per cent of 2026 anticipated USD requirements. Forward contracts to buy $62 million USD in 2027 at a weighted average rate of $1.3541 were in place as at December 31, 2025. These contracts cover 27 per cent of anticipated USD requirements in 2027. As at December 31, 2025, there were no fuel-related foreign exchange swaps outstanding. NSPI reassesses foreign exchange forecasts periodically and will enter into additional hedges or unwind existing hedges, as required.

Liquidity and Capital Market Risk

Liquidity risk relates to NSPI's ability to ensure sufficient funds are available to meet its financial obligations. NSPI's access to capital and cost of borrowing is subject to several risk factors, including financial market conditions, market disruptions and ratings assigned by credit rating agencies. Disruptions in capital markets could prevent NSPI from issuing new securities or cause the Company to issue securities with less than preferred terms and conditions. NSPI's operations require significant capital investments and the risk associated with changes in interest rates that could have an adverse effect on the cost of financing. Inability to access cost-effective capital could have a material impact on NSPI to fund its operations. The Company's future access to capital and cost of borrowing may be impacted by various market disruptions.

The Company is subject to financial risk associated with changes in its credit ratings. There are a number of factors that rating agencies evaluate to determine credit ratings, including the Company's business, its regulatory framework and legislative environment, political interference in the regulatory process, the ability to recover costs and earn returns, diversification, leverage, liquidity and increased exposure to impacts related to changes in climate, including increased frequency and severity of hurricanes, wildfires, and other severe weather events. A decrease in a credit rating could result in higher interest rates in future financings or increased borrowing costs under certain existing credit facilities. For certain derivative instruments, if the credit ratings of the Company were reduced below investment grade, the full value of the net liability of these positions could be required to be posted as collateral.

General Economic Risk

The Company has exposure to the macro-economic conditions in Nova Scotia. Like most utilities, economic factors such as consumer income, employment and housing affect demand for electricity, and in turn the Company's financial results. Adverse changes in general economic conditions and inflation may impact the ability of customers to afford rate increases arising from increases to fuel, operating, capital, environmental compliance, and other costs, and therefore could have a Material Adverse Effect. This may also result in higher credit and counterparty risk, adverse shifts in government policy and legislation, and/or increased risk to full and timely recovery of costs and regulatory assets.

Interest Rate Risk:
NSPI utilizes a combination of fixed and floating rate debt financing for operations and capital expenditures, resulting in an exposure to interest rate risk.

The allowed range of ROE will generally follow the direction of interest rates, such that it is likely to fall in times of reducing interest rates and raise in times of increasing interest rates, albeit not directly and generally with a lag period reflecting the regulatory process. The cost of debt is a component of rates and prudently incurred debt costs are recovered from customers.

Interest rates could also be impacted by changes in credit ratings. For more information, refer to "Liquidity and Capital Market Risk".

As at December 31, 2025, 75 per cent of NSPI's debt position is fixed rate in nature, with an average term to maturity of approximately 17 years.
Inflation Risk:
The Company may be exposed to changes in inflation that may result in increased operating and maintenance costs, capital investment, and fuel costs compared to the revenues provided by customer rates.

Public Health Crisis Risk

An outbreak of infectious disease, a pandemic or other public health threats, or a fear of any of the foregoing, could result in a Material Adverse Effect to NSPI. This could include causing operating, supply chain and project development delays and disruptions, labour shortages and shutdowns (including as a result of government regulation and prevention measures), which could have a negative impact on the Company's operations.

Any adverse changes in general economic and market conditions arising as a result of a public health threat could negatively impact demand for electricity, revenue, operating costs, timing and extent of capital investments, capital market activities, and counterparty risk; which could result in a Material Adverse Effect.

Health and Safety

The Company's operations inherently involve risk to the health and safety of employees, contractors and members of the public. Personal injury or loss of life could result from failure to implement or observe appropriate health and safety procedures or comply with health and safety laws and regulations could result in adverse operational, reputational, legal, regulatory, or financial impacts, any of which could have a Material Adverse Effect.

Project Development and Land Use Rights Risk

The Company's capital plan includes significant investment in generation, infrastructure modernization and customer-focused technologies. Any projects planned or currently in construction, particularly significant capital projects, may be subject to risks that could result in a Material Adverse Effect including, but not limited to, impact on costs from schedule delays, increased demand for renewable energy inputs, risk of cost overruns, ensuring compliance with operating and environmental requirements and other events within or beyond the Company's control. The Company's projects may also require approvals and permits at the federal, provincial and municipal levels. There is no assurance that NSPI will be able to obtain the necessary project approvals or applicable permits or receive regulatory approval to recover the costs in rates.

Some of the Company's assets are located on land owned by third parties, including Indigenous Peoples, and may be subject to land claims. Present or future assets may be located on lands that have been used for traditional purposes and therefore subject to specific consultations, consents, or conditions for development or operation. If the Company's rights to locate and operate its assets on any such lands are subject to expiry or become invalid, it may incur material costs to renew rights or obtain such rights. If reasonable terms for land-use rights cannot be negotiated, the Company may incur significant costs to remove and relocate its assets and restore the land. Additional costs incurred could cause projects to be uneconomical to proceed.

Counterparty Credit Risk

The Company is exposed to risk related to its reliance on certain key partners, suppliers, and customers any of which may endure financial challenges resulting from commodity price and market volatility, economic instability or adversity, adverse political or regulatory changes and other causes which may cause or contribute to such parties' insolvency, bankruptcy, restructuring or default on their contractual obligations to NSPI. The Company is also exposed to potential losses related to amounts receivable from customers, energy marketing collateral deposits and derivative assets due to a counterparty's non-performance under an agreement.

There is no assurance that management strategies will be effective, and significant counterparty defaults could result in a Material Adverse Effect.

Commercial Relationship Risk

The Company is exposed to commercial relationships risk in respect of its reliance on certain key partners, suppliers and customers. For the year ended December 31, 2025, NSPI's five largest customers contributed approximately 7 per cent (2024 – 9 per cent) of electric revenues. The loss of a large customer could have a material effect on NSPI's operating revenues and could have a Material Adverse Effect.

Supply Chain Risk

NSPI's ability to meet customer energy requirements, respond to storm-related disruptions and invest in capital in a cost-effective and timely manner are dependent on maintaining an efficient supply chain. Domestic and global supply chain issues may delay the delivery, increase the cost, or result in shortages of certain materials, fuel, equipment and other resources that are critical to the Company's operations. These disruptions may be further exacerbated by trade restrictions, inflationary pressures, labor shortages, more frequent and severe weather events, government incentives increasing demand for clean energy projects, changes in carbon-related costs, policies and regulations, and the impact of international conflicts. In addition, the imposition of custom duties or other tariffs, or an increase in trade restrictions in the future could have a Material Adverse Effect.

Fuel Supply Disruptions:
NSPI is also exposed to the risk of fuel supply chain disruptions, both within and outside NSPI's service territory. Fuel supply disruptions which may be caused by damage to, operational issues with, terrorist or cyberattacks on, impacts of severe weather or natural disasters on, third party fuel production, storage, pipeline, and distribution facilities. A significant unanticipated fuel supply disruption could result in increased exposure to commodity price risk for NSPI, disruption to utility operations, and adverse reputational impacts, any of which could have a Material Adverse Effect.

Commodity Price Risk

The Company's fuel supply is subject to commodity price risk.

The Company's fuel supply is exposed to broader global market conditions, which may include impacts on delivery reliability and price, despite contracted terms. Supply and demand dynamics in fuel markets can be affected by a wide range of factors which are difficult to predict and may change rapidly, including but not limited to, currency fluctuations, changes in global economic conditions, natural disasters, transportation or production disruptions, and geo-political risks, such as political instability, conflicts, changes to international trade agreements, tariffs, trade sanctions or embargos.

Prolonged and substantial increases in fuel prices could result in decreased rate affordability, increased risk of recovery of costs or regulatory assets, and/or negative impacts on customer consumption patterns and sales, any of which could result in a Material Adverse Effect.

Subject to available liquidity in suitable hedging products, NSPI targets to be 50-100 per cent hedged for 2026 and 50-90 per cent hedged for 2027. NSPI reassesses fuel consumption forecasts quarterly and will enter into additional hedges or unwind existing hedges, as required, to rebalance the portfolio and ensure the objective of fuel cost stability is maintained while minimizing transaction costs.

Coal:
A substantial portion of NSPI's coal supply comes from international suppliers, which was contracted at or near the market prices prevailing at the time of contract. The Company has entered into fixed-price and index price contractual arrangements for forecast quantities of coal with several suppliers, as part of the fuel procurement portfolio strategy. As at December 31, 2025, the approximate percentage of forecast coal requirements hedged is 81 per cent for 2026 and 8 per cent for 2027.

Petcoke:
As at December 31, 2025, the approximate percentage of forecast petcoke requirements for 2026 is 23 per cent.

Natural Gas:
NSPI periodically enters into physical and/or financial contracts based on forecast natural gas consumption to meet load and system security requirements. Volumes exposed to market prices are managed using financial instruments in accordance with NSPI's hedging program. As at December 31, 2025, the approximate percentage of forecast natural gas requirements hedged for 2026 is 99 per cent and 2027 is 55 per cent.

Heavy Fuel Oil:
NSPI periodically enters into physical and/or financial contracts based on forecast heavy fuel oil purchases to meet load and system security requirements. Volumes exposed to market prices are managed using financial instruments in accordance with NSPI's hedging program. As at December 31, 2025, forecast heavy fuel oil requirements are fully hedged for 2026.

Power Purchases:
NSPI has fixed price agreements relating to NLH's NS Block energy delivery obligations and power purchase agreements with IPPs. NSPI also periodically enters into additional physical and/or financial contracts based on forecast power purchases to meet load and system security requirements. Volumes exposed to market prices are managed using financial instruments in accordance with NSPI's hedging program. As at December 31, 2025, the approximate percentage of forecast power purchase requirements hedged is 84 per cent for 2026 and 48 per cent hedged for 2027.

Future Employee Benefit Plan Performance and Funding Risk

NSPI has both defined benefit and defined contribution employee benefit plans that cover both employees and retirees. The defined benefit plan is closed to new entrants. The cost of providing the defined benefit plan varies depending on the plan provisions, interest rates, inflation, investment performance and actuarial assumptions concerning the future. Actuarial assumptions include earnings on plan assets, discount rates (interest rates used to determine funding levels, contributions to the plans and the pension and post-retirement liabilities) and expectations around future salary growth, inflation and mortality. The three largest drivers of costs are investment performance, interest rates and inflation, which are affected by global financial and capital markets. Depending on future interest rates, future inflation and actual versus expected investment performance, NSPI could be required to make larger contributions in the future to fund these plans, which could have a Material Adverse Effect.

Labour Risk

NSPI's ability to deliver service to its customers depends on attracting, developing and retaining a skilled workforce. Utilities are faced with demographic challenges related to trades, technical staff and engineers with an increasing number of employees expected to retire over the next several years. Failure to attract, develop and retain an appropriately qualified workforce could have a Material Adverse Effect.

Approximately 42 per cent of the full-time and term employees within the NSPI labour force are represented by a union and subject to a collective labour agreement, which expires March 31, 2026. The inability to maintain or negotiate future agreements on acceptable terms could result in high labour costs and work disruptions, which could adversely affect service, which could adversely affect service to customers and have a Material Adverse Effect. There have been no labour disruptions since 1975.

Technology Risk

NSPI relies on various technology systems to manage operations, including increasing reliance on IT solutions operated by third parties, such as software as a service and third party cloud hosting. This subjects NSPI to inherent costs and risks associated with maintaining, upgrading, replacing and changing these systems. This includes impairment of its operations, potential disruption of internal control systems, substantial capital investment, demands on management time and other risks of delays, difficulties in upgrading existing systems, transitioning to new systems or integrating new systems into its current systems. Technological reliance may increase vulnerability to cyberattacks and data breaches and increase operational reliance on technology systems and third parties. The rapid evolution of AI has the potential to disrupt existing business models and markets and could result in a Material Adverse Effect. If the Company does not successfully integrate AI in a timely and cost-effective manner, it may not fully realize anticipated efficiencies, cost savings, or service improvements. If AI systems or tools do not operate as expected, it could result in adverse operational, safety, reputational, financial, legal, privacy, data security, or other outcomes. NSPI's digital transformation strategy, including investment in infrastructure modernization, emerging technologies such as Generative AI, and customer focused technologies, is driving increased investment in technology solutions, resulting in increased project risks associated with the implementation of these solutions.

Income Tax Risk

The computation of the Company's provision for income taxes is impacted by changes in tax legislation in Canada, and any such changes could have a Material Adverse Effect. The value of NSPI's existing deferred income tax assets and liabilities are determined by existing tax laws and could be negatively impacted by changes in laws.

System Operating and Maintenance Risks

The safe and reliable operation of electric generation transmission and distribution systems is critical to NSPI's operations. There are a variety of hazards and operational risks inherent in operating electric utilities. Electric generation, transmission and distribution operations can be impacted by risks such as mechanical failures, supply chain issues impacting timely access to critical equipment, activities of third parties, terrorism, cyberattacks, human error, damage to facilities and infrastructure caused by hurricanes, storms, falling trees, lightning strikes, floods, fires, other natural disasters. Electric utility transmission and distribution operation interruption could negatively affect customer and public confidence, and public safety, cause damage to our infrastructure or third-party property, and have a Material Adverse Effect.

Insurance, warranties, or recovery through regulatory mechanisms may not cover any or all of these losses, which could have a Material Adverse Effect. The regulatory framework for NSPI permits the recovery of prudently incurred costs.

Uninsured Risk

NSPI maintains insurance to cover accidental loss suffered to its facilities, and to provide indemnity in the event of liability to third parties. A significant portion of NSPI's transmission and distribution assets are not insured, as is customary in the industry, as the cost of coverage is prohibitive. In addition, NSPI accepts deductibles and self-insured retentions under its various insurance policies. Insurance is subject to coverage limits as well as time sensitive claims discovery and reporting provisions and there can be no assurance that the types of liabilities or losses that may be incurred will be covered by insurance.

The occurrence of significant uninsured claims, claims in excess of the insurance coverage limits, or claims that fall within a significant self-insured retention could have a Material Adverse Effect, if regulatory recovery is not available.

RISK MANAGEMENT INCLUDING FINANCIAL INSTRUMENTS

NSPI's risk management policies and procedures provide a framework through which management monitors various risk exposures. The risk management policies and practices are monitored by the Board of Directors. The Company has established a number of processes and practices to identify, monitor, report on and mitigate material risks to the Company, including the establishment of the Credit Risk Oversight Committee. Furthermore, a corporate team independent from operations is responsible for tracking and reporting on market and credit risks. Management reports quarterly on non-financial risks to the Board of Directors.

The Company manages its exposure to normal operating and market risks relating to commodity prices, and foreign exchange, through contractual protections with counterparties where practicable, and by using financial instruments consisting mainly of foreign exchange forwards and swaps, and coal, oil, natural gas and purchased power options, forwards and swaps. Collectively these contracts are considered derivatives.

The Company recognizes the fair value of all its derivatives on its balance sheet, except for non-financial derivatives that meet the normal purchases and normal sales ("NPNS") exception. A physical contract generally qualifies for the NPNS exception if the transaction is reasonable in relation to the Company's business needs, the counterparty owns or controls resources within the proximity to allow for physical delivery, the Company intends to receive physical delivery of the commodity, and the Company deems the counterparty creditworthy. The Company continually assesses contracts designated under the NPNS exception and will discontinue the treatment of these contracts under this exemption where the criteria are no longer met.

Derivatives entered into by NSPI, that are documented as economic hedges or that do not qualify for NPNS exception, are subject to regulatory accounting treatment, as approved by the NSEB. These derivatives are recorded at fair value on the balance sheet as derivative assets or liabilities. The change in fair value of the derivatives is deferred to a regulatory asset or liability. The realized gain or loss is recognized when the hedged item settles in fuel for generation and purchased power, inventory or PP&E, depending on the nature of the item being economically hedged. Management believes that any gains or losses resulting from settlement of these fuel related derivatives will be refunded or collected from customers in future rates through the FAM.

Regulatory Items Recognized on the Consolidated Balance Sheets

The Company has the following categories on the Consolidated Balance Sheets related to derivatives receiving regulatory deferral:

As at millions of dollars	**December 31 2025**	December 31 2024
Derivative instrument assets (current and other assets)	**$ 24**	$ 44
Regulatory assets (current and other assets)	**27**	40
Derivative instrument liabilities (current and long-term liabilities)	**(26)**	(38)
Regulatory liabilities (current and long-term liabilities)	**(25)**	(44)
Net asset	**$ -**	$ 2

Regulatory Impact Recognized in Net Income

The Company recognized the following net (losses) gains in income related to derivatives receiving regulatory deferral:

For the millions of dollars	Year ended December 31 **2025**	2024
Fuel for generation and purchased power (1)	**$ (12)**	$ (36)

(1) Realized (losses) gains on derivative instruments settled and consumed in the period; hedging relationships that have been terminated or the hedged transaction is no longer probable. Realized (losses) gains recorded in inventory will be recognized in "Fuel for generation and purchased power" when the hedged item is consumed.

Various valuation techniques are used to determine the fair value of derivative instruments at the reporting date. These may include quoted market prices or internal models using observable or non-observable market information.

DISCLOSURE AND INTERNAL CONTROLS

In accordance with National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the Company's annual consolidated financial statements and annual MD&A. This Venture Issuer Basic Certificate is not required to include representations relating to the establishment and maintenance of:

I. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation ("DC&P); and
II. a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP ("ICFR").

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that limitations on the certifying officers' design and implementation on a cost effective basis of DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

CHANGE IN ACCOUNTING POLICY

The new USGAAP accounting policy that is applicable to, and adopted by the Company in 2025, is described as follows:

Improvements to Income Tax Disclosures

The Company adopted Accounting Standard Update ("ASU") 2023-09, Income Taxes (Topic 740), Improvements to Income Tax Disclosures, effective December 31, 2025. The standard enhances the transparency, decision usefulness and effectiveness of income tax disclosures by requiring consistent categories and greater disaggregation of information in the reconciliation of income taxes computed using the enacted statutory income tax rate to the actual income tax provision and effective income tax rate, as well as the disaggregation of income taxes paid (refunded) by jurisdiction. Adoption of the standard resulted in additional disclosure provided in note 7.

SUMMARY OF QUARTERLY RESULTS

For the quarter ended millions of dollars		**Q4 2025**	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Operating revenues	**$**	**504** $	405 $	436 $	599 $	479 $	399 $	423 $	554
Net income	**$**	**22** $	3 $	6 $	110 $	71 $	14 $	18 $	57

Quarterly operating revenues and net income are affected by seasonality. The first quarter is the strongest period, reflecting colder weather and fewer daylight hours. Seasonality and other weather patterns, including the number and severity of storms, can affect demand for energy and the cost of service.

Q4 2025 compared to Q4 2024
Q4 2025 net income decreased by $49 million compared to Q4 2024. The decrease is due to decreased income tax recovery and increased OM&G expenses. Income tax recovery decreased due to the utilization of tax loss carryforwards recognized as a deferred income tax regulatory liability in 2024 and decreased tax deductions in excess of accounting depreciation related to PP&E. OM&G expenses increased due to higher storm costs and costs related to the Cybersecurity Incident.

Q3 2025 compared to Q3 2024
Q3 2025 net income decreased by $11 million compared to Q3 2024. The decrease is due to increased OM&G expenses, and increased depreciation and amortization due to increased PP&E in service. OM&G expenses increased due to higher costs for transmission and distribution operations, and power generation operations, partially offset by higher administrative overhead allocated to PP&E.

Q2 2025 compared to Q2 2024
Q2 2025 net income decreased by $12 million compared to Q2 2024. The decrease is due to increased OM&G expenses, and increased depreciation and amortization due to increased PP&E in service. OM&G expenses increased due to higher costs for power generation operations and costs related to the Cybersecurity Incident (for further details on the Cybersecurity Incident refer to the "Developments" section), partially offset by higher administrative overhead allocated to PP&E.

Q1 2025 compared to Q1 2024
Q1 2025 net income increased by $53 million compared to Q1 2024. The increase is due to decreased income tax expense due to recognition of clean technology investment tax credits in 2025 and increased operating revenues due to increased sales volumes primarily driven by favourable weather.

SUMMARY OF SELECTED ANNUAL CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth selected annual consolidated financial information of the Company for the three years ended December 31:

millions of dollars		**2025**		2024		2023
Operating revenues	**$**	**1,944**	$	1,855	$	1,671
Net income	**$**	**141**	$	160	$	141
Total assets	**$**	**8,084**	$	7,117	$	7,221
Total long-term debt	**$**	**3,615**	$	3,217	$	3,868