

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
March 31, 2025
(Unaudited)

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Unaudited)

<i>As at (thousands of Canadian dollars)</i>	<i>Notes</i>	March 31 2025	December 31 2024
ASSETS			
Current assets			
Cash		234,511	234,196
Restricted cash		340,560	323,034
Trade and other receivables		1,680	1,336
Related party receivable	12	58,389	61,255
Other current assets		7,349	6,402
Total current assets		642,489	626,223
Non-current assets			
Property, plant and equipment	3	4,900,786	4,919,323
Intangible assets		69,973	71,306
Right-of-use assets		586	586
Total assets		5,613,834	5,617,438
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	4	60,125	39,881
Contract liability	5	1,920	2,171
Current portion of long-term debt	6	21,000	21,000
Current portion of Class B limited partnership units	7	95,380	94,664
Related party promissory note	12	705,342	705,342
Current portion of lease liabilities		4	4
Total current liabilities		883,771	863,062
Non-current liabilities			
Long-term debt	6	3,640,043	3,637,873
Class B limited partnership units	7	872,372	884,747
Lease liabilities		634	634
Total liabilities		5,396,820	5,386,316
Shareholder's equity			
Share capital	8	1,001,498	1,051,580
Shareholder contributions		24,804	24,804
Deficit		(809,288)	(845,262)
Total equity		217,014	231,122
Total liabilities and equity		5,613,834	5,617,438

Commitments and contingencies (Note 13)

See accompanying notes

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION
CONSOLIDATED STATEMENT OF PROFIT AND COMPREHENSIVE INCOME
(Unaudited)

<i>For the period ended March 31 (thousands of Canadian dollars)</i>	Notes	Three months ended	
		2025	2024
Revenue	12	107,112	106,226
Other income		86	-
Total revenue		107,198	106,226
Operating costs	9	529	1,503
Depreciation and amortization		23,311	23,317
Net finance expense	10	47,384	40,844
Total expenses		71,224	65,664
Total profit and comprehensive income for the period		35,974	40,562

See accompanying notes

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Unaudited)

<i>(thousands of Canadian dollars)</i>	Note	Share Capital	Shareholder Contributions	Deficit	Total
Balance at January 1, 2025		1,051,580	24,804	(845,262)	231,122
Total profit and comprehensive income for the period		-	-	35,974	35,974
Reduction of share capital	8	(50,082)	-	-	(50,082)
Balance at March 31, 2025		1,001,498	24,804	(809,288)	217,014
Balance at January 1, 2024		1,321,909	-	(994,173)	327,736
Total profit and comprehensive income for the period		-	-	40,562	40,562
Reduction of share capital		(162,855)	-	-	(162,855)
Balance at March 31, 2024		1,159,054	-	(953,611)	205,443

See accompanying notes

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

<i>For the period ended March 31 (thousands of Canadian dollars)</i>		Three months ended	
	Notes	2025	2024
Operating activities			
Profit for the period		35,974	40,562
Adjustments to reconcile profit to cash provided from operating activities:			
Depreciation and amortization		23,311	23,317
Finance income	10	(5,091)	(5,323)
Finance expense	10	52,475	46,167
		106,669	104,723
Changes in non-cash working capital balances	14	(1,224)	4,032
Change in contract liability		(251)	1,616
Interest received		5,120	5,550
Interest paid		(9,920)	(9,941)
Net cash provided from operating activities		100,394	105,980
Investing activities			
Additions to property, plant and equipment	3	(3,345)	(3,509)
Additions to intangible assets		(96)	(41)
Decrease in related party receivable		2,866	2,633
Changes in non-cash working capital balances	14	513	(2,610)
Net cash used in investing activities		(62)	(3,527)
Financing activities			
Increase in restricted cash		(17,526)	(17,588)
Distributions of Class B limited partnership units	7	(32,409)	(24,208)
Reduction of share capital	8	(50,082)	(162,855)
Net cash used in financing activities		(100,017)	(204,651)
Net increase (decrease) in cash		315	(102,198)
Cash, beginning of the period		234,196	103,030
Cash, end of the period		234,511	832

See accompanying notes

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

1. DESCRIPTION OF BUSINESS

Labrador-Island Link Holding (2021) Corporation (LIL Holdco (2021)) was incorporated on February 4, 2022 under the laws of the Province of Newfoundland and Labrador. LIL Holdco (2021)'s head office is located at 500 Columbus Drive, St. John's, Newfoundland and Labrador, A1B 0M4, Canada.

LIL Holdco (2021) is a 100% owned subsidiary of Newfoundland and Labrador Hydro (Hydro) and is a limited partner in the LIL (2021) Limited Partnership (LIL (2021) LP). LIL Holdco (2021), together with the Labrador-Island Link General Partner (2021) Corporation (LIL GP (2021)) represents Hydro's interests in LIL (2021) LP. LIL Holdco (2021) holds all of the Class A partnership units and LIL GP (2021) holds the only general partnership unit of LIL (2021) LP.

LIL (2021) LP holds 100% interest in Labrador-Island Link Holding Corporation (LIL Holdco). LIL Holdco, together with the Labrador-Island Link General Partner Corporation (LIL GP), represent Hydro's interests in Labrador-Island Link Limited Partnership (LIL LP). KKR Island Link Incorporated (KKR) is the remaining limited partner of LIL LP. LIL LP was established to carry on the business of designing, engineering, constructing, commissioning, owning, financing and sustaining the assets and property constituting the Labrador-Island Link (LIL). LIL LP has entered into the LIL Lease and the Transmission Funding Agreement (TFA) with Labrador-Island Link Operating Corporation (LIL Opco) and Hydro. These agreements effectively provide Hydro with transmission services over the LIL. LIL Opco maintains and operates the LIL on behalf of LIL LP.

LIL (2021) LP is administering a Federal Government of Canada (Canada) investment in the form of a committed convertible debenture in the amount of \$1 billion, which may be drawn in amounts of up to \$150 million per year. The convertible debenture is convertible at the sole option of Canada into Class B Units of LIL (2021) LP following the earlier of the full advance of the committed debenture balance and December 31, 2041.

- 1.1** Effective January 1, 2025, Nalcor Energy and its wholly owned subsidiary Newfoundland and Labrador Hydro were legislatively amalgamated into Hydro, a new legal corporation that continues under the name "Newfoundland and Labrador Hydro". The amalgamation was accounted for as a business combination under common control. Upon the amalgamation, LIL Holdco (2021) is wholly owned and controlled by the amalgamated entity (Hydro).

2. MATERIAL ACCOUNTING POLICIES

2.1 Statement of Compliance and Basis of Measurement

These condensed consolidated interim financial statements have been prepared in accordance with *International Accounting Standard 34 - Interim Financial Reporting* and have been prepared using accounting policies consistent with those used in the preparation of the annual audited consolidated financial statements for the year ended December 31, 2024.

These condensed consolidated interim financial statements do not include all of the disclosures normally found in LIL Holdco (2021)'s annual audited consolidated financial statements and should be read in conjunction with the annual audited consolidated financial statements.

These condensed consolidated interim financial statements have been prepared on a historical cost basis and are presented in Canadian Dollars (CAD) with all values rounded to the nearest thousand, except when otherwise noted. The Board of Directors of LIL Holdco (2021) has delegated the authority to approve the condensed consolidated interim financial statements to the Audit Committee of the Board of Directors of Hydro, which approved the condensed consolidated interim financial statements on May 14, 2025.

2.2 Basis of Consolidation

These condensed consolidated interim financial statements include the financial statements of LIL Holdco (2021), LIL (2021) LP, LIL Holdco, and LIL LP. Intercompany transactions and balances have been eliminated upon consolidation.

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

3. PROPERTY, PLANT AND EQUIPMENT

<i>(thousands of Canadian dollars)</i>	Transmission and Terminals	Service Facilities and Other	Construction in Progress	Total
Cost				
Balance at January 1, 2024	5,014,193	50,344	7,108	5,071,645
Additions	-	-	22,072	22,072
Disposals	(10,747)	(112)	(1,279)	(12,138)
Transfers	7,607	515	(8,122)	-
Balance at December 31, 2024	5,011,053	50,747	19,779	5,081,579
Additions	-	-	3,345	3,345
Adjustments	-	-	198	198
Transfers	4,481	(21)	(4,460)	-
Balance at March 31, 2025	5,015,534	50,726	18,862	5,085,122
Depreciation				
Balance at January 1, 2024	64,461	9,549	-	74,010
Depreciation	86,042	2,368	-	88,410
Disposals	(61)	(103)	-	(164)
Balance at December 31, 2024	150,442	11,814	-	162,256
Depreciation	21,492	588	-	22,080
Balance at March 31, 2025	171,934	12,402	-	184,336
Carrying value				
Balance at January 1, 2024	4,949,732	40,795	7,108	4,997,635
Balance at December 31, 2024	4,860,611	38,933	19,779	4,919,323
Balance at March 31, 2025	4,843,600	38,324	18,862	4,900,786

4. TRADE AND OTHER PAYABLES

<i>As at (thousands of Canadian dollars)</i>	Note	March 31 2025	December 31 2024
Accrued interest		29,427	9,809
Trade payables and accruals		24,306	23,488
HST payable		5,527	5,391
Due to related parties	12	865	1,193
		60,125	39,881

5. CONTRACT LIABILITY

<i>As at (thousands of Canadian dollars)</i>	March 31 2025	December 31 2024
Contract liability, beginning of the period	2,171	11,518
Revenue recognized	(107,112)	(426,318)
Payments	106,861	416,971
Contract liability, end of the period	1,920	2,171

The contract liability represents the timing difference between the satisfaction of performance obligations to LIL Opco under the LIL Lease and the timing of commercial payments.

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

6. LONG-TERM DEBT

The following table represents the value of long-term debt measured at amortized cost:

<i>As at (thousands of Canadian dollars)</i>	Face Value	Coupon Rate %	Year of Issue	Year of Maturity	March 31 2025	December 31 2024
Tranche A	725,000	3.76	2013	2033	725,128	725,131
Tranche B	600,000	3.86	2013	2045	600,074	600,075
Tranche C	1,075,000	3.85	2013	2053	1,075,162	1,075,163
Tranche 10	10,500	1.75	2017	2025	10,500	10,500
Tranche 11-20	105,000	1.84-2.37	2017	2025-2030	105,008	105,009
Tranche 21-30	105,000	2.41-2.64	2017	2030-2035	105,029	105,030
Tranche 31-40	105,000	2.66-2.80	2017	2035-2040	105,072	105,074
Tranche 41-50	105,000	2.81-2.86	2017	2040-2045	105,082	105,083
Tranche 51-60	105,000	2.84-2.86	2017	2045-2050	105,110	105,111
Tranche 61-70	105,000	2.85	2017	2050-2055	105,165	105,167
Tranche 71-74	315,000	2.85	2017	2055-2057	315,543	315,547
Convertible debenture	294,658	3.03	2023	2071	304,170	301,983
Total	3,650,158				3,661,043	3,658,873
Less: maturities of debt within one year					(21,000)	(21,000)
					3,640,043	3,637,873

7. CLASS B LIMITED PARTNERSHIP UNITS

<i>As at (thousands of Canadian dollars)</i>	Units	March 31 2025	Units	December 31 2024
Class B limited partnership units, beginning of the period	25	979,411	25	756,712
Contributions	-	-	-	233,116
Accrued interest	-	20,750	-	66,577
Distributions	-	(32,409)	-	(77,044)
Tax adjustment amount	-	-	-	50
Class B limited partnership units, end of the period	25	967,752	25	979,411
Less: maturities within one year		(95,380)		(94,664)
		872,372		884,747

8. SHAREHOLDER'S EQUITY

Share Capital

<i>As at (thousands of Canadian dollars)</i>	March 31 2025	December 31 2024
Common shares without nominal or par value		
Authorized - unlimited		
Issued - fully paid and outstanding - 1,100 (2024 - 1,100)	1,001,498	1,051,580

In March 2025, Hydro resolved to reduce the stated capital of common shares of LIL Holdco (2021) in the amount of \$50.1 million (December 31, 2024 - \$270.3 million).

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

9. OPERATING COSTS

	Three months ended	
<i>For the period ended March 31 (thousands of Canadian dollars)</i>	2025	2024
Salaries and benefits	361	388
Professional fees	115	252
Maintenance and materials	35	706
Other operating costs	18	157
	529	1,503

10. NET FINANCE EXPENSE

	Three months ended	
<i>For the period ended March 31 (thousands of Canadian dollars)</i>	2025	2024
Finance income		
Interest on restricted cash	5,074	5,305
Other interest	17	18
	5,091	5,323
Finance expense		
Interest and fees on long-term debt	31,614	30,516
Interest on Class B limited partnership units	20,750	15,548
Other interest	111	103
	52,475	46,167
Net finance expense	47,384	40,844

11. FINANCIAL INSTRUMENTS

Fair Value

The estimated fair values of financial instruments as at March 31, 2025 and December 31, 2024 are based on relevant market prices and information available at the time. Fair value estimates are based on valuation techniques which are significantly affected by the assumptions used including the amount and timing of future cash flows and discount rates reflecting various degrees of risk. As such, the fair value estimates disclosed are not necessarily indicative of the amounts that LIL Holdco (2021) might receive or incur in actual market transactions.

As a significant number of LIL Holdco (2021)'s assets and liabilities do not meet the definition of a financial instrument, the fair value estimates disclosed do not reflect the fair value of LIL Holdco (2021) as a whole.

Establishing Fair Value

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the nature of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)**

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. For assets and liabilities that are recognized at fair value on a recurring basis, LIL Holdco (2021) determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between Level 1, 2 and 3 fair value measurements during the period ended March 31, 2025 and the year ended December 31, 2024.

	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
<i>As at (thousands of Canadian dollars)</i>		March 31, 2025		December 31, 2024	
Financial liabilities					
Long-term debt, including amount due within one year	2	3,661,043	3,451,075	3,658,873	3,414,357
Related party promissory note	2	705,342	705,342	705,342	705,342
Class B limited partnership units, including amount due within one year	3	967,752	967,752	979,411	979,411

The fair values of cash, restricted cash, trade and other receivables, related party receivable and trade and other payables approximate their carrying values due to their short-term maturity.

The fair values of Level 2 financial instruments are determined using quoted prices in active markets, which in some cases are adjusted for factors specific to the asset or liability. Level 2 fair values of other risk management assets and liabilities and long-term debt are determined using observable inputs other than unadjusted quoted prices, such as interest rate yield curves.

The Class B limited partnership units are carried at amortized cost, calculated using the effective interest method, which approximates fair value. The effective interest rate as at March 31, 2025 is 8.9% (December 31, 2024 - 8.7%) which is the rate that discounts the estimated future cash flows to the amortized cost of the financial liabilities. Due to the unobservable nature of the effective interest rate and resulting discounted cash flows associated with the units, the instruments have been classified as Level 3.

The table below sets forth a summary of changes in fair value of LIL Holdco (2021)'s Level 3 financial liabilities given a one percent change in the discount rate while holding other variables constant:

<i>(thousands of Canadian dollars)</i>	1% increase in discount rate	1% decrease in discount rate
Class B limited partnership units	(70,259)	66,798

12. RELATED PARTY TRANSACTIONS

LIL Holdco (2021) enters into various transactions with its parent and other related parties. Unless otherwise noted, these transactions occur within the normal course of operations and are measured at the exchange amount, which is the amount of consideration agreed to by the related parties. Outstanding balances due to or from related parties are non-interest bearing with settlement normally within 30 days.

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

Related parties with which LIL Holdco (2021) transacts are as follows:

Related Party	Relationship
Hydro	100% shareholder of LIL Holdco (2021)
KKR	Limited Partner holding 25 Class B limited partnership units of LIL LP
Labrador Transmission Corporation	Wholly-owned subsidiary of Hydro
LIL GP	Wholly-owned subsidiary of Hydro, general partner of LIL LP
LIL GP (2021)	Wholly-owned subsidiary of Hydro, general partner of LIL (2021) LP
LIL Opco	Wholly-owned subsidiary of Hydro
Lower Churchill Management Corporation	Wholly-owned subsidiary of Hydro
Muskrat Falls Corporation	Wholly-owned subsidiary of Hydro

Significant related party transactions, which are not otherwise disclosed separately in the condensed consolidated interim financial statements, are summarized below:

		March 31 2025	December 31 2024
<i>As at (thousands of Canadian dollars)</i>			
Trade and other receivables:			
Other related parties		5	40
Related party receivable:			
Other related parties	(a)	58,389	61,255
Trade and other payables:	Note 4		
Parent		527	653
Other related parties		338	540
Contract liability:			
Other related parties	Note 5	1,920	2,171
Related party promissory note:			
Parent	(b)	705,342	705,342
		Three months ended	
<i>For the period ended March 31 (thousands of Canadian dollars)</i>		2025	2024
Revenue:			
Other related parties	(c)	107,112	106,226
Operating costs:			
Parent		102	70

(a) LIL LP has a non-interest bearing receivable from LIL Opco which is payable from LIL Opco upon demand as cash is required to fund remaining construction costs of the LIL assets.

(b) LIL Holdco (2021) has a non-interest bearing promissory note payable to Hydro in relation to the purchase of the shares of LIL Holdco which is payable upon demand.

(c) LIL LP earned revenue from LIL Opco in relation to the LIL Lease.

13. COMMITMENTS AND CONTINGENCIES

(a) LIL LP is required to make mandatory distributions as determined by LIL GP in accordance with the Labrador-Island Link Limited Partnership Agreement (Partnership Agreement).

(b) As part of the LIL Project Finance Agreement, LIL LP has pledged its current and future assets as security to the Collateral Agent.

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)**

- (c) Under the terms and conditions of the Partnership Agreement and the Newfoundland and Labrador Development Agreement, LIL Holdco has committed to fund its share of the capital expenditures of the LIL.
- (d) LIL LP has entered into the LIL Lease and the TFA with LIL Opco and Hydro, whereby LIL LP has committed to design, construct and sustain the LIL and LIL Opco operates and maintains the LIL and provides such other services as agreed to ensure safe and reliable transmission of electricity. Revenue allocated to the remaining performance obligation (unsatisfied or partially unsatisfied) related to transmission sales under the LIL Lease as at March 31, 2025 is \$428 million (December 31, 2024 - \$426 million) within one year and \$20,084 million (December 31, 2024 - \$20,088 million) in more than one year.
- (e) LIL LP is subject to legal claims with respect to construction and other various matters. For some legal claims, it is not possible at this time to predict with any certainty the outcome of such litigation. Should these claims result in an unfavourable outcome for LIL LP, they may have a significant adverse effect on LIL Holdco (2021)'s financial position.
- (f) Outstanding commitments for capital projects total approximately \$16.8 million as at March 31, 2025 (December 31, 2024 - \$10.4 million).

14. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended	
<i>For the period ended March 31 (thousands of Canadian dollars)</i>	2025	2024
Trade and other receivables	(390)	1,021
Prepayments	15	14
Inventories	(962)	(185)
Trade and other payables	626	572
Changes in non-cash working capital balances	(711)	1,422
Related to:		
Operating activities	(1,224)	4,032
Investing activities	513	(2,610)
	(711)	1,422