

# 2025

## Q1 Financial Update



# CONTENTS

01	Our Company
02	At a Glance
02	Recent Developments
05	Consolidated Financial Results
09	Segmented Results
12	Liquidity and Capital Resources
14	Key Business Risks
14	Material Accounting Policies and Significant Judgments and Estimates
15	Related Party Transactions
15	Outlook
16	Appendix 1 – Newfoundland And Labrador Hydro Condensed Consolidated Interim Financial Statements

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# INTERIM MANAGEMENT DISCUSSION & ANALYSIS

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This Management Discussion and Analysis (MD&A) should be read in conjunction with the unaudited condensed consolidated interim financial statements (interim financial statements) of Newfoundland and Labrador Hydro (Hydro) for the period ended March 31, 2025, and the annual audited consolidated financial statements (annual financial statements) and MD&A (annual MD&A) of Nalcor Energy (Nalcor) for the year ended December 31, 2024. Effective January 1, 2025, Newfoundland and Labrador Hydro and Nalcor Energy were legislatively amalgamated into a new corporation that continues under the name “Newfoundland and Labrador Hydro”. Unless otherwise noted, all financial information has been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board and reported in Canadian dollars (CAD).

The following discussion and analysis include results as of March 31, 2025, with subsequent events and outlook information updated to May 14, 2025. The MD&A is the responsibility of Management, and the Board of Directors carries out its responsibility for review of this disclosure principally through its Audit Committee. This MD&A was reviewed by the Audit Committee and subsequently approved by the Board of Directors on May 14, 2025.

Certain statements in this MD&A contain forward-looking information and reflect Management’s expectations regarding future growth, results of operations and performance. By their nature, forward-looking statements require Management to make assumptions and are subject to important unknown risks and uncertainties, which may cause actual results in future periods to differ materially from forecasted results. While Management considers these assumptions reasonable and appropriate based on information currently available, there is a risk that they may not be accurate.

## OUR COMPANY

The Newfoundland and Labrador Hydro Group of Companies (the Company or Hydro) is a provincial crown Corporation, providing safe, cost-conscious, reliable electricity while harnessing sustainable energy opportunities to benefit the people of Newfoundland and Labrador (the Province). Our business includes the development, generation, transmission and sale of electricity including energy trading; and the development, production and sale of oil and gas.

Hydro consists of both regulated and unregulated operations across the Province with major power generation assets in Churchill Falls, Muskrat Falls, Bay d’Espoir and Holyrood. In addition, our transmission system spans thousands of kilometers and connects our power generation facilities in Labrador to Québec and to the island of Newfoundland (the Island) through the Labrador-Island Link (LIL) and the Labrador Transmission Assets (LTA). Hydro’s generation and transmission assets are also connected to Atlantic Canada and North American markets through the Maritime Link.

We are the people’s crown utility. For more than 50 years Hydro has provided safe, cost-effective electricity to customers in over 200 communities throughout the Province. We deliver over 90 per cent renewable energy to the people of Newfoundland and Labrador. We are a proud, diverse energy company whose people are committed to continuing to harness energy opportunities to benefit the people of the Province.

Hydro’s profitability can be impacted by seasonal weather patterns and events along with the timing of application and approval of regulatory deferrals and rate orders. In addition, Hydro has and will continue to experience variability in earnings as a result of the implementation of the Province’s rate mitigation plan. Profitability is also impacted by oil price and sales volumes, along with electricity export price and volumes.

# INTERIM MANAGEMENT DISCUSSION & ANALYSIS

## AT A GLANCE

<i>For the period ended March 31 (millions of Canadian dollars)</i>	Three months ended	
	2025	2024
(Loss) Profit	(52)	294
Revenue	454	429
Operating costs	82	76
Cash provided from operations	278	228
Capital expenditures	64	47
Electricity sales (GWh)	12,099	14,251
Oil sales (thousands of bbls)	655	495
Realized oil price (CAD/bbl)	105	107

### Profit

Hydro's financial results for the three months ended March 31, 2025 have been impacted by the usage of funds from its own sources for rate mitigation. In accordance with the Province's Rate Mitigation plan, Hydro was directed in the first quarter of 2025 to apply \$441 million of funds against its Supply Cost Variance Deferral Account (Deferral Account). This transfer retired the balance that had accumulated in the Deferral Account during 2024, as well as retired \$90 million of the balance that accumulated during 2023. The use of Hydro's own funds towards rate mitigation reduces consolidated net income.

Hydro's results for the three months ended March 31, 2025 was a \$52 million loss, compared to a profit of \$294 million for the same period in 2024. The impact of the \$441 million rate mitigation expense has been partially offset by increased regulatory deferrals and higher export revenue.

Hydro would have recognized a profit of \$389 million for the quarter if it had not incurred the rate mitigation expense (March 31, 2024 – profit of \$294 million before rate mitigation expense).

## RECENT DEVELOPMENTS

### HYDRO REGULATED

#### *Rate Mitigation, the Recovery of LCP Costs*

In February 2025, Hydro applied \$441 million of rate mitigation funding against the Deferral Account in accordance with the provincial government's Rate Mitigation Plan. The plan ensures domestic residential rate increases, for customers subject to Island Interconnected System rates, attributable to Hydro's costs are targeted at 2.25% annually up to and including 2030. The plan also requires that any additional rate mitigation funding required come from Hydro's own sources, to the extent possible, and for Hydro to retire the 2023 ending Deferral Account balance of \$271 million over the 2024–2026 period.

#### *Customer Rate Changes*

In January 2025, the PUB approved Hydro Regulated's application to update its Wholesale Utility Rate. This update will create a benefit for customers through a reduction in the potential volatility associated with Newfoundland Power's July 1 customer rate change. Also in January 2025, the PUB issued an Order for the Newfoundland Power Inc. 2025-2026 GRA, increasing their return on equity from 8.50% to 8.60%. As Hydro Regulated's return on equity is linked to the approved

# INTERIM MANAGEMENT DISCUSSION & ANALYSIS

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return on equity of Newfoundland Power Inc., Hydro filed a flow-through application to increase its regulated return on equity but has proposed that any related customer rate changes be deferred until its upcoming GRA.

On January 31, 2025, the PUB approved Hydro Regulated's normal annual application for Island Industrial Customer Rates effective January 1, 2025, which offsets the decrease in the Rate Stabilization Plan (RSP) Account with an increase in the Project Cost Recovery Rider and maintains rates at current levels.

## ***Resource Adequacy***

The Reliability and Resource Adequacy (RRA) Study completed in 2024, outlines Hydro's long-term approach to providing cost-conscious, reliable service with considerations for decarbonization efforts. The recommended Expansion Plan includes the construction of a new hydroelectric unit (Unit 8) at Bay d'Espoir, the installation of a new combustion turbine on the Avalon ("Avalon CT") with renewable fuel capabilities and the integration of additional energy to enable Hydro Regulated to serve the increasing load on the system and to provide reliable backup generation to enable the planned retirement of aging fossil fuel-based assets.

As a result of the fall 2024 technical conferences and regulatory proceedings, Hydro and the Intervenor (Consumer Advocate, Newfoundland Power Inc, and Island Industrial customers) gained consensus on a number of issues described in a Settlement Agreement. In the Settlement Agreement, Hydro, and the Intervenor agreed that the recommendation to build a new 150 MW unit at Bay d'Espoir and a 150 MW CT on the Avalon Peninsula, is appropriate as part of the first step in addressing the requirements for additional capacity for the Island Interconnected System.

## ***2025 Capital Budget and Supplemental Applications***

Hydro Regulated's 2025 Capital Budget Application (CBA) with total proposed capital expenditures of \$135.7 million was approved by the PUB on December 13, 2024. The 2025 capital budget is higher than recent years due to increased renewal-driven expenditures to ensure system reliability, particularly related to aging assets where larger investments are required for major overhaul work. In late 2024, a project increase was approved for the multi-year Penstock 1 Refurbishment bringing the project cost to \$65.9 million.

In March 2025, Hydro Regulated filed the 2025 Build Application, which includes proposals for Bay d'Espoir Unit 8 and the Avalon CT, in line with Hydro's Expansion Plan, as recommended in the 2024 Resource Adequacy Plan. On March 12, 2025, to protect project costs and schedules, Hydro Regulated asked the PUB to expedite a \$46.0 million application for Early Execution Capital Works ("Early Execution Application") for Bay d'Espoir Unit 8 and the Avalon CT, which would ensure project continuity during the regulatory proceeding for the 2025 Build Application, which is estimated to be complete prior to year end. The purpose of the Early Execution Application is to allow for as expedient of a review process as possible. Hydro Regulated is not seeking approval for cost recovery for the expenditures proposed in the Early Execution Application at this time, rather, the cost recovery for the Early Execution Application expenditures are inclusive of those proposed in the 2025 Build Application. On April 25, 2025, the PUB approved the Early Execution Application and requires Hydro to provide monthly updates starting June 2025.

On March 31, 2025, the PUB issued Board Order No. P.U. 12(2025), declining Hydro Regulated's application for the Southern Labrador supply plan budgeted at \$110.9 million. Hydro believes that it provided substantial and sufficient evidence to demonstrate that its application met its mandate under the amended Public Utilities Act and the Electrical Power Control Act, 1994. Hydro filed an appeal of the PUB's decision with the Provincial Court of Appeal on April 15, 2025.

## **LOWER CHURCHILL**

The final software version for the LIL successfully passed testing in March 2024 and was installed in July 2024. Execution of a 900MW pole overload test is postponed to be completed in Winter 2025-26. The LIL is available for reliable operation up to 700 MW. The Muskrat Falls plant ended the first quarter of 2025 with a 1.82% forced unavailability compared against a Canadian average of 5.27% unavailability; continuing to perform better than the Canadian average.

# INTERIM MANAGEMENT DISCUSSION & ANALYSIS

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## CHURCHILL FALLS

In March 2025, the Company amended and extended an existing short-term energy sales agreement to sell banked Muskrat Falls energy and upgrade Churchill Falls energy to Hydro-Quebec at a negotiated price.

The definitive agreements relating to the MOU (signed in December 2024 between Hydro-Quebec and Hydro) are currently in the process of being negotiated. These agreements will finalize the details around the projects as outlined in the MOU and establish those terms as legally binding contracts. The MOU and subsequent definitive agreements will provide significant economic and financial value to the Province of Newfoundland and Labrador for many decades to come.

## AMALGAMATION

On December 4, 2024, Bill-33 received royal assent which repealed the Energy Corporation Act and the Hydro Corporation Act, 2007 and replaced them with the Hydro Corporation Act, 2024. As a result, effective January 1, 2025, legacy Hydro and Nalcor were legislatively amalgamated into a new legal corporation that continues under the name “Newfoundland and Labrador Hydro”. The amalgamated corporation holds the combined assets and liabilities of the legacy Hydro and Nalcor entities and is bound by any previously existing contracts and agreements from the former entities. As well, the security or guarantees provided by the Provincial Government to the former Newfoundland and Labrador Hydro and Nalcor legal entities continues with the amalgamated corporation after Amalgamation.

# INTERIM MANAGEMENT DISCUSSION & ANALYSIS

## CONSOLIDATED FINANCIAL RESULTS

Consolidated financial results of the Company are outlined below along with explanations for significant variances in categories of revenue and expenditures.

### CONSOLIDATED STATEMENT OF PROFIT HIGHLIGHTS

	Three months ended		
<i>For the period ended March 31 (millions of Canadian dollars)</i>	2025	2024	Variance
Revenue	454	429	25
Fuels	78	70	8
Power purchased	32	32	-
Operating costs	82	76	6
Production, marketing and transportation costs	7	14	(7)
Transmission rental	7	11	(4)
Depreciation, depletion and amortization	99	98	1
Net finance expense	102	89	13
Other expense (income)	446	(3)	449
(Loss) profit for the period before regulatory adjustments	(399)	42	(441)
Regulatory adjustments	(347)	(252)	(95)
(Loss) profit for the period	(52)	294	(346)

### Revenue

	Three months ended		
<i>For the period ended March 31 (millions of Canadian dollars)</i>	2025	2024	Variance
Electricity sales	388	369	19
Petroleum and natural gas sales, net of royalties	55	50	5
Other revenue	11	10	1
Total revenue	454	429	25

### Electricity sales

Electricity sales for the three months ended March 31, 2025 were \$388 million, an increase of \$19 million compared to the same period in 2024. The increase for the quarter was primarily due to stronger export prices. Certain variances in revenue are offset in the regulatory adjustments line.

Electricity sales volume is summarized in the table below:

	Three months ended	
<i>For the period ended March 31 (GWh)</i>	2025	2024
Regulated	2,497	2,502
Hydro-Québec	8,218	10,137
Emera - NS Block	387	538
Other export markets	464	538
Other domestic	533	536
	12,099	14,251

# INTERIM MANAGEMENT DISCUSSION & ANALYSIS

Prices for sales in other export markets are summarized in the table below:

For the period ended March 31	Three months ended	
	2025	2024
Average Export Electricity Price (USD/MWh) <sup>1</sup>	77	41
Realized Export Electricity Price (USD/MWh) <sup>2</sup>	77	41
Realized Export Electricity Price (CAD/MWh) <sup>3</sup>	111	55

<sup>1</sup>The Average Export Electricity Price reflects actual prices achieved in the export market.

<sup>2</sup>The Realized Export Electricity Price (USD) includes the impact of financial transmission rights.

<sup>3</sup>The Realized Export Electricity Price (CAD) includes the impact of financial transmission rights and foreign exchange.

Average and realized USD export electricity prices for the three months ended March 31, 2025 were higher compared to the same periods in 2024 due to elevated prices in the New York and New England export markets due to reduced Canadian hydro energy supply and rising natural gas prices in the Northeastern US.

## **Petroleum and natural gas sales, net of royalty expense**

Petroleum and natural gas sales, net of royalty expense for the three months ended March 31, 2025 was comparable to the same period in 2024. Increased volumes for Hebron and Hibernia South Extension (HSE) as well as favorable foreign exchange rates have been offset by decreased oil prices and higher royalty expense.

Oil prices and sales volumes are summarized in the table below:

For the period ended March 31	Three months ended	
	2025	2024
Average Dated Brent Price (USD/bbl) <sup>1</sup>	73	80
Realized Price (USD/bbl) <sup>2</sup>	73	80
Realized Price (CAD/bbl) <sup>3</sup>	105	107
Oil Sales Volumes (thousands of bbls)	655	495

<sup>1</sup>The Average Dated Brent Price reflects prices available in the market adjusted for any premium or discount.

<sup>2</sup>The Realized Price (USD) includes the impact of oil commodity price hedges.

<sup>3</sup>The Realized Price (CAD) includes the impact of oil commodity price and foreign exchange hedges.

## **Other revenue**

Other revenue for the three months ended March 31, 2025 was comparable to the same period in 2024.

## **Fuels**

Fuel costs for the three months ended March 31, 2025 were \$78 million, an increase of \$8 million compared to the same period in 2024. The increase in fuel for the quarter was primarily due to higher volume of No. 6 fuel used as a result of increased Holyrood production in Q1 2025 for system reliability due to lower Labrador Hydrology. Certain variances in fuels are offset through regulatory mechanisms in the regulatory adjustments line.

## **Power purchased**

Power purchased for the three months ended March 31, 2025 was comparable to the same period in 2024.



# INTERIM MANAGEMENT DISCUSSION & ANALYSIS

## Operating costs

For the period ended March 31 (millions of dollars)	Three months ended		
	2025	2024	Variance
Salaries and benefits	44	42	2
Maintenance and materials	17	18	(1)
Professional services	10	7	3
Insurance	4	4	-
Impacts and Benefits amendment	3	-	3
Travel and transportation	2	2	-
Other operating costs	2	3	(1)
Total operating costs	82	76	6

Operating costs for the three months ended March 31, 2025 were comparable to the same period in 2024.

## Production, marketing and transportation costs

Production, marketing and transportation costs for the three months ended March 31, 2025 was \$7 million, a decrease of \$7 million compared to the same period in 2024. The decrease for the quarter was primarily due to fluctuations in White Rose inventory between periods.

## Transmission rental

Transmission rental for the three months ended March 31, 2025 was comparable to the same period in 2024.

## Depreciation, depletion, amortization and impairment

Depreciation, depletion, amortization and impairment for the three months ended March 31, 2025 was comparable to the same period in 2024.

## Net finance expense

Net finance expense for the three months ended March 31, 2025 was \$102 million, an increase of \$13 million compared to the same period in 2024. The increase for the quarter was primarily due to higher interest expense on the Class B partnership units as a result of KKR's ownership contribution in line with the Newfoundland & Labrador Development Agreement, as well as increased convertible debt and lower interest income.

## Other expense (income)

For the period ended March 31 (millions of dollars)	Three months ended		
	2025	2024	Variance
Rate Mitigation expense	441	-	441
Rental and royalty	6	7	(1)
Other income	(1)	(10)	9
Total other expense (income)	446	(3)	449

Other expense for the three months ended March 31, 2025 was \$446 million, an increase of \$449 million compared to the other income of \$3 million for the same period in 2024. The increase for the quarter was due to the government directive received in February 2025 in which Hydro was required to apply \$441 million from its own sources of funding towards settling the balance in the Deferral Account per the Province's Rate Mitigation plan.

## Regulatory adjustments

Regulatory recoveries for the three months ended March 31, 2025 were \$347 million, an increase of \$95 million compared to the same period in 2024. The increase for the quarter was due to higher deferrals for the power purchase costs under the MF PPA primarily due to higher volume of deferred energy recognized in the period.

# INTERIM MANAGEMENT DISCUSSION & ANALYSIS

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

Significant changes in the Consolidated Statement of Financial Position between March 31, 2025 and December 31, 2024 include:

<b>ASSETS</b> <i>(millions of Canadian dollars)</i>	Increase (Decrease)	<b>Explanation</b>
Cash and cash equivalents	(273)	See Liquidity and Capital Resources for additional details on movement in cash during the period ended March 31, 2025.
Investments	(66)	Decrease is primarily due to reclassification of sinking funds related to debt which matures within one year partially offset by cash contributions to the fund.
Short-term investments	72	Increase is due to reclassification of sinking funds related to debt.
Property, plant and equipment	(35)	Decrease is primarily due to normal depreciation and depletion, partially offset by capital additions.
Regulatory assets, net of regulatory liabilities	(95)	Decrease is due to application of rate mitigation funding to reduce the balance owing in the Deferral Account partially offset by continued deferral of costs associated with Muskrat Falls and LC Transmission.
<b>LIABILITIES AND EQUITY</b> <i>(millions of Canadian dollars)</i>		
Short-term borrowings	(346)	Decrease is due to repayment of short-term borrowings by Hydro Regulated during the period, facilitated largely by the application of rate mitigation funding. The balance of short term-borrowings will fluctuate depending on the timing of cash inflows and outflows.
Trade and other payables	38	Increase is due to timing of capital and interest accruals.
Long-term debt	(229)	Decrease is primarily due to reclassification of Hydro debt maturing within one year to current portion of long-term debt, partially offset by higher interest accrued on the convertible debenture.
Current portion of long-term debt	231	Increase is due to debt maturing within one year.
Retained earnings	(52)	Decrease due to loss recorded for the period.

# INTERIM MANAGEMENT DISCUSSION & ANALYSIS

## SEGMENTED RESULTS

The following presents an overview of the Company's profit or loss for the three months ended March 31, 2025, by operating segment, in comparison to the three months ended March 31, 2024. This discussion should be read in conjunction with Note 17 of the financial statements.

	Three months ended		
<i>For the period ended March 31 (millions of Canadian dollars)</i>	2025	2024	Variance
Hydro Regulated	13	14	(1)
Muskrat Falls	238	140	98
LC Transmission	54	60	(6)
Churchill Falls	20	21	(1)
Energy Trading	20	6	14
Other Electric	(429)	19	(448)
Oil and Gas	32	34	(2)
<b>(Loss) profit for the period</b>	<b>(52)</b>	<b>294</b>	<b>(346)</b>

## HYDRO REGULATED

The operations of Hydro Regulated are influenced by many external factors including regulation, performance of the domestic economy and weather patterns. The demand for electricity is met through a combination of hydroelectric generation, thermal generation and power purchases, including wind generation. Hydro Regulated is entitled to the opportunity to recover, through customer rates, all reasonable and prudent costs incurred in providing electricity service to its customers, in addition to a just and reasonable return on rate base. Hydro Regulated uses regulatory mechanisms, as directed by the PUB, to adjust customer rates, both to smooth rate impacts for island electricity customers and to protect Hydro Regulated's profit from the majority of variations in certain supply costs. Adjustments related to these regulatory mechanisms flow through the regulatory adjustments line in the financial results.

	Three months ended		
<i>For the period ended March 31 (millions of Canadian dollars)</i>	2025	2024	Variance
Revenue	354	288	66
Expenses	688	526	162
Loss for the period before regulatory adjustments	(334)	(238)	(96)
Regulatory adjustments	(347)	(252)	(95)
Profit for the period	13	14	(1)

Hydro Regulated's net income for the quarter was comparable with that of the prior year. Hydro Regulated recognized a loss before regulatory adjustments for the three months ended March 31, 2025 of \$334 million, compared to a loss before regulatory adjustments of \$238 million for the same period in 2024. The increase in loss before regulatory adjustments for the quarter was primarily due to higher power purchases costs under the MF PPA in relation to an increase in Hydro's entitled deferred energy partially offset by higher export revenue and regulatory recoveries from customers. The majority of this variance was offset through regulatory mechanisms in the regulatory adjustments. As such, regulatory recoveries for the three months ended March 31, 2025 were \$347 million, an increase of \$95 million compared to a regulatory recoveries of \$252 million for the same period in 2024.

# INTERIM MANAGEMENT DISCUSSION & ANALYSIS

Regulated energy sales and supply are summarized below:

<i>For the period ended March 31 (GWh)</i>	<b>Three months ended</b>	
	<b>2025</b>	<b>2024</b>
Customer Energy Sales:		
Utility	<b>1,984</b>	2,002
Rural	<b>403</b>	392
Industrial	<b>110</b>	108
Energy Sales	<b>2,497</b>	2,502
Generation:		
Hydraulic generation <sup>1</sup>	<b>1,294</b>	1,431
Holyrood generation	<b>354</b>	286
Standby generation <sup>2</sup>	<b>1</b>	2
Thermal diesel generation	<b>16</b>	15
Purchases:		
Domestic <sup>3</sup>	<b>587</b>	575
Off-Island <sup>4</sup>	<b>371</b>	319
Gross generation	<b>2,623</b>	2,628
Losses	<b>126</b>	126
Net generation	<b>2,497</b>	2,502

<sup>1</sup> Includes Hydro owned generation only.

<sup>2</sup> Includes gas turbine and diesel generation.

<sup>3</sup> Domestic purchases include energy purchased from Churchill Falls and Muskrat Falls for use in Labrador and generation from Exploits, wind and other sources for use on the Island Interconnected System.

<sup>4</sup> Off-Island purchases include energy imported over the LIL and external market purchases imported over the Maritime Link for use on the Island Interconnected System.

## MUSKRAT FALLS

Muskrat Falls includes the operation of the 824 MW hydroelectric generating facility in Labrador on the Lower Churchill River. Profit for Muskrat Falls is largely driven by revenue earned from Hydro Regulated for the delivery of energy and provision of capacity under the MF PPA. This revenue fluctuates based on the amount of energy delivered and contractually earned in a given period.

Muskrat Falls' profit for the three months ended March 31, 2025 was \$238 million, an increase of \$98 million compared to the same period in 2024. The increase in profit for the quarter primarily relates to higher energy sales revenue from Hydro Regulated under the MF PPA as a result of the higher volume of accumulated deferred energy recognized by Hydro in 2025.

## LC TRANSMISSION

LC Transmission includes the operation of the LIL and LTA, which connects the Muskrat Falls Generating Station, the Churchill Falls Generating Station, and portions of the transmission system in Labrador to the Island. Profit for LC Transmission is driven by revenue earned from Hydro Regulated associated with the LIL under the Transmission Funding Agreement (TFA) and from Muskrat Falls for interconnection services provided by the LTA under the Generator Interconnection Agreement.

# INTERIM MANAGEMENT DISCUSSION & ANALYSIS

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LC Transmission's profit for the three months ended March 31, 2025 was \$54 million, a decrease of \$6 million compared to the same period in 2024. The decrease in profit for the quarter primarily relates to higher interest expense on the increased Class B partnership units.

## CHURCHILL FALLS

Churchill Falls is the operator of the Churchill Falls Generating Station, with a rated capacity of 5,428 MW. Various power sales contracts are in place with Hydro-Québec for the majority of the energy and capacity from this facility. In addition, two power purchase agreements provide for the sale of electricity to NL Hydro for use domestically and for resale in export markets.

The profit of Churchill Falls is reasonably stable given the take or pay clause of the main energy contract with Hydro-Québec, however, additional sales agreements, seasonal weather patterns and equipment outages can also affect results of operations.

Churchill Fall's profit for the three months ended March 31, 2025 was \$20 million, comparable to the same period in 2024.

## ENERGY TRADING

Energy Trading includes energy trading and commercial activities related to maximizing the value of the Province's surplus power and transmission interconnections with external electricity markets.

The revenue in this segment is generated from export energy sales. Energy sales are primarily derived from the sale of available Recapture, the block of 300 MW of Churchill Falls capacity and related firm energy, and Muskrat Falls Residual block energy. Recapture energy not used by NL Hydro is exported by Energy Trading in accordance with the power purchase agreement between Energy Marketing and NL Hydro, which was established in 2015. As well, Energy Trading and Muskrat Falls operate under a service agreement where Energy Trading purchases excess Muskrat Falls Residual Block energy for re-sale to external markets.

Energy Trading's profit is driven by the availability of export volumes for sale to external parties along with export market prices. Nearly all revenue generated by Energy Trading is denominated in USD and therefore its profitability is impacted by exchange rate fluctuations.

Energy Trading's profit for the three months ended March 31, 2025 was \$20 million, an increase of \$14 million compared to the same period in 2024. The increase in profit for the quarter was primarily due to higher sales due to stronger market prices.

## OTHER ELECTRIC

Other Electric includes non-cash revenues and expenditures associated with the delivery of the NS Block energy to Emera, expenditures associated with the Maritime Link, cash revenues and expenses associated with NL Hydro's unregulated operations, rate mitigation transactions and costs recovered from Hydro-Québec for the operation of the Menihek Generating Station. The segment also includes costs associated with shared services functions and community and business development that are not included in the Company's other operating segments.

# INTERIM MANAGEMENT DISCUSSION & ANALYSIS

Other Electric's loss for the three months ended March 31, 2025 was \$429 million, a decrease of \$448 million compared to a profit of \$19 million for the same period in 2024. The decrease in profit for the quarter primarily relates to increased rate mitigation expense, in accordance with the Province's Rate Mitigation Plan.

## OIL AND GAS

Oil and Gas includes the Company's share of development, production, transportation and processing of its oil and gas investments. Oil and Gas is a joint venture working interest partner in three developments in the Newfoundland and Labrador offshore. It owns a 4.9% working interest in the Hebron oil field, a 5.0% working interest in White Rose and an 8.7% working interest in HSE.

Profit of Oil and Gas is primarily driven by global market oil prices and the volume of entitled production. Nearly all revenue generated by Oil and Gas is denominated in USD and therefore profitability is impacted by exchange rate fluctuations.

Due to the nature of the industry, Oil and Gas may incur impairment expenses and reversal of such expenses as a result of changes in discounted projected future cash flows when compared to the carrying values of related assets. Any expense or reversal of such expense is not uncommon and can lead to large fluctuations in profit or loss between financial reporting periods.

Oil and Gas's profit for the three months ended March 31, 2025 was \$32 million, comparable to the same period in 2024.

## LIQUIDITY AND CAPITAL RESOURCES

### CASH FLOW HIGHLIGHTS

For the period ended March 31 (millions of Canadian dollars)	Three months ended			Explanation
	2025	2024	Variance	
Cash and cash equivalents, beginning of the period	<b>1,164</b>	694	470	
Net cash provided from operating activities	<b>278</b>	228	50	Increase in net cash provided from operating activities was primarily driven by trade receivable and payable fluctuations due to timing.
Net cash used in investing activities	<b>(145)</b>	(125)	(20)	Increase driven by increased capital additions in Oil & Gas and Churchill Falls.
Net cash (used in) provided from financing activities	<b>(406)</b>	1	(407)	Decrease primarily due to rate mitigation funding from internal sources used to repay short-term borrowings.
Cash and cash equivalents, end of the period	<b>891</b>	798	93	

# INTERIM MANAGEMENT DISCUSSION & ANALYSIS

## CAPITAL RESOURCES

Hydro's capital resources consist primarily of cash, restricted cash, investments, proceeds from debt issuances and equity from the Province. These capital resources are used to fund the Company's consolidated capital resource requirements, which include working capital needs, capital expenditures, and the servicing and repayment of debt.

Cash from operations is a primary source of funding and depends on a number of factors including electricity demand, regulatory outcomes and commodity price and volume. The company monitors cash from operations, and where necessary, additional sources of liquidity are put in place. Hydro also has access to long-term debt financing and equity from the Province. Short-term and long-term borrowings are restricted by legislation that currently limits Hydro and its subsidiaries short-term borrowings to \$1 billion and total borrowings to \$3.2 billion (excluding CF and LCP entities). Commencing January 1, 2026, this short-term borrowing limit will decline to \$800 million.

Outstanding commitments for capital projects, excluding those related to Oil and Gas, total approximately \$199.9 million as at March 31, 2025 (December 31, 2024 - \$169 million). The Company has the available capital resources to sufficiently fund these requirements.

As at March 31, 2025, the Company's short-term credit facilities are as follows:

<i>(millions of Canadian dollars)</i>	Limit	Drawn	Letters of Credit	Available Limit
<b>Revolving Term Facilities:</b>				
Hydro <sup>1</sup>	740	-	6	734
<b>Demand Operating Facilities:</b>				
Churchill Falls	10	-	1	9
Energy Trading	20	-	4	16
Oil and Gas	40	-	16	24
<b>Promissory Notes:</b>				
Hydro Regulated	300	244	-	56
<b>Total credit facilities</b>	<b>1,110</b>	<b>244</b>	<b>27</b>	<b>839</b>

<sup>1</sup>On June 21, 2024 the maturity of these credit facilities was extended from July 31, 2024 to July 31, 2025.

## CAPITAL STRUCTURE

The Company's consolidated capital structure and debt to capital ratio are shown in the table below:

<i>As at (millions of Canadian dollars)</i>	March 31 2025	December 31 2024
Short-term borrowings	244	590
Long-term debt (net of sinking funds) <sup>1</sup>	10,720	10,724
Class B limited partnership units <sup>1</sup>	967	980
Lease liabilities <sup>1</sup>	5	5
Total debt	11,936	12,299
Total shareholder's equity	7,887	7,938
Debt to capital	60%	61%

<sup>1</sup>Includes current portion.

# INTERIM MANAGEMENT DISCUSSION & ANALYSIS

## CAPITAL EXPENDITURES

For the period ended March 31 (millions of Canadian dollars)	Three months ended		Variance
	2025	2024	
Regulated Hydro	25	24	1
Muskrat Falls	-	1	(1)
LCP Transmission	4	4	-
Churchill Falls	11	5	6
Oil and Gas	22	13	9
Other Electric	2	-	2
Total capital expenditures	64	47	17

Capital expenditures for the three months ended March 31, 2025 were \$64 million, an increase of \$17 million compared to the same period in 2024. The increase for the quarter was primarily due to Oil and Gas capital asset additions related to White Rose and increased additions to Churchill Falls.

## KEY BUSINESS RISKS

Hydro operates in various industry segments that have a variety of risk factors and uncertainties. The risks and uncertainties that could materially affect the business, financial condition and results of operations are described in Hydro's annual MD&A for the year ended December 31, 2024.

Hydro's key business risks remain substantially unchanged from those disclosed in the annual MD&A.

## MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGMENTS AND ESTIMATES

### MATERIAL ACCOUNTING POLICIES

The Company's material accounting policies are described in Note 2 of the Nalcor Energy consolidated annual financial statements for the year ended December 31, 2024. The company's material accounting policies remain substantially unchanged from those disclosed in the Nalcor Energy consolidated annual financial statements, except as described below:

#### Business Combination

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" (Amalgamation). Hydro continues to be 100% controlled by the Province. The Company holds the combined assets and liabilities of the former Newfoundland and Labrador Hydro and the former Nalcor Energy legal entities and is bound by any previously existing contracts and agreements from the former entities. As well, the security or guarantees provided by the Provincial Government to former Hydro continues after Amalgamation. The Amalgamation was accounted for as a business combination under common control. The comparative figures for the March 31, 2025 consolidated financial statements of newly amalgamated Hydro are those of the December 31 2024 Nalcor Energy consolidated financial statements for the statement of financial position and the March 31 2024 Nalcor Energy consolidated financial statements for the consolidated statement of profit and comprehensive income.

Common control business combinations fall outside the scope of IFRS 3 and therefore management used its judgement to determine the appropriate accounting policy by applying other relevant guidance and conceptual framework principles under IFRS to reflect the economic reality of the transaction. Hydro's accounting policy is to use predecessor or book value accounting and to record the assets, and liabilities of the combined entities at the existing carrying values.



# INTERIM MANAGEMENT DISCUSSION & ANALYSIS

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## SIGNIFICANT JUDGMENTS AND ESTIMATES

The preparation of the interim financial statements in conformity with IFRS requires Management to make judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ materially from estimates.

A description of significant accounting judgments and estimates is provided in Note 3 of the Nalcor Energy consolidated annual financial statements for the year ended December 31, 2024. There were no material changes to the nature of significant accounting judgments and estimates for the three month period ended March 31, 2025.

## RELATED PARTY TRANSACTIONS

The Company enters into various transactions with its shareholder and other related parties. Refer to Note 14 in the financial statements for further information regarding transactions with 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.

## OUTLOOK

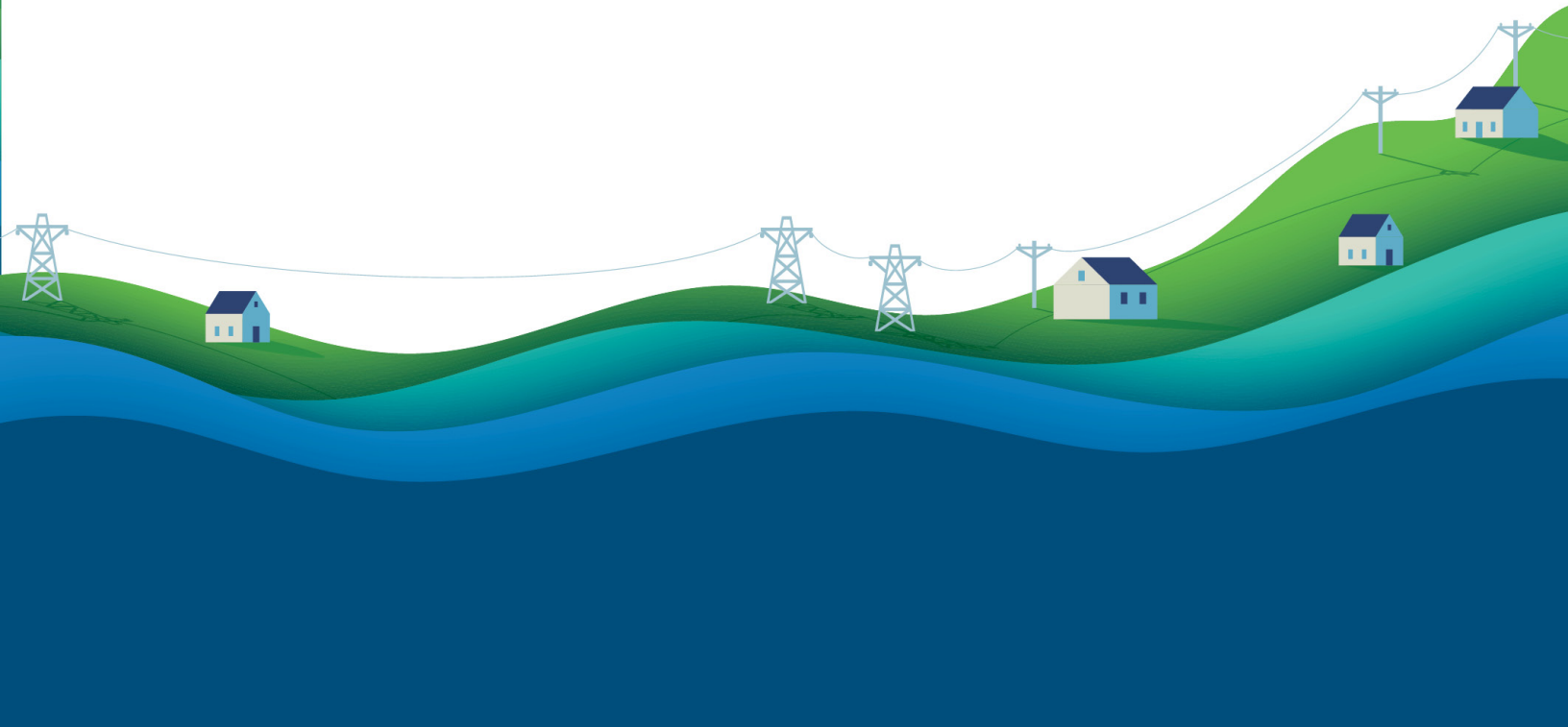
As Newfoundland and Labrador's Crown utility, we are committed to serving our customers and supporting a sustainable future for generations to come. As 2025 marks the last year of our three year strategic plan, Hydro will be focused on progressing the goals and objectives set out in our existing plan, and developing a new strategic plan for the future. As Hydro moves forward in achieving its vision, it will consider global, national and provincial economic challenges, such as potential political change, supply chain disruption and a highly competitive labour market. Hydro will do so while continuing to fulfill its mandate as the province's Crown utility, providing safe, cost-conscious, reliable electricity that our province and neighbours depend on.

Hydro has immense opportunities on the horizon with the signing of an historic MOU in 2024. The MOU will terminate and replace the 1969 Upper Churchill Contract, develop Gull Island, and expand capacity of the Churchill Falls facility. The resulting definitive agreements, once negotiated, will be effective January 1, 2025 - 17 years early - and result in an immediate increase in the price for Upper Churchill Power. New developments will increase capacity in Labrador by 3,900 MW. With access to more power from the existing Churchill Falls facility and increased capacity from new developments, Hydro will access an additional 1,990 MW, which is almost four times the capacity it has today. This will be available for industrial development in Labrador, increasing economic development and even more jobs for this province.

The continuation of negotiations include a new independent expert panel led by the Consumer Advocate who will report quarterly to the House of Assembly and the public. Hydro is committed to open transparency with regards to these agreements while also maintaining a balance between sharing information publicly and preserving commercial sensitivity.

Hydro will continue to play a key role in achieving federal and provincial net-zero targets. In order to work towards achieving a future net-zero society, Hydro has been examining ways to support the decarbonization of our province. Further, to support increased electrification within the province and meet the current energy demands of industries such as mining and the wind/hydrogen industry, Hydro has determined it will need to build more generation. Hydro will continue to work transparently through the regulatory process, with the PUB to analyze sources of new generation. This will ensure appropriate, transparent scrutiny of decisions, while honouring lessons learned from the past and considering factors such as cost, reliability and environmental responsibility. Any new generation requirements proposed will be reviewed by the PUB to ensure decisions are in the long-term best interest of the people of Newfoundland and Labrador.

# APPENDIX 1



**NEWFOUNDLAND AND LABRADOR HYDRO**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**March 31, 2025**  
**(Unaudited)**

**NEWFOUNDLAND AND LABRADOR HYDRO**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(Unaudited)**

<i>As at (millions of Canadian dollars)</i>	Notes	<b>March 31 2025</b>	December 31 2024
<b>ASSETS</b>			(Note 2.3)
Current assets			
Cash and cash equivalents		<b>891</b>	1,164
Restricted cash		<b>1,360</b>	1,326
Short-term investments		<b>149</b>	77
Trade and other receivables	3	<b>230</b>	259
Inventories		<b>160</b>	155
Prepayments		<b>22</b>	18
Total current assets		<b>2,812</b>	2,999
Non-current assets			
Property, plant and equipment	4	<b>17,813</b>	17,848
Intangible assets		<b>63</b>	65
Investments		<b>351</b>	417
Other long-term assets		<b>5</b>	5
Total assets		<b>21,044</b>	21,334
Regulatory deferrals	5	<b>1,400</b>	1,493
Total assets and regulatory deferrals		<b>22,444</b>	22,827
<b>LIABILITIES AND EQUITY</b>			
Current liabilities			
Short-term borrowings	7	<b>244</b>	590
Trade and other payables	6	<b>394</b>	356
Current portion of long-term debt	7	<b>301</b>	70
Current portion of Class B limited partnership units		<b>95</b>	95
Current portion of deferred credits	8	<b>104</b>	104
Other current liabilities		<b>28</b>	26
Total current liabilities		<b>1,166</b>	1,241
Non-current liabilities			
Long-term debt	7	<b>10,636</b>	10,865
Class B limited partnership units		<b>872</b>	885
Deferred credits	8	<b>1,505</b>	1,528
Decommissioning liabilities		<b>105</b>	104
Employee future benefits		<b>127</b>	125
Other long-term liabilities		<b>92</b>	89
Total liabilities		<b>14,503</b>	14,837
Shareholder's equity			
Share capital		<b>123</b>	123
Shareholder contributions		<b>4,859</b>	4,859
Reserves		<b>(28)</b>	(29)
Retained earnings		<b>2,933</b>	2,985
Total equity		<b>7,887</b>	7,938
Total liabilities and equity		<b>22,390</b>	22,775
Regulatory deferrals	5	<b>54</b>	52
Total liabilities, equity and regulatory deferrals		<b>22,444</b>	22,827

Commitments and contingencies (Note 15)

See accompanying notes

# NEWFOUNDLAND AND LABRADOR HYDRO

## CONSOLIDATED STATEMENT OF (LOSS) PROFIT AND COMPREHENSIVE (LOSS) INCOME (Unaudited)

<i>For the period ended March 31 (millions of Canadian dollars)</i>	Notes	Three months ended	
		2025	2024
			(Note 2.3)
Energy sales	9	443	419
Other revenue		11	10
Revenue		454	429
Fuels		78	70
Power purchased		32	32
Operating costs	10	82	76
Production, marketing and transportation costs		7	14
Transmission rental		7	11
Depreciation, depletion and amortization		99	98
Net finance expense	11	102	89
Other expense (income)	12	446	(3)
Expenses		853	387
(Loss) profit for the period before regulatory adjustments		(399)	42
Regulatory adjustments		(347)	(252)
(Loss) profit for the year		(52)	294
Other comprehensive income			
Total items that may or have been reclassified to profit or loss:			
Reclassification adjustments related to:			
Cash flow hedges recognized in profit or loss		1	1
Other comprehensive income for the period		1	1
Total comprehensive (loss) income for the period		(51)	295

See accompanying notes

**NEWFOUNDLAND AND LABRADOR HYDRO**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**(Unaudited)**

		Share Capital	Shareholder Contributions	Fair Value Reserve	Employee Benefit Reserve	Retained Earnings	Total
<i>(millions of Canadian dollars)</i>	Notes						
<b>Balance at January 1, 2025</b>		<b>123</b>	<b>4,859</b>	<b>(44)</b>	<b>15</b>	<b>2,985</b>	<b>7,938</b>
<b>Loss for the period</b>		-	-	-	-	<b>(52)</b>	<b>(52)</b>
<b>Other comprehensive income</b>		-	-	<b>1</b>	-	-	<b>1</b>
<b>Total comprehensive loss for the period</b>		-	-	<b>1</b>	-	<b>(52)</b>	<b>(51)</b>
<b>Balance at March 31, 2025</b>		<b>123</b>	<b>4,859</b>	<b>(43)</b>	<b>15</b>	<b>2,933</b>	<b>7,887</b>
Balance at January 1, 2024		123	4,859	(50)	20	2,506	7,458
Profit for the period		-	-	-	-	294	294
Other comprehensive income		-	-	1	-	-	1
Total comprehensive income for the period		-	-	1	-	294	295
Balance at March 31, 2024	2.3	123	4,859	(49)	20	2,800	7,753

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR HYDRO**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**(Unaudited)**

		<b>Three months ended</b>	
<i>For the period ended March 31 (millions of Canadian dollars)</i>		<b>2025</b>	<b>2024</b>
	Notes		
Operating activities			
(Loss) profit for the period		<b>(52)</b>	294
Adjustments to reconcile profit to cash provided from operating			
Depreciation, depletion and amortization		<b>99</b>	98
Amortization of deferred credits	8	<b>(31)</b>	(38)
Maritime Link operating costs		<b>5</b>	6
Regulatory adjustments	5	<b>(347)</b>	(252)
Rate mitigation expense	5	<b>441</b>	-
Finance income	11	<b>(27)</b>	(34)
Finance expense	11	<b>129</b>	123
Other		<b>5</b>	(7)
		<b>222</b>	190
Changes in non-cash working capital balances	16	<b>82</b>	53
Interest received		<b>23</b>	34
Interest paid		<b>(49)</b>	(49)
<b>Net cash provided from operating activities</b>		<b>278</b>	228
Investing activities			
Additions to property, plant and equipment and intangible assets		<b>(64)</b>	(46)
Increase in investments		<b>(2)</b>	(6)
Changes in non-cash working capital balances	16	<b>(79)</b>	(73)
<b>Net cash used in investing activities</b>		<b>(145)</b>	(125)
Financing activities			
Increase in restricted cash		<b>(34)</b>	(47)
(Decrease) Increase in short-term borrowings		<b>(346)</b>	70
Distribution of Class B limited partnership units		<b>(33)</b>	(24)
Other		<b>7</b>	2
<b>Net cash (used in) provided from financing activities</b>		<b>(406)</b>	1
Net (decrease) increase in cash and cash equivalents		<b>(273)</b>	104
Cash and cash equivalents, beginning of the period		<b>1,164</b>	694
Cash and cash equivalents, end of the period		<b>891</b>	798

*See accompanying notes*

# NEWFOUNDLAND AND LABRADOR HYDRO

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### (Unaudited)

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#### 1. DESCRIPTION OF BUSINESS

Newfoundland and Labrador Hydro (Hydro or the Company) is a Crown corporation, formed through the amalgamation of the former Newfoundland and Labrador Hydro and Nalcor Energy legal entities effective January 1, 2025, under a special act of the Legislature of the Province of Newfoundland and Labrador (the Province). As of the effective date, the former operations of Nalcor Energy and former Newfoundland and Labrador Hydro continue under the name "Newfoundland and Labrador Hydro" and its business remains the development, generation, transmission and sale of electricity including energy trading; and the development, production and sale of oil and gas. Hydro's head office is located at 500 Columbus Drive in St. John's, Newfoundland and Labrador, A1B 0C9, Canada.

#### 2. MATERIAL ACCOUNTING POLICIES

##### 2.1 Statement of Compliance and Basis of Measurement

These condensed consolidated interim financial statements (interim financial statements) have been prepared in accordance with IFRS® Accounting Standards, as issued by the International Accounting Standards Board (IASB), consistent with those used in the preparation of the annual audited consolidated financial statements of the former Nalcor Energy for the year ended December 31, 2024.

These interim financial statements do not include all of the disclosures normally found in Hydro's annual audited consolidated financial statements and should be read in conjunction with the former Nalcor Energy annual audited consolidated financial statements. Interim results will fluctuate due to the seasonal nature of electricity demand and water flows, as well as timing and recognition of regulatory items. Due to higher electricity demand during the winter months, revenue from electricity sales is higher during the first and fourth quarters.

These interim financial statements have been prepared on a historical cost basis, except for financial instruments at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVTOCI) which have been measured at fair value. The interim financial statements are presented in Canadian Dollars (CAD) and all values rounded to the nearest million, except when otherwise noted. The interim financial statements were approved by Hydro's Board of Directors on May 15, 2025.

##### 2.2 Basis of Consolidation

The interim financial statements include the financial statements of Hydro and its subsidiary companies, the equity method of accounting for entities over which Hydro has significant influence, but not control, and proportionate consolidation for those which are jointly owned with non-affiliated entities. In addition, the financial statements of all structured entities, for which Hydro has been determined the primary beneficiary, are included in these interim financial statements. Intercompany transactions and balances have been eliminated upon consolidation.

##### 2.3 Business Combination

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 amalgamated company ("Hydro") continues to be 100% controlled by the Province. Hydro holds the combined assets and liabilities of the former Newfoundland and Labrador Hydro and the former Nalcor Energy legal entities and is bound by any previously existing contracts and agreements from the former entities. As well, the security or guarantees provided by the Provincial Government to the former Hydro entity continues with Hydro after the amalgamation. The Amalgamation was accounted for as a business combination under common control. The comparative figures for the March 31, 2025 consolidated financial statements of Hydro are those of the December 31, 2024 Nalcor Energy consolidated financial statements for the Consolidated Statement of Financial Position and the March 31, 2024 Nalcor Energy consolidated financial statements for the Consolidated Statement of (Loss) Profit and Comprehensive (Loss) Income.



# NEWFOUNDLAND AND LABRADOR HYDRO

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### (Unaudited)

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Common control business combinations fall outside the scope of IFRS 3 – *Business Combinations* and therefore management have determined the appropriate accounting policy by applying other relevant guidance and conceptual framework principles under IFRS to reflect the economic reality of the transaction. Hydro's accounting policy is to use predecessor or book value accounting and to record the assets and liabilities of the combined entities at the existing carrying values.

### 3. TRADE AND OTHER RECEIVABLES

	March 31 2025	December 31 2024
<i>As at (millions of Canadian dollars)</i>		
Trade receivables	219	234
Other receivables	41	55
Loss allowance	(30)	(30)
	230	259

# NEWFOUNDLAND AND LABRADOR HYDRO

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

### 4. PROPERTY, PLANT AND EQUIPMENT

	Generation Plant	Transmission and Distribution	Petroleum and Natural Gas Properties	Other	Assets Under Development	Total
<i>(millions of Canadian dollars)</i>						
Cost						
Balance as at January 1, 2024	8,659	9,359	1,650	650	197	20,515
Additions	1	-	92	-	276	369
Disposals	(21)	(16)	-	(10)	(1)	(48)
Transfers	132	93	-	50	(275)	-
Decommissioning liabilities and revisions	1	-	-	-	-	1
Other adjustments	(4)	-	-	-	2	(2)
Balance as at December 31, 2024	8,768	9,436	1,742	690	199	20,835
<b>Additions</b>	<b>-</b>	<b>-</b>	<b>22</b>	<b>-</b>	<b>40</b>	<b>62</b>
<b>Disposals</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>
<b>Transfers</b>	<b>1</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>(6)</b>	<b>-</b>
<b>Balance as at March 31, 2025</b>	<b>8,768</b>	<b>9,441</b>	<b>1,764</b>	<b>690</b>	<b>233</b>	<b>20,896</b>
Depreciation, depletion and impairment						
Balance as at January 1, 2024	857	532	907	243	55	2,594
Depreciation and depletion	131	179	53	18	-	381
Disposals	(13)	(1)	-	(9)	-	(23)
Impairment reversal	1	-	20	-	-	21
Other adjustments	-	-	14	-	-	14
Balance as at December 31, 2024	976	710	994	252	55	2,987
<b>Depreciation and depletion</b>	<b>33</b>	<b>44</b>	<b>14</b>	<b>6</b>	<b>-</b>	<b>97</b>
<b>Disposals</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>
<b>Balance as at March 31, 2025</b>	<b>1,008</b>	<b>754</b>	<b>1,008</b>	<b>258</b>	<b>55</b>	<b>3,083</b>
Carrying value						
Balance as at January 1, 2024	7,802	8,827	743	407	142	17,921
Balance as at December 31, 2024	7,792	8,726	748	438	144	17,848
<b>Balance as at March 31, 2025</b>	<b>7,760</b>	<b>8,687</b>	<b>756</b>	<b>432</b>	<b>178</b>	<b>17,813</b>

Capitalized interest for the period ended March 31, 2025, was \$nil (December 31, 2024 - \$2.0 million) related to Assets Under Development.

# NEWFOUNDLAND AND LABRADOR HYDRO

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### (Unaudited)

#### 5. REGULATORY DEFERRALS

		January 1	Reclass and	Regulatory	March 31	Remaining
		2025	Disposition	Activity	2025	Recovery Settlement
						Period (years)
<i>(millions of Canadian dollars)</i>						
Regulatory asset deferrals						
Power purchase expense recognition	(a)	726	-	288	<b>1,014</b>	n/a
Supply cost variance deferral account	(b)	532	-	(294)	<b>238</b>	n/a
Retirement asset pool		46	-	-	<b>46</b>	n/a
Foreign exchange losses		37	-	(1)	<b>36</b>	16.8
Rate stabilization plan (RSP)	(c)	31	6	(8)	<b>29</b>	n/a
Muskrat Falls PPA sustaining capital	(d)	16	-	(5)	<b>11</b>	n/a
Business system transformation program		11	-	-	<b>11</b>	n/a
Deferred energy conservation costs		8	-	-	<b>8</b>	n/a
Supply deferral	(e)	6	(6)	2	<b>2</b>	n/a
Muskrat Falls PPA monetization	(f)	74	-	(74)	<b>-</b>	n/a
Other		6	-	(1)	<b>5</b>	n/a
		<b>1,493</b>	<b>-</b>	<b>(93)</b>	<b>1,400</b>	
Regulatory liability deferrals						
Removal provision		(27)	-	(1)	<b>(28)</b>	n/a
Holyrood thermal generating station (TGS) accelerated depreciation deferral account		(14)	-	-	<b>(14)</b>	n/a
Insurance amortization and proceeds		(4)	-	-	<b>(4)</b>	n/a
Other		(7)	-	(1)	<b>(8)</b>	n/a
		<b>(52)</b>	<b>-</b>	<b>(2)</b>	<b>(54)</b>	

#### 5.1 Regulatory Adjustments Recorded in the Consolidated Statement of (Loss) Profit and Comprehensive (Loss) Income

		Three months ended	
		2025	2024
<i>For the period ended March 31 (millions of Canadian dollars)</i>			
Power purchase expense recognition	(a)	<b>(288)</b>	(164)
Supply cost variance deferral account	(b)	<b>(147)</b>	(111)
Muskrat Falls PPA monetization	(f)	<b>74</b>	13
RSP	(c)	<b>8</b>	10
Muskrat Falls PPA sustaining capital	(d)	<b>5</b>	1
Supply deferral	(e)	<b>(2)</b>	(2)
Other		<b>3</b>	1
		<b>(347)</b>	(252)

Hydro's regulatory deferrals which will be, or are expected to be, reflected in customer rates in future periods have been established through the rate setting process. In the absence of rate regulation, these amounts would be reflected in operating results in the period and profit for the period ended March 31, 2025 would have decreased by \$347.2 million (March 31, 2024 - \$251.7 million).

# NEWFOUNDLAND AND LABRADOR HYDRO

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### (Unaudited)

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#### 5.(a) Power Purchase Expense Recognition

In Board Order No's. P.U. 9 (2021) and P.U. 33 (2021), the PUB approved Hydro's proposal to deviate from IFRS to allow recognition of expenses related to the purchase of energy in accordance with the commercial terms of the Muskrat Falls PPA and Labrador-Island Link Transmission Funding Agreement (TFA). For the period ended March 31, 2025, IFRS power purchase expenses were \$287.3 million (March 31, 2024 - \$164.1 million) higher than commercial payments which resulted in a total regulatory asset of \$1,013.8 million (December 31, 2024 - \$726.5 million).

#### 5.(b) Supply Cost Variance Deferral Account

In Board Order No's. P.U. 33 (2021) and P.U. 4 (2022), the PUB approved Hydro's proposal to establish an account to defer payments under the Muskrat Falls Project agreements, rate mitigation funding, project cost recovery from customers and supply cost variances.

On May 16, 2024, the Province announced the finalization of its Rate Mitigation Plan. The Plan ensures domestic rate increases, for customers subject to Island Interconnected System rates, attributable to Hydro's costs are targeted at 2.25% per year up to and including 2030. The Plan also requires that any additional rate mitigation funding required to mitigate Lower Churchill costs for the period up to and including 2030 to come from Hydro's own sources to the extent possible. The Province has also directed Hydro to retire the ending 2023 Supply Cost Variance Deferral Account (SCVDA) balance of \$271.3 million over the 2024-2026 period.

In February 2025, the Province directed Hydro to transfer \$441.0 million of rate mitigation funding to its Regulated operations. The \$441.0 million included \$90.6 million of rate mitigation funding related to the retirement of the 2023 SCVDA. This rate mitigation funding offset by normal activity of the SCVDA of \$147.6 million (March 31, 2024 - \$111.3 million) resulted in a net decrease in the account of \$293.4 million (March 31, 2024 - \$110.5 million increase). The total balance owing from customers at March 31, 2025 is \$238.3 million (December 31, 2024 - \$531.7 million).

#### 5.(c) RSP

In 1986, the PUB ordered Hydro to implement the RSP which primarily provides for the deferral of fuel expense variances resulting from changes in fuel prices, hydrology, load and associated interest. Adjustments required in utility rates to cover the amortization of the balance are implemented on July 1 of each year. Similar adjustments required in industrial rates are implemented on January 1 of each year.

Per Board Order No. P.U. 33 (2021) and Hydro's compliance filing, the RSP was discontinued for purposes of deferring variations in hydraulic production, No. 6 fuel and load as at October 31, 2021. The Board ordered that the RSP should be maintained to provide timely recovery of the remaining balance which results in the continuation of recovery and interest charges and, in 2025, Hydro recovered \$9.3 million (March 31, 2024 - \$10.6 million) from customers. As well, Board Order No. P.U. 13 (2025) approved the recovery of the 2024 Isolated Systems Supply Cost Variance Deferral from the RSP Current Plan resulting in an increase to the RSP of \$6.5 million (March 31, 2024 - \$11.6 million). This activity and associated interest recovery of \$0.4 million in 2025 (March 31, 2024 - \$0.6 million) resulted in a remaining balance for future recovery from customers of \$28.6 million (December 31, 2024 - \$31.0 million).

#### 5.(d) Muskrat Falls PPA Sustaining Capital

In Board Order No. P.U. 33 (2021), the PUB approved Hydro's proposal to defer contributions required to be made by Hydro for sustaining capital investments pursuant to the Muskrat Falls PPA with recovery to be addressed in Hydro's next general rate application. In 2025, Hydro has recorded a decrease of \$4.6 million (March 31, 2024 - \$1.4 million) in activity resulting in a total balance of \$11.3 million (December 31, 2024 - \$15.9 million).

#### 5.(e) Supply Deferral

During 2025, Hydro recorded a net decrease in the supply deferral asset of \$4.8 million (March 31, 2024 - \$10.0 million) resulting in a balance from customers of \$1.9 million (December 31, 2024 - \$6.7 million). The decrease is

# NEWFOUNDLAND AND LABRADOR HYDRO

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### (Unaudited)

primarily due to the disposal of the 2024 Isolated Systems Supply Cost Variance Deferral balance as per Board Order No. P.U. 13 (2025) of \$6.7 million (March 31, 2024 - \$12.1 million) with \$6.5 million recovered from the current RSP Plan, partially offset by the normal operation of the deferral of \$1.9 million (March 31, 2024 - \$2.1 million).

#### 5.(f) Muskrat Falls PPA Monetization

Under the Muskrat Falls PPA, 30 days following the calendar year end Hydro is able to monetize an amount of undelivered Schedule II energy at an Annual Average Sales Price of Muskrat Falls energy exports for the previous year. In Board Order No's. P.U. 33 (2021) and P.U. 4 (2022), the Board approved Hydro's proposal to recognize an estimate of the monetized energy in the year in which the energy was exported by Muskrat Falls, instead of waiting until Hydro can monetize in the following year. On December 31, 2024, Hydro recorded an estimated monetization of the 2024 undelivered Schedule II energy of \$73.8 million (December 31, 2023 - \$13.3 million) which was reversed upon actual recognition of monetization in 2025 of \$73.8 million (March 31, 2024 - \$13.3 million).

#### 6. TRADE AND OTHER PAYABLES

<i>As at (millions of Canadian dollars)</i>	<b>March 31 2025</b>	December 31 2024
Trade payables and accruals	<b>199</b>	222
Other payables	<b>83</b>	84
Accrued interest payable	<b>112</b>	50
	<b>394</b>	356

#### 7. DEBT

##### 7.1 Short-term Borrowings

Hydro maintains a \$740.0 million committed revolving term credit facility with its banker with a maturity date of July 31, 2025. There were no amounts drawn on this facility as at March 31, 2025 (December 31, 2024 - \$290.0 million advance with maturity date of January 2, 2025 bearing interest at a rate of 4.09%). A total of \$6.3 million of the borrowing limit has been used to issue letters of credit (December 31, 2024 - \$6.3 million CAD equivalent to issue letters of credit).

Hydro utilized its \$300.0 million government guaranteed promissory note program to fulfil its short-term funding requirements. As of March 31, 2025, there was a \$244.0 million promissory note outstanding with a maturity date of April 1, 2025 bearing interest at a rate of 2.74% (At December 31, 2024, there were four promissory notes outstanding totalling \$300.0 million with a maturity date of January 2, 2025 bearing interest at rates of ranging from 3.31% to 3.36%).

As a result of amalgamation, effective January 1, 2025 the level of short-term borrowings permitted by Hydro is \$1.0 billion, until December 31, 2025 at which time the level will return to \$800.0 million commencing January 1, 2026.

Churchill Falls maintains a \$10.0 million CAD or USD equivalent unsecured demand operating credit facility with its banker. There were no amounts drawn on this facility as at March 31, 2025 (December 31, 2024 - \$nil). Churchill Falls has issued three irrevocable letters of credit totalling \$2.0 million (December 31, 2024 - \$2.0 million), \$1.0 million of which does not impact the borrowing limit of the operating facility (December 31, 2024 - \$1.0 million).

Oil and Gas maintains a \$40.0 million CAD or USD equivalent unsecured credit facility with its banker. As at March 31, 2025, there were no amounts drawn on this facility (December 31, 2024 - \$nil). A total of \$16.4 million of the borrowing limit has been used to issue two irrevocable letters of credit (December 31, 2024 - \$16.4 million to issue two irrevocable letters of credit). to ensure compliance with service agreements and regulations relating to

# **NEWFOUNDLAND AND LABRADOR HYDRO**

## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

### **(Unaudited)**

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petroleum and natural gas exploration and production activities.

Energy Marketing maintains a \$20.0 million CAD or USD equivalent demand operating credit facility with its banker, and as at March 31, 2025, there were no amounts drawn on this facility (December 31, 2024 - \$nil). This facility has an unconditional and irrevocable guarantee from Hydro. Borrowings in CAD may take the form of Prime Rate Advances, and letters of credit. Borrowings in USD may take the form of Base Rate Advances and letters of credit. However, \$3.7 million CAD equivalent of the limit is used to issue four irrevocable letters of credit (December 31, 2024 - \$3.7 million CAD equivalent for four irrevocable letters of credit).

As at March 31, 2025, Hydro, on behalf of Energy Marketing, has issued unconditional guarantees and sales contracts in the amount of \$23.0 million CAD equivalent (December 31, 2024 - \$23.0 million CAD), in order to guarantee amounts under power purchase and sale contracts with bilateral counterparties and purchase and sale of transmission rights.

# NEWFOUNDLAND AND LABRADOR HYDRO

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### (Unaudited)

#### 7.2 Long-term Debt

<i>As at (millions of Canadian dollars)</i>	Face Value	Coupon Rate %	Year of Issue	Year of Maturity	March 31 2025	December 31 2024
<b>Hydro</b>						
Y*	300	8.40	1996	2026	299	299
AB*	300	6.65	2001	2031	303	303
AD*	125	5.70	2003	2033	124	124
AF	500	3.60	2014/2017	2045	484	483
1A	600	3.70	2017/2018	2048	635	636
2A	300	1.75	2021	2030	292	291
<b>LIL LP</b>						
Tranche A*	725	3.76	2013	2033	725	725
Tranche B*	600	3.86	2013	2045	600	600
Tranche C*	1,075	3.85	2013	2053	1,075	1,075
Tranche 10	11	1.75	2017	2025	11	11
Tranche 11-20	105	1.84-2.37	2017	2025-2030	105	105
Tranche 21-30	105	2.41-2.64	2017	2030-2035	105	105
Tranche 31-40	105	2.66-2.80	2017	2035-2040	105	105
Tranche 41-50	105	2.81-2.86	2017	2040-2045	105	105
Tranche 51-60	105	2.84-2.86	2017	2045-2050	105	105
Tranche 61-70	105	2.85	2017	2050-2055	105	105
Tranche 71-74	315	2.85	2017	2055-2057	316	316
<b>Labrador Transco/Muskrat Falls</b>						
Tranche A	650	3.63	2013	2029	650	650
Tranche B*	675	3.83	2013	2037	675	675
Tranche C*	1,275	3.86	2013	2048	1,275	1,275
Tranche 10	21	1.75	2017	2025	21	21
Tranche 11-20	224	1.84-2.37	2017	2025-2030	224	224
Tranche 21-30	253	2.41-2.64	2017	2030-2035	253	253
Tranche 31-40	288	2.66-2.80	2017	2035-2040	288	289
Tranche 41-50	331	2.81-2.86	2017	2040-2045	331	331
Tranche 51-60	381	2.84-2.86	2017	2045-2050	382	382
Tranche 61-64	168	2.85	2017	2050-2052	168	168
Tranche A-T	500	3.35-3.38	2022	2037-2047	500	500
Tranche U	500	3.38	2022	2057	500	500
<b>LIL (2021) LP</b>						
Convertible debenture	295	3.03	2023	2071	304	302
<b>Total</b>	<b>11,042</b>				<b>11,065</b>	<b>11,063</b>
<b>Less: sinking fund investments in own debentures</b>					<b>(128)</b>	<b>(128)</b>
					<b>10,937</b>	<b>10,935</b>
<b>Less: repayment of debt due within one year</b>					<b>(301)</b>	<b>(70)</b>
					<b>10,636</b>	<b>10,865</b>

\*Sinking funds are required to be established for these issues.

# NEWFOUNDLAND AND LABRADOR HYDRO

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### (Unaudited)

#### 8. DEFERRED CREDITS

Deferred credits primarily consist of deferred energy sales to Emera Inc. (Emera), deferred revenue related to Menihek assets for the sale of energy to Hydro-Québec, deferrals related to telecommunications services to be provided by Churchill Falls to Hydro-Québec and contributions from customers to complete interconnection studies.

<i>As at March 31, 2025 (millions of Canadian dollars)</i>	Deferred Energy Sales	Deferred Lease Revenue	Other	Total
Deferred credits, beginning of the period	1,531	78	23	1,632
Additions	5	3	-	8
Amortization	(29)	(1)	(1)	(31)
Deferred credits, end of the period	1,507	80	22	1,609
Less: current portion	(94)	(3)	(7)	(104)
	<b>1,413</b>	<b>77</b>	<b>15</b>	<b>1,505</b>

#### 9. ENERGY SALES

<i>For the period ended March 31 (millions of Canadian dollars)</i>	Three months ended	
	2025	2024
Electricity sales	<b>388</b>	369
Petroleum and natural gas sales	<b>70</b>	53
Royalty expense	<b>(15)</b>	(3)
Total energy sales	<b>443</b>	419

#### 10. OPERATING COSTS

<i>For the period ended March 31 (millions of Canadian dollars)</i>	Three months ended	
	2025	2024
Salaries and benefits	<b>44</b>	42
Maintenance and materials	<b>17</b>	18
Professional services	<b>10</b>	7
Insurance	<b>4</b>	4
Impacts and Benefits amendment	<b>3</b>	-
Travel and transportation	<b>2</b>	2
Other operating costs	<b>2</b>	3
Total operating costs	<b>82</b>	76



# NEWFOUNDLAND AND LABRADOR HYDRO

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### (Unaudited)

#### 11. NET FINANCE EXPENSE

	Three months ended	
<i>For the period ended March 31 (millions of Canadian dollars)</i>	2025	2024
Finance income		
Interest on restricted cash	14	19
Interest on investments	6	7
Other interest income	7	8
	27	34
Finance expense		
Interest on long-term debt	100	99
Interest on Class B limited partnership units	20	15
Debt guarantee fee	2	2
Other	7	8
	129	124
Interest capitalized during construction	-	(1)
	129	123
Net finance expense	102	89

#### 12. OTHER EXPENSE (INCOME)

	Three months ended	
<i>For the period ended March 31 (millions of Canadian dollars)</i>	2025	2024
Rate Mitigation expense	441	-
Rental and royalty	6	7
Other	(1)	(10)
Total other expense (income)	446	(3)

#### 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

##### 13.1 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 below are not necessarily indicative of the amounts that Hydro might receive or incur in actual market transactions.

As a significant number of Hydro's assets and liabilities do not meet the definition of a financial instrument, the fair value estimates below do not reflect the fair value of Hydro 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

# NEWFOUNDLAND AND LABRADOR HYDRO

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### (Unaudited)

(unobservable inputs).

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, Hydro 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 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 (millions of Canadian dollars)</i>		<b>March 31, 2025</b>		December 31, 2024	
Financial assets					
Sinking funds - investments in Hydro debt issue	2	128	130	128	129
Sinking funds - other investments	2	251	261	245	253
Investments, including short-term	2	199	203	199	200
Reserve fund	2	50	50	50	50
Financial liabilities					
Long-term debt including amount due within one year (before sinking funds)	2	11,065	10,434	11,063	10,331
Class B limited partnership units including amount due within one year	3	967	967	980	980
Long-term payables including amount due within one year	2	59	58	55	55

The fair value of cash and cash equivalents, restricted cash, trade and other receivables, short-term borrowings and trade and other payables approximates 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 derivative instruments are valued based on observable commodity future curves, broker quotes or other publicly available data. 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 and currency rates.

Level 3 financial instruments include Class B limited partnership units.

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 of 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 the Class B limited partnership units given a one percent change in the discount rate while holding other variables constant:

# NEWFOUNDLAND AND LABRADOR HYDRO

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### (Unaudited)

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<i>(millions of Canadian dollars)</i>	1% increase	1% decrease
Class B limited partnership units	(70.3)	66.8

### 13.2 Risk Management

Hydro is exposed to certain credit, liquidity and market price risks through its operating, financing and investing activities. Financial risk is managed in accordance with a Board approved policy, which outlines the objectives and strategies for the management of financial risk, including the use of derivative contracts. Permitted financial risk management strategies are aimed at minimizing the volatility of Hydro's expected future cash flows.

#### Credit Risk

Hydro's expected future cash flows are exposed to credit risk through its operating activities, primarily due to the potential for non-performance by its customers, and through its financing and investing activities, based on the risk of non-performance by counterparties to its financial instruments. The degree of exposure to credit risk on cash and cash equivalents, restricted cash, short-term investments, long-term investments and derivative assets as well as from the sale of electricity to customers, including the associated accounts receivable, is determined by the financial capacity and stability of those customers and counterparties. The maximum exposure to credit risk on these financial instruments is represented by their carrying values on the Consolidated Statement of Financial Position at the reporting date.

Hydro does not have any significant amounts that are past due and uncollectable, for which a provision has not been recognized as at March 31, 2025

#### Liquidity Risk

Hydro is exposed to liquidity risk with respect to its contractual obligations and financial liabilities, including any derivative liabilities related to hedging activities (which there are currently none). Liquidity risk management is aimed at ensuring cash is available to meet those obligations as they become due.

Short-term liquidity for Hydro and its subsidiaries is mainly provided through cash and cash equivalents on hand, funds from operations, an operating credit facility which Hydro maintains with its banker, and shareholder contributions.

Long-term liquidity is provided through prefunded equity reserves as well as equity support guarantees with the Province for Muskrat Falls Corporation (Muskrat Falls), Labrador Transmission Corporation (Labrador Transco), and Labrador-Island Link Limited Partnership (LIL LP), the issuance of a portfolio of debentures for Hydro and the maintenance of the reserve fund in Churchill Falls (Labrador) Corporation Limited (Churchill Falls). Long-term liquidity is further supported through funding from Canada in the form of a \$1 billion convertible debenture for rate mitigation.

#### Market Risk

In the course of carrying out its operating, financing and investing activities, Hydro is exposed to possible market price movements that could impact expected future cash flow and the carrying value of certain financial assets and liabilities. Market price movements to which Hydro has significant exposure include those relating to prevailing interest rates, foreign exchange rates, most notably USD/CAD, and current commodity prices, most notably the spot prices for oil, No. 6 fuel, diesel fuel and electricity and any potential new or revised tariffs.

#### Interest Rates

The impact of interest rates on the expected future cash outflows related to short-term borrowings and long-term debt are managed through Hydro's debt portfolio. Hydro is not exposed to interest rate risk on its long-term debt as all of its long-term debt has fixed interest rates.

# NEWFOUNDLAND AND LABRADOR HYDRO

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### (Unaudited)

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#### *Foreign Exchange and Commodity Exposure*

Hydro's primary exposure to both foreign exchange and commodity price risk arises from its purchases of fuel used in electricity generation, USD denominated electricity sales, capital purchases, and the sale of crude oil. For the purchases of fuel used in electricity generation, these risks are mitigated through the operation of regulatory mechanisms.

For the period ended March 31, 2025, total oil sales denominated in USD were \$47.7 million (March 31, 2024 - \$39.6 million).

#### **14. RELATED PARTY TRANSACTIONS**

Hydro enters into various transactions with its shareholder 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.

Related parties with which Hydro transacts are as follows:

Related Party	Relationship
The Province	100% shareholder of Hydro
Churchill Falls	Joint arrangement of Hydro
Hydro-Québec	34.2% shareholder of Churchill Falls
Oil and Gas Corporation of Newfoundland and Labrador	Wholly-owned subsidiary of the Province
Bull Arm Fabrication Inc.	Wholly-owned subsidiary of Oil and Gas Corporation of Newfoundland and Labrador
KKR	Limited Partner holding 25 Class B limited partnership units of LIL LP
PUB	Agency of the Province

# NEWFOUNDLAND AND LABRADOR HYDRO

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### (Unaudited)

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

	March 31 2025	December 31 2024
<i>As at (millions of Canadian dollars)</i>		
<b>Trade and other receivables:</b>		
Other related parties	16	24
The Province	2	2
<b>Trade and other payables:</b>		
The Province (a,b,c)	54	61
<b>Other current liabilities</b>		
Other related parties	3	4
<b>Long-term debt (including current portion):</b>		
The Province	927	927

	Three months ended 2025	2024
<i>For the period ended March 31 (millions of Canadian dollars)</i>		
<b>Energy sales:</b>		
Other related parties	26	28
The Province (d)	(14)	(3)
<b>Power purchased:</b>		
The Province (c)	8	8
<b>Operating costs (recoveries):</b>		
Other related parties	1	1
The Province (c)	(5)	(5)
<b>Net finance expense:</b>		
The Province	9	9
<b>Other expense:</b>		
The Province (a,b)	6	7

- (a) Churchill Falls is required to pay the Province an annual rental of 8% of the consolidated net profits before income taxes and an annual royalty of \$0.50 per horsepower year generated, which is payable on an annual basis before March 31 of the following fiscal year.
- (b) Muskrat Falls is required to pay the Province a water rental fee based on megawatt hours of energy generated, which is payable on an annual basis, in the first quarter of the following fiscal year.
- (c) Hydro, as the operator of the Exploits assets, has a net payable to the Province which is included in Trade and other payables. Hydro has purchased \$7.8 million (March 31, 2024 - \$7.6 million) of power generated from assets related to Exploits Generation, which are held by the Province. These assets are operated on behalf of the Province on a cost recovery basis.
- (d) Primarily consists of amounts expensed to the Province for royalties associated with Oil and Gas, which are presented net of Energy sales in the Consolidated Statement of Profit and Comprehensive Income.

# NEWFOUNDLAND AND LABRADOR HYDRO

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### (Unaudited)

#### 15. COMMITMENTS AND CONTINGENCIES

- (a) Hydro and its subsidiaries are subject to legal claims with respect to impact on land use, energy and capacity delivery, 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 the Company, they may have a significant adverse effect on the Company's financial position.
- (b) Outstanding commitments for capital projects, excluding those related to Oil and Gas, total approximately \$199.9 million as at March 31, 2025 (December 31, 2024 - \$169.0 million).
- (c) On October 24, 2024, Hydro and the Innu Nation amended the Lower Churchill Innu Impacts and Benefits Agreement (IBA) to reflect an agreement on rate mitigation. Under this agreement, Hydro has committed with Muskrat Falls to pay the Innu Nation an annual amount of \$12 million escalating at CPI, for a term of 50 years, replacing all other IBA payments associated with Muskrat Falls.

#### 16. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended	
<i>For the period ended March 31 (millions of Canadian dollars)</i>	2025	2024
Trade and other receivables	28	2
Prepayments	3	3
Inventories	(4)	13
Trade and other payables	(24)	(38)
Changes in non-cash working capital balances	3	(20)
Related to:		
Operating activities	82	53
Investing activities	(79)	(73)
	3	(20)

#### 17. SEGMENT INFORMATION

The following summary provides a brief overview of the nature of operations included in each of the Company's operating segments as at March 31, 2025.

**Hydro Regulated** activities encompass sales of electricity to customers within the Province that are regulated by the PUB.

**Muskrat Falls** includes the operation of the 824 MW hydroelectric generating facility in Labrador on the Lower Churchill River.

**LC Transmission** includes the operation of the LIL and the LTA, which consist of transmission lines connecting the Muskrat Falls Generating Station, the Churchill Falls Generating Station and certain portions of the transmission system in Labrador to the island of Newfoundland.

**Churchill Falls** owns and operates a 5,428 MW hydroelectric generating facility, which sells electricity to Hydro-Québec and Hydro.

**Energy Trading** includes energy trading and commercial activities related to maximizing the value of the Province's

# NEWFOUNDLAND AND LABRADOR HYDRO

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### (Unaudited)

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surplus power and transmission interconnections with external electricity markets.

**Other Electric** includes revenues and expenditures associated with the delivery of the Nova Scotia Block of energy to Emera, expenditures associated with the Maritime Link (which is owned and managed by Emera, but consolidated by Hydro), Hydro's sales of electricity to mining operations in Labrador West, rate mitigation transactions and revenues and costs recovered from Hydro-Québec associated with the operation of the Menihek Generating Station. The segment also includes costs associated with shared services functions and community and business development that are not included in the Company's other operating segments.

**Oil and Gas** includes the Company's share in the development, production, transportation and processing of oil and gas from the Hebron, White Rose and HSE fields.

# NEWFOUNDLAND AND LABRADOR HYDRO

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

<i>(millions of Canadian dollars)</i>	Hydro Regulated	Muskrat Falls	LC Transmission	Churchill Falls	Energy Trading	Other Electric	Oil and Gas	Inter- Segment	Total
For the three months ended March 31, 2025									
Energy sales	347	330	29	35	52	48	55	(453)	443
Other revenue	7	-	114	1	4	3	-	(118)	11
Revenue	354	330	143	36	56	51	55	(571)	454
Fuels	78	-	-	-	-	-	-	-	78
Power purchased	525	-	-	-	22	23	-	(538)	32
Operating costs	39	10	8	11	1	12	1	-	82
Production, marketing and transportation costs	-	-	-	-	-	-	7	-	7
Transmission rental	-	29	-	-	12	-	-	(34)	7
Depreciation, depletion and amortization	21	22	28	5	-	10	13	-	99
Net finance expense (income)	26	29	53	(1)	-	(6)	1	-	102
Other (income) expense	(1)	2	-	2	1	441	1	-	446
Preferred dividends	-	-	-	(1)	-	-	-	1	-
Expenses	688	92	89	16	36	480	23	(571)	853
(Loss) profit for the period before regulatory adjustments	(334)	238	54	20	20	(429)	32	-	(399)
Regulatory adjustments	(347)	-	-	-	-	-	-	-	(347)
Profit (loss) for the period	13	238	54	20	20	(429)	32	-	(52)
Capital expenditures	25	-	4	11	-	2	22	-	64
Total assets	4,254	8,252	7,156	857	122	9,125	880	(8,202)	22,444
Total debt*	2,038	4,395	5,503	-	-	-	-	-	11,936

\*Total debt includes short-term borrowings, long-term debt including current portion less Hydro's sinking funds of \$217.0 million, Class B limited partnership units, and lease liabilities of \$5.0 million.



# NEWFOUNDLAND AND LABRADOR HYDRO

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

<i>(millions of Canadian dollars)</i>	Hydro Regulated	Muskrat Falls	LC Transmission	Churchill Falls	Energy Trading	Other Electric	Oil and Gas	Inter- Segment	Total
For the three months ended March 31, 2024									
Energy sales	281	229	28	37	30	56	50	(292)	419
Other revenue	7	-	113	1	5	3	-	(119)	10
Revenue	288	229	141	38	35	59	50	(411)	429
Fuels	70	-	-	-	-	-	-	-	70
Power purchased	372	-	-	-	13	25	-	(378)	32
Operating costs	38	6	9	10	1	11	1	-	76
Production, marketing and transportation costs	-	-	-	-	-	-	14	-	14
Transmission rental	-	28	-	-	16	-	-	(33)	11
Depreciation, depletion and amortization	19	22	27	7	-	10	13	-	98
Net finance expense (income)	26	26	45	(1)	-	(6)	-	(1)	89
Other expense (income)	1	7	-	2	(1)	-	(12)	-	(3)
Preferred dividends	-	-	-	(1)	-	-	-	1	-
Expenses	526	89	81	17	29	40	16	(411)	387
(Loss) profit for the period before regulatory adjustments	(238)	140	60	21	6	19	34	-	42
Regulatory adjustments	(252)	-	-	-	-	-	-	-	(252)
Profit for the period	14	140	60	21	6	19	34	-	294
Capital expenditures*	24	1	4	5	-	-	13	-	47
Total assets	3,893	7,938	6,895	818	94	3,510	812	(1,932)	22,028
Total debt**	2,115	4,430	5,155	-	-	-	-	-	11,700

\* Capital expenditures (inclusive of property, plant and equipment and intangible assets) include non-cash additions of \$0.5 million related to interest capitalized during construction.

\*\*Total debt includes short-term borrowings, long-term debt including current portion less Hydro's sinking funds of \$208.2 million, Class B limited partnership units, and lease liabilities of \$5.3 million.