

**NALCOR ENERGY MARKETING CORPORATION
CONDENSED INTERIM FINANCIAL STATEMENTS**

June 30, 2025

(Unaudited)

NALCOR ENERGY MARKETING CORPORATION
STATEMENT OF FINANCIAL POSITION
(Unaudited)

<i>As at (thousands of Canadian dollars)</i>	<i>Notes</i>	June 30	December 31
		2025	2024
ASSETS			
Current assets			
Cash		41,920	27,252
Trade and other receivables		16,402	13,675
Inventories	3	2,441	5,047
Prepayments		2,418	2,791
Derivative assets	11	47,595	83,930
Total current assets		110,776	132,695
Non-current assets			
Property, plant and equipment		135	135
Intangible assets		5	5
Long-term derivative assets	11	-	2
Total assets		110,916	132,837
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	4	12,698	6,703
Derivative liabilities	11	396	3
Deferred liability	5	41,953	83,907
Total current liabilities		55,047	90,613
Non-current liabilities			
Employee future benefits		851	897
Total liabilities		55,898	91,510
Shareholder's equity			
Share capital		1	1
Reserves		371	371
Retained earnings		54,646	40,955
Total equity		55,018	41,327
Total liabilities and equity		110,916	132,837

See accompanying notes

NALCOR ENERGY MARKETING CORPORATION
STATEMENT OF PROFIT AND COMPREHENSIVE INCOME
(Unaudited)

<i>For the period ended June 30 (thousands of Canadian dollars)</i>	Notes	Three months ended		Six months ended	
		2025	2024	2025	2024
					(Note 14)
Energy sales		42,315	27,286	93,845	57,009
Other revenue	7	2,914	6,562	6,840	11,522
Net finance income	8	317	314	788	803
Revenue		45,546	34,162	101,473	69,334
Transmission rental and market fees		10,261	14,025	22,287	29,797
Operating costs	9	1,390	1,392	2,466	2,748
Power purchased	12	16,519	9,271	37,587	21,987
Depreciation and amortization		8	7	16	16
Other expense (income)	10	10,641	1,034	(1,574)	(5,312)
Expenses		38,819	25,729	60,782	49,236
Total profit and comprehensive income for the period		6,727	8,433	40,691	20,098

See accompanying notes

NALCOR ENERGY MARKETING CORPORATION
STATEMENT OF CHANGES IN EQUITY
(Unaudited)

<i>(thousands of Canadian dollars)</i>	Note	Share Capital	Employee Benefit Reserve		Retained Earnings	Total
Balance at January 1, 2025		1	371	40,955	41,327	
Total profit and comprehensive income for the period		-	-	40,691	40,691	
Dividends	6	-	-	(27,000)	(27,000)	
Balance at June 30, 2025		1	371	54,646	55,018	
Balance at January 1, 2024		1	409	48,174	48,584	
Total profit and comprehensive income for the period		-	-	20,098	20,098	
Dividends	6	-	-	(14,000)	(14,000)	
Balance at June 30, 2024		1	409	54,272	54,682	

See accompanying notes

NALCOR ENERGY MARKETING CORPORATION
STATEMENT OF CASH FLOWS
(Unaudited)

For the period ended June 30 (thousands of Canadian dollars)	Notes	Three months ended		Six months ended	
		2025	2024	2025	2024
(Note 14)					
Operating activities					
Profit for the period		6,727	8,433	40,691	20,098
Adjustments to reconcile profit to cash provided from operating activities:					
Loss (gain) on fair value of renewable energy certificates (RECs)	10	1,599	1,765	2,606	(291)
Depreciation and amortization		8	7	16	16
Loss (gain) on power purchase agreement (PPA) balances	10	7,856	(36)	(5,639)	(3,807)
Unrealized loss (gain) on other derivatives		332	(395)	415	(393)
Finance income	8	(330)	(328)	(810)	(824)
Finance expense	8	13	14	22	21
Other		26	22	(46)	44
		16,231	9,482	37,255	14,864
Changes in non-cash working capital balances	13	(6,555)	(5,184)	3,726	(6,126)
Interest received		330	328	810	824
Interest paid		(13)	(14)	(22)	(21)
Net cash provided from operating activities		9,993	4,612	41,769	9,541
Investing activities					
Additions to property, plant and equipment		(16)	1	(16)	(2)
Additions to financial transmission rights	11	-	(30)	-	(116)
Changes in non-cash working capital balances	13	-	(82)	(85)	3
Net cash used in investing activities		(16)	(111)	(101)	(115)
Financing activity					
Dividends paid	6	-	-	(27,000)	(14,000)
Net cash used in financing activity		-	-	(27,000)	(14,000)
Net increase (decrease) in cash		9,977	4,501	14,668	(4,574)
Cash, beginning of the period		31,943	19,424	27,252	28,499
Cash, end of the period		41,920	23,925	41,920	23,925

See accompanying notes

NALCOR ENERGY MARKETING CORPORATION

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

1. DESCRIPTION OF BUSINESS

Nalcor Energy Marketing Corporation (Energy Marketing) was incorporated under the Corporations Act of Newfoundland and Labrador (the Province) on March 24, 2014. Energy Marketing is a 100% owned subsidiary of Newfoundland and Labrador Hydro (Hydro). The purpose of Energy Marketing is to manage Hydro's participation in extra-provincial electricity markets. Energy Marketing's head office is located at 500 Columbus Drive, St. John's, Newfoundland and Labrador, A1B 0P5, Canada.

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, Energy Marketing is wholly owned and controlled by the amalgamated entity (Hydro).

2. MATERIAL ACCOUNTING POLICIES

Statement of Compliance and Basis of Measurement

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

These condensed interim financial statements do not include all of the disclosures normally found in Energy Marketing's annual audited financial statements and should be read in conjunction with the annual audited financial statements.

These condensed interim financial statements have been prepared on a historical cost basis, except for financial instruments at fair value through profit or loss (FVTPL) which have been measured at fair value. The financial statements are presented in Canadian Dollars (CAD) and all values rounded to the nearest thousand, except when otherwise noted. The Board of Directors has delegated authority to approve the condensed interim financial statements to the Audit Committee of the Board of Directors of Hydro, which approved the condensed interim financial statements on August 14, 2025.

3. INVENTORIES

As at June 30, 2025, Energy Marketing held 176,061 RECs in inventory with a book value of \$2.4 million (December 31, 2024 – 484,776 RECs with a book value of \$5.0 million). The fair value of RECs inventory additions, dispositions and other adjustments during the period ended June 30, 2025 and 2024 are recorded in Other expense (income), as disclosed in Note 10.

4. TRADE AND OTHER PAYABLES

<i>As at (thousands of Canadian dollars)</i>	Note	June 30	
		2025	2024
Trade payables and other accruals		2,256	863
Due to related parties	12	10,442	5,840
		12,698	6,703

NALCOR ENERGY MARKETING CORPORATION

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

5. DEFERRED LIABILITY

The deferred liability associated with the Energy Marketing – Hydro PPA represents Energy Marketing's current liability related to its expected commitments for 2025 under the PPA with Hydro. The PPA, which became effective on October 1, 2015, allows Energy Marketing to purchase available Recapture energy from Hydro for resale in export markets or through agreements with counterparties. Additionally, the PPA allows for the use of Hydro's transmission service rights by Energy Marketing to deliver electricity, through rights which are provided to Hydro pursuant to a Transmission Service Agreement with Hydro-Québec dated April 1, 2009. The PPA can be terminated by either party with notice provided 60 days prior to the intended termination date.

	June 30	December 31
<i>As at (thousands of Canadian dollars)</i>	2025	2024
Deferred liability, beginning of the period	83,907	68,131
Additions	-	83,907
Amortization	(41,954)	(68,131)
Deferred liability, end of the period	41,953	83,907

6. DIVIDENDS

<i>For the period ended June 30 (thousands of Canadian dollars)</i>	Three months ended		Six months ended	
	2025	2024	2025	2024
Declared and paid during the period	-	-	27,000	14,000

7. OTHER REVENUE

<i>For the period ended June 30 (thousands of Canadian dollars)</i>	Three months ended		Six months ended	
	2025	2024	2025	2024
Renewable energy certificates	2,914	6,562	6,526	11,522
Other	-	-	314	-
Total other revenue	2,914	6,562	6,840	11,522

8. NET FINANCE INCOME

<i>For the period ended June 30 (thousands of Canadian dollars)</i>	Three months ended		Six months ended	
	2025	2024	2025	2024
Finance income				
Bank interest	330	328	810	824
Finance expense				
Bank and interest charges	13	14	22	21
Net finance income	317	314	788	803

9. OPERATING COSTS

<i>For the period ended June 30 (thousands of Canadian dollars)</i>	Three months ended		Six months ended	
	2025	2024	2025	2024
Salaries and benefits	971	1,054	1,740	2,032
Professional services	185	150	302	321
Other operating costs	234	188	424	395
Total operating costs	1,390	1,392	2,466	2,748

NALCOR ENERGY MARKETING CORPORATION

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

10. OTHER EXPENSE (INCOME)

For the period ended June 30 (thousands of Canadian dollars)	Notes	Three months ended		Six months ended	
		2025	2024	2025	2024
Net PPA loss (gain)	11, 12	7,856	(36)	(5,639)	(3,807)
Loss (gain) on fair value of RECs	(a)	1,599	1,765	2,606	(291)
Unrealized foreign exchange loss (gain)		997	(110)	1,101	(703)
Mark-to-market of open market positions		330	(398)	391	(408)
Net financial transmission rights income and amortization		-	(93)	10	(87)
Realized foreign exchange gain		(141)	(94)	(43)	(16)
Total other expense (income)		10,641	1,034	(1,574)	(5,312)

(a) This represents the fair value of REC inventory additions, disposals and other adjustments for the period ended June 30, 2025 and 2024.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

11.1 Fair Value

The estimated fair values of financial instruments as at June 30, 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 Energy Marketing might receive or incur in actual market transactions.

As some of Energy Marketing'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 Energy Marketing 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).

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, Energy Marketing 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 June 30, 2025 and the year ended December 31, 2024.

NALCOR ENERGY MARKETING CORPORATION

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
<i>As at (thousands of Canadian dollars)</i>		June 30, 2025			
Financial assets				December 31, 2024	
Derivative assets	2,3	47,595	47,595	83,930	83,930
Long-term derivative assets	3	-	-	2	2
Financial liabilities					
Derivative liabilities	2	396	396	3	3

The fair value of cash, trade and other receivables 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 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 are determined using observable inputs other than unadjusted quoted prices, such as interest rate yield curves and currency rates.

Level 3 financial instruments include the PPA derivative with Hydro and financial transmission rights.

The PPA derivative represents Energy Marketing's forecasted energy sales net of Recapture power purchases, for the 2025 calendar year. It does not include the value of transmission rights or other transportation and market related costs.

Financial transmission rights are purchased contracts used to mitigate risk associated with congestion in export markets. The carrying value of financial transmission rights as at June 30, 2025 was \$nil (December 31, 2024 - \$nil).

The following table summarizes quantitative information about the valuation techniques and unobservable inputs used in the fair value measurement of Level 3 financial instruments as at June 30, 2025.

<i>(thousands of Canadian dollars)</i>	Carrying Value	Valuation Techniques	Significant Unobservable Input(s)	Range
Derivative asset (Power purchase derivative asset)	47,592	Modelled pricing	Volumes (MWh)	40% to 42% of available generation

The derivative asset arising under the PPA is designated as a Level 3 instrument as certain forward market prices and related volumes are not readily determinable to estimate a portion of the fair value of the derivative asset. Hence, fair value measurement of this instrument is based upon a combination of internal and external pricing and volume estimates. As at June 30, 2025, the effect of using reasonably possible alternative assumptions for volume inputs to valuation techniques may have resulted in +\$0.8 million to +\$1.5 million change in the carrying value of the power purchase derivative asset.

11.2 Risk Management

Energy Marketing is exposed to certain credit, liquidity and market 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 Energy Marketing's expected future cash flows.

Credit Risk

Energy Marketing'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 trade receivables is minimal and the receivables are primarily due from independent system operators or approved

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counterparties, which are either investment-grade or have provided sufficient collateral to support their obligations. Exposure to approved counterparties is continuously monitored to ensure credit limits are adhered to, and in cases where those limits may be exceeded additional collateral is required. The maximum exposure to credit risk on these financial instruments is represented by their carrying values on the Statement of Financial Position at the reporting date. Credit risk on cash is considered to be minimal, as Energy Marketing's cash deposits are held by a Canadian Schedule 1 Chartered bank with a rating of A+ (Standard and Poor's).

Liquidity Risk

Energy Marketing is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. Liquidity risk management is aimed at ensuring cash is available to meet those obligations as they become due.

Short-term liquidity is provided mainly through cash on hand, funds from operations, and a \$20.0 million demand operating credit facility with its bank. This credit facility, which is unconditionally and irrevocably guaranteed by Hydro, had no amounts outstanding as of June 30, 2025 (December 31, 2024 - \$nil), however \$3.5 million CAD equivalent of the limit was used to issue irrevocable letters of credit (December 31, 2024 - \$3.7 million CAD equivalent).

As at June 30, 2025, Hydro, on behalf of Energy Marketing, has issued \$6.1 million CAD equivalent (December 31, 2024 - \$6.3 million CAD equivalent) in letters of credit to various independent system operators, transmission providers, and bilateral counterparties in relation to power purchase and sale contracts. These letters of credit have automatic renewal clauses, unless cancelled with appropriate notice by the issuer or beneficiary.

As at June 30, 2025, Hydro, on behalf of Energy Marketing, has issued unconditional guarantees and sales contracts in the amount of \$22.7 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 sale of transmission rights.

Market Risk

In the course of carrying out its operating, financing and investing activities, Energy Marketing 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 Energy Marketing has significant exposure include those relating to USD/CAD foreign exchange rates and current commodity prices, most notably the spot prices for electricity and any potential new or revised tariffs.

Energy Marketing participates in the day-ahead market of several independent system operators and enters into fixed price transactions with bilateral counterparties. Changes in fair value associated with the difference between the June 30, 2025 committed energy price and real time energy during the hour the energy physically flows are immaterial and are included in Other expense (income) on the Statement of Profit and Comprehensive Income.

Foreign Currency and Commodity Exposure

Energy Marketing's primary exposure to both foreign exchange and commodity price risk arises from its USD denominated electricity and REC sales. For the period ended June 30, 2025, total energy and REC sales denominated in USD were \$69.0 million USD (June 30, 2024 - \$50.2 million USD).

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

The components of change impacting the carrying value of derivative assets and liabilities for the period ended June 30, 2025 and 2024 are as follows:

	Total	
	Level II	Level III
<i>(thousands of Canadian dollars)</i>		
Balance at January 1, 2025	(3)	83,932
Net Purchases	-	-
Additions	-	-
	(3)	83,932
Changes to profit (loss)		
Amortization	-	(18)
Mark-to-market	(391)	8,330
Settlements (a)	-	(44,651)
Total	(391)	(36,339)
Balance at June 30, 2025	(394)	47,593
 Balance at January 1, 2024	(26)	68,146
Net Purchases	-	116
	(26)	68,262
Changes to profit (loss)		
Amortization	-	(87)
Mark-to-market	408	390
Settlements (a)	-	(30,576)
Total	408	(30,273)
Balance at June 30, 2024	382	37,989
 (a) Net changes in Energy Marketing – Hydro PPA		
	Three months ended	Six months ended
<i>For the period ended June 30 (thousands of Canadian dollars)</i>	2025	2024
PPA gain		
Amortization of deferral	(20,977)	(17,032)
Mark-to-market of derivative	-	(8,336)
	(20,977)	(17,032)
PPA loss		
Settlement of realized profit	21,350	14,527
Mark-to-market of derivative	7,483	2,469
	28,833	16,996
Net PPA gains	7,856	(36)
	(5,639)	(3,807)

12. RELATED PARTY TRANSACTIONS

Energy Marketing 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.

Related parties with which Energy Marketing transacts are as follows:

Related Party	Relationship
Hydro	100% shareholder of Energy Marketing
Muskrat Falls Corporation (Muskrat Falls)	Wholly-owned subsidiary of Hydro

NALCOR ENERGY MARKETING CORPORATION
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

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

As at (thousands of Canadian dollars)	Notes	June 30	
		2025	December 31 2024
Prepayments:			
Parent		2,204	2,204
Derivative asset:			
Parent	11	47,592	83,907
Trade and other payables:			
Parent	4	5,148	4,749
Other related parties		5,294	1,091
Deferred liability:			
Parent	5	41,953	83,907
 <i>For the period ended June 30 (thousands of Canadian dollars)</i>			
 Transmission rental and market fees:			
Parent		9,648	9,186
Operating costs:			
Parent		285	208
Power purchased:			
Parent	(a)	4,892	5,950
Other related parties	(b)	11,532	3,322
Other expense (income):			
Parent	10,11	7,856	(36)
Dividends Paid:			
Parent	6	-	-
		27,000	14,000
 Three months ended			
		2025	2024
 Six months ended			
		2025	2024

- (a) In April 2022, Energy Marketing and Hydro amended the Energy Marketing – Hydro PPA to allow Energy Marketing to purchase incremental Recapture energy for export and sales to external markets.
- (b) In July 2022, Energy Marketing and Muskrat Falls entered into a short-term Service Agreement where Muskrat Falls has agreed to sell and Energy Marketing has agreed to purchase Muskrat Falls Residual Block for export and sales to external markets.

13. SUPPLEMENTARY CASH FLOW INFORMATION

For the period ended June 30 (thousands of Canadian dollars)	Three months ended		Six months ended	
	2025	2024	2025	2024
 Trade and other receivables				
Trade and other receivables	(9,592)	(4,799)	(2,727)	(5,430)
Prepayments	167	167	373	261
Trade and other payables	2,870	(634)	5,995	(954)
Changes in non-cash working capital balances	(6,555)	(5,266)	3,641	(6,123)
 Related to:				
Operating activities	(6,555)	(5,184)	3,726	(6,126)
Investing activities	-	(82)	(85)	3
	(6,555)	(5,266)	3,641	(6,123)

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14. PRIOR PERIOD ADJUSTMENT

The comparative figures have been restated as a result of a misstatement relating to the valuation of RECs inventory.

The following table summarizes the adjustments from the previously issued June 30, 2024, financial statements to the current year comparative figures:

Statement of Profit and Comprehensive Income

	As previously reported	Adjustment	As restated
<i>For the three months ended June 30, 2024 (thousands of Canadian dollars)</i>			
Other expense (income)	(731)	1,765	1,034
Total profit and comprehensive income for the period	10,198	(1,765)	8,433

	As previously reported	Adjustment	As restated
<i>For the six months ended June 30, 2024 (thousands of Canadian dollars)</i>			
Other expense (income)	(5,021)	(291)	(5,312)
Total profit and comprehensive income for the period	19,807	291	20,098