

LIL (2021) LIMITED PARTNERSHIP
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2025
(Unaudited)

LIL (2021) LIMITED PARTNERSHIP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Uaudited)

As at (thousands of Canadian dollars)	Notes	June 30 2025	December 31 2024
ASSETS			
Current assets			
Cash		233,816	234,168
Restricted cash		348,837	323,034
Trade and other receivables		859	1,336
Related party receivable	11	57,779	61,255
Other current assets		8,722	6,402
Total current assets		650,013	626,195
Non-current assets			
Property, plant and equipment	3	4,879,029	4,919,323
Intangible assets		68,866	71,306
Right-of-use assets		586	586
Total assets		5,598,494	5,617,410
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	4	31,461	39,875
Contract liability		2,312	2,171
Current portion of long-term debt	5	21,000	21,000
Current portion of Class B limited partnership units	6	95,145	94,664
Related party promissory note	11	705,342	705,342
Current portion of lease liabilities		4	4
Total current liabilities		855,264	863,056
Non-current liabilities			
Long-term debt	5	3,631,789	3,637,873
Class B limited partnership units	6	878,000	884,747
Lease liabilities		634	634
Total liabilities		5,365,687	5,386,310
Partner's equity			
Class A limited partnership units	7	1,006,192	1,076,338
Deficit		(773,385)	(845,238)
Total equity		232,807	231,100
Total liabilities and equity		5,598,494	5,617,410

Commitments and contingencies (Note 12)

See accompanying notes

LIL (2021) LIMITED PARTNERSHIP
CONSOLIDATED STATEMENT OF PROFIT AND COMPREHENSIVE INCOME
(Uaudited)

<i>For the period ended June 30 (thousands of Canadian dollars)</i>	Notes	Three months ended		Six months ended	
		2025	2024	2025	2024
Revenue	11	107,214	106,683	214,326	212,909
Other income (expense)		547	(6,400)	633	(6,400)
Total revenue		107,761	100,283	214,959	206,509
Operating costs	8	671	1,188	1,194	2,689
Depreciation and amortization		23,310	23,314	46,621	46,631
Net finance expense	9	47,907	41,788	95,291	82,632
Total expenses		71,888	66,290	143,106	131,952
Total profit and comprehensive income for the period		35,873	33,993	71,853	74,557

See accompanying notes

LIL (2021) LIMITED PARTNERSHIP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Uaudited)

<i>(thousands of Canadian dollars)</i>	Note	Class A Limited Partnership Units	Deficit	Total
Balance at January 1, 2025		1,076,338	(845,238)	231,100
Total profit and comprehensive income for the period		-	71,853	71,853
Partnership contributions	7	5,928	-	5,928
Partnership distributions	7	(76,074)	-	(76,074)
Balance at June 30, 2025		1,006,192	(773,385)	232,807
 Balance at January 1, 2024		1,321,908	(994,160)	327,748
Total profit and comprehensive income for the period		-	74,557	74,557
Partnership contributions		15,508	-	15,508
Partnership distributions		(189,901)	-	(189,901)
Balance at June 30, 2024		1,147,515	(919,603)	227,912

See accompanying notes

LIL (2021) LIMITED PARTNERSHIP
CONSOLIDATED STATEMENT OF CASH FLOWS
(Uaudited)

For the period ended June 30 (thousands of Canadian dollars)	Notes	Three months ended		Six months ended	
		2025	2024	2025	2024
Operating activities					
Profit for the period		35,873	33,993	71,853	74,557
Adjustments to reconcile profit to cash provided from operating activities:					
Depreciation and amortization		23,310	23,314	46,621	46,631
Loss on disposal of property, plant and equipment	3	1,305	5,737	1,305	5,737
Loss on disposal of intangible assets		10	-	10	-
Finance income	9	(4,832)	(4,399)	(9,923)	(9,722)
Finance expense	9	52,739	46,187	105,214	92,354
		108,405	104,832	215,080	209,557
Changes in non-cash working capital balances	13	(1,307)	(3,144)	(2,536)	886
Change in contract liability		392	(12,529)	141	(10,913)
Interest received		4,884	4,480	10,004	10,030
Interest paid		(49,326)	(49,434)	(59,246)	(59,375)
Net cash provided from operating activities		63,048	44,205	163,443	150,185
Investing activities					
Additions to property, plant and equipment	3	(1,628)	(4,713)	(4,973)	(8,222)
Additions to intangible assets		(133)	(91)	(229)	(132)
Decrease in related party receivable		610	408	3,476	3,041
Changes in non-cash working capital balances	13	(8,333)	91	(7,820)	(2,519)
Net cash used in investing activities		(9,484)	(4,305)	(9,546)	(7,832)
Financing activities					
Repayment of long-term debt		(10,500)	(10,500)	(10,500)	(10,500)
Increase in restricted cash		(8,277)	(6,700)	(25,803)	(24,288)
Distributions of Class B limited partnership units	6	(15,391)	(11,883)	(47,800)	(36,091)
Partnership contributions	7	5,928	15,508	5,928	15,508
Distribution of Class A limited partnership units	7	(25,987)	(27,016)	(76,074)	(189,901)
Net cash used in financing activities		(54,227)	(40,591)	(154,249)	(245,272)
Net decrease in cash		(663)	(691)	(352)	(102,919)
Cash, beginning of the period		234,479	801	234,168	103,029
Cash, end of the period		233,816	110	233,816	110

See accompanying notes

LIL (2021) LIMITED PARTNERSHIP

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

1. DESCRIPTION OF BUSINESS

LIL (2021) Limited Partnership (LIL (2021) LP) was formed on November 10, 2022 under the laws of the Province of Newfoundland and Labrador. LIL (2021) LP's head office is located at 500 Columbus Drive, St. John's, Newfoundland and Labrador, A1B 0M4, Canada.

LIL (2021) LP has a limited partner, Labrador-Island Link Holding (2021) Corporation (LIL Holdco (2021)) and general partner, Labrador-Island Link General Partner (2021) Corporation (LIL GP (2021)). LIL Holdco (2021) holds all of the Class A partnership units and LIL GP (2021) holds the only general partnership unit of LIL (2021) LP.

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

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

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

2. MATERIAL ACCOUNTING POLICIES

2.1 Statement of Compliance and Basis of Measurement

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

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

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

2.2 Basis of Consolidation

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

LIL (2021) LIMITED PARTNERSHIP
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)
3. PROPERTY, PLANT AND EQUIPMENT

<i>(thousands of Canadian dollars)</i>	Transmission and Terminals	Service Facilities and Other	Construction in Progress	Total
Cost				
Balance at January 1, 2024	5,014,193	50,344	7,108	5,071,645
Additions	-	-	22,072	22,072
Disposals	(10,747)	(112)	(1,279)	(12,138)
Transfers	7,607	515	(8,122)	-
Balance at December 31, 2024	5,011,053	50,747	19,779	5,081,579
Additions	-	-	4,973	4,973
Disposals	(1,296)	(9)	-	(1,305)
Adjustments	-	-	198	198
Transfers	4,481	(21)	(4,460)	-
Balance at June 30, 2025	5,014,238	50,717	20,490	5,085,445
Depreciation				
Balance at January 1, 2024	64,461	9,549	-	74,010
Depreciation	86,042	2,368	-	88,410
Disposals	(61)	(103)	-	(164)
Balance at December 31, 2024	150,442	11,814	-	162,256
Depreciation	42,984	1,176	-	44,160
Balance at June 30, 2025	193,426	12,990	-	206,416
Carrying value				
Balance at January 1, 2024	4,949,732	40,795	7,108	4,997,635
Balance at December 31, 2024	4,860,611	38,933	19,779	4,919,323
Balance at June 30, 2025	4,820,812	37,727	20,490	4,879,029

4. TRADE AND OTHER PAYABLES

<i>As at (thousands of Canadian dollars)</i>	Note	June 30 2025	December 31 2024
Trade payables and accruals		15,350	23,485
Accrued interest		9,794	9,809
HST payable		5,524	5,391
Due to related parties	11	793	1,190
		31,461	39,875

LIL (2021) LIMITED PARTNERSHIP

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

5. LONG-TERM DEBT

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

<i>As at (thousands of Canadian dollars)</i>	Face Value	Coupon Rate %	Year of Issue	Year of Maturity	June 30 2025	December 31 2024
Tranche A	725,000	3.76	2013	2033	725,124	725,131
Tranche B	600,000	3.86	2013	2045	600,073	600,075
Tranche C	1,075,000	3.85	2013	2053	1,075,161	1,075,163
Tranche 10	-	1.75	2017	2025	-	10,500
Tranche 11-20	105,000	1.84-2.37	2017	2025-2030	105,007	105,009
Tranche 21-30	105,000	2.41-2.64	2017	2030-2035	105,028	105,030
Tranche 31-40	105,000	2.66-2.80	2017	2035-2040	105,071	105,074
Tranche 41-50	105,000	2.81-2.86	2017	2040-2045	105,081	105,083
Tranche 51-60	105,000	2.84-2.86	2017	2045-2050	105,109	105,111
Tranche 61-70	105,000	2.85	2017	2050-2055	105,164	105,167
Tranche 71-74	315,000	2.85	2017	2055-2057	315,537	315,547
Convertible debenture	294,658	3.03	2023	2071	306,434	301,983
Total	3,639,658				3,652,789	3,658,873
Less: maturities of debt within one year					(21,000)	(21,000)
					3,631,789	3,637,873

6. CLASS B LIMITED PARTNERSHIP UNITS

<i>As at (thousands of Canadian dollars)</i>	Units	June 30 2025	December 31 2024
Class B limited partnership units, beginning of the period	25	979,411	25
Contributions	-	-	233,116
Accrued interest	-	41,534	-
Distributions	-	(47,800)	-
Tax adjustment amount	-	-	50
Class B limited partnership units, end of the period	25	973,145	25
Less: maturities within one year		(95,145)	(94,664)
		878,000	884,747

7. CLASS A LIMITED PARTNERSHIP UNITS

<i>As at (thousands of Canadian dollars)</i>	June 30 2025	December 31 2024
Class A limited partnership units 1,352,640,066 (2024 – 1,346,712,262)		
Beginning of the period	1,076,338	1,321,908
Contributions	5,928	24,804
Distributions	(76,074)	(270,374)
Class A limited partnership units, end of the period	1,006,192	1,076,338

LIL (2021) LIMITED PARTNERSHIP

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

8. 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	383	428	739	815
Professional fees	192	330	306	581
Maintenance and materials	88	265	123	971
Other operating costs	8	165	26	322
	671	1,188	1,194	2,689

9. NET FINANCE EXPENSE

<i>For the period ended June 30 (thousands of Canadian dollars)</i>	Three months ended		Six months ended	
	2025	2024	2025	2024
Finance income				
Interest on restricted cash	4,763	4,294	9,837	9,599
Other interest	69	105	86	123
	4,832	4,399	9,923	9,722
Finance expense				
Interest and fees on long-term debt	31,676	30,595	63,290	61,111
Interest on Class B limited partnership units	20,784	15,349	41,534	30,897
Other interest	279	243	390	346
	52,739	46,187	105,214	92,354
Net finance expense	47,907	41,788	95,291	82,632

10. FINANCIAL INSTRUMENTS

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 disclosed are not necessarily indicative of the amounts that LIL (2021) LP might receive or incur in actual market transactions.

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

LIL (2021) LIMITED PARTNERSHIP**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)**

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. For assets and liabilities that are recognized at fair value on a recurring basis, LIL (2021) LP 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.

	Carrying Level	Value	Fair Value	Carrying Value	Fair Value
<i>As at (thousands of Canadian dollars)</i>	June 30, 2025				December 31, 2024
Financial liabilities					
Long-term debt, including amount due within one year	2	3,652,789	3,357,847	3,658,873	3,414,357
Related party promissory note	2	705,342	705,342	705,342	705,342
Class B limited partnership units, including amount due within one year	3	973,145	973,145	979,411	979,411

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

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

The Class B limited partnership units are carried at amortized cost, calculated using the effective interest method, which approximates fair value. The effective interest rate as at June 30, 2025 is 8.9% (December 31, 2024 - 8.7%) which is the rate that discounts the estimated future cash flows to the amortized cost of the financial liabilities. Due to the unobservable nature of the effective interest rate and resulting discounted cash flows associated with the units, the instruments have been classified as Level 3.

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

<i>(thousands of Canadian dollars)</i>	1% increase in discount rate	1% decrease in discount rate
Class B limited partnership units	(72,882)	69,363

11. RELATED PARTY TRANSACTIONS

LIL (2021) LP enters into various transactions with its partners 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.

LIL (2021) LIMITED PARTNERSHIP

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

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

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

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

As at (thousands of Canadian dollars)		June 30 2025	December 31 2024
Trade and other receivables:			
Other related parties		-	40
Related party receivable:			
Other related parties	(a)	57,779	61,255
Trade and other payables:			
Other related parties	Note 4	793	1,190
Contract liability:			
Other related parties		2,312	2,171
Related party promissory note:			
Other related parties	(b)	705,342	705,342
<i>For the period ended June 30 (thousands of Canadian dollars)</i>		Three months ended 2025	Six months ended 2025
Revenue:		2024	2024
Other related parties	(c)	107,214	106,683
Operating costs:			
Other related parties		158	93
		255	162

- (a) LIL LP has a non-interest bearing receivable from LIL Opco which is payable from LIL Opco upon demand as cash is required to fund remaining construction costs of the LIL assets.
- (b) LIL (2021) LP has a non-interest bearing promissory note payable to LIL Holdco (2021) in relation to the purchase of the shares of LIL Holdco which is payable upon demand.
- (c) LIL LP earned revenue from LIL Opco in relation to the LIL Lease.

12. COMMITMENTS AND CONTINGENCIES

- (a) LIL LP is required to make mandatory distributions as determined by LIL GP in accordance with the Labrador-Island Link Partnership Agreement (Partnership Agreement).
- (b) As part of the LIL Project Finance Agreement, LIL LP has pledged its current and future assets as security to the Collateral Agent.

LIL (2021) LIMITED PARTNERSHIP**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)**

(c) Under the terms and conditions of the Partnership Agreement and the Newfoundland and Labrador Development Agreement, LIL Holdco has committed to fund its share of the capital expenditures of the LIL.

(d) LIL LP has entered into the LIL Lease and the TFA with LIL Opco and Hydro, whereby LIL LP has committed to design, construct and sustain the LIL and LIL Opco operates and maintains the LIL and provides such other services as agreed to ensure safe and reliable transmission of electricity. Revenue allocated to the remaining performance obligation (unsatisfied or partially unsatisfied) related to transmission sales under the LIL Lease as at June 30, 2025 is \$428 million (December 31, 2024 - \$426 million) within one year and \$19,976 million (December 31, 2024 - \$20,088 million) in more than one year.

(e) LIL LP is subject to legal claims with respect to construction and other various matters. For some legal claims, it is not possible at this time to predict with any certainty the outcome of such litigation. Should these claims result in an unfavourable outcome for LIL LP, they may have a significant adverse effect on LIL (2021) LP's financial position.

(f) Outstanding commitments for capital projects total approximately \$18.2 million as at June 30, 2025 (December 31, 2024 - \$10.4 million).

13. SUPPLEMENTARY CASH FLOW INFORMATION

<i>For the period ended June 30 (thousands of Canadian dollars)</i>	Three months ended		Six months ended	
	2025	2024	2025	2024
Trade and other receivables	753	(2,625)	363	(1,604)
Prepayments	15	13	30	27
Inventories	(1,388)	302	(2,350)	117
Trade and other payables	(9,020)	(743)	(8,399)	(173)
Changes in non-cash working capital balances	(9,640)	(3,053)	(10,356)	(1,633)
Related to:				
Operating activities	(1,307)	(3,144)	(2,536)	886
Investing activities	(8,333)	91	(7,820)	(2,519)
	(9,640)	(3,053)	(10,356)	(1,633)