

**LABRADOR TRANSMISSION CORPORATION
CONDENSED INTERIM FINANCIAL STATEMENTS**

June 30, 2025

(Unaudited)

LABRADOR TRANSMISSION CORPORATION
STATEMENT OF FINANCIAL POSITION
(Unaudited)

As at (thousands of Canadian dollars)	Notes	June 30 2025	December 31 2024
ASSETS			
Current assets			
Restricted cash		147,873	151,758
Trade and other receivables		589	1,243
Short-term investments	4	7,125	7,061
Current portion of contract asset	5	47,233	45,527
Other current assets		1,555	1,557
Total current assets		204,375	207,146
Non-current assets			
Property, plant and equipment	3	949,793	955,091
Investments	4	22,274	25,836
Intangible assets		1,716	1,749
Right-of-use asset		209	209
Contract asset	5	337,663	301,190
Total assets		1,516,030	1,491,221
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		6,856	7,434
Current portion of long-term debt	6	7,125	7,061
Current portion of lease liability		1	1
Total current liabilities		13,982	14,496
Non-current liabilities			
Long-term debt	6	862,317	865,888
Lease liability		226	226
Total liabilities		876,525	880,610
Shareholder's equity			
Share capital		90,147	90,147
Shareholder contributions		274,877	274,877
Reserves		(8,693)	(8,997)
Retained earnings		283,174	254,584
Total equity		639,505	610,611
Total liabilities and equity		1,516,030	1,491,221

Commitments and contingencies (Note 13)

See accompanying notes

LABRADOR TRANSMISSION CORPORATION
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	12	28,660	28,295	57,230	56,809
Total revenue		28,660	28,295	57,230	56,809
Operating costs	8	1,210	1,146	2,392	2,238
Depreciation and amortization		4,073	4,062	8,145	8,126
Net finance expense	9	5,948	5,002	11,811	10,038
Other expense	10	151	4,332	311	4,490
Total expenses		11,382	14,542	22,659	24,892
Profit for the period		17,278	13,753	34,571	31,917
Other comprehensive income					
Total items that may or have been reclassified to profit:					
Reclassification adjustments related to:					
Cash flow hedges recognized in profit		151	157	304	315
Other comprehensive income for the period		151	157	304	315
Total comprehensive income for the period		17,429	13,910	34,875	32,232

See accompanying notes

LABRADOR TRANSMISSION CORPORATION
STATEMENT OF CHANGES IN EQUITY
(Uaudited)

<i>(thousands of Canadian dollars)</i>	Note	Share Capital	Shareholder Contributions	Reserves	Retained Earnings	Total
Balance at January 1, 2025		90,147	274,877	(8,997)	254,584	610,611
Profit for the period		-	-	-	34,571	34,571
Other comprehensive income		-	-	304	-	304
Total comprehensive income for the period		-	-	304	34,571	34,875
Dividends	7	-	-	-	(5,981)	(5,981)
Balance at June 30, 2025		90,147	274,877	(8,693)	283,174	639,505
 Balance at January 1, 2024		 90,147	 274,877	 (9,621)	 198,503	 553,906
Profit for the period		-	-	-	31,917	31,917
Other comprehensive income		-	-	315	-	315
Total comprehensive income for the period		-	-	315	31,917	32,232
Dividends	7	-	-	-	(6,142)	(6,142)
Balance at June 30, 2024		90,147	274,877	(9,306)	224,278	579,996

See accompanying notes

LABRADOR TRANSMISSION CORPORATION
STATEMENT OF CASH FLOWS
(Unaudited)

<i>For the period ended June 30 (thousands of Canadian dollars)</i>	Notes	Three months ended		Six months ended	
		2025	2024	2025	2024
Operating activities					
Profit for the period		17,278	13,753	34,571	31,917
Adjustments to reconcile profit to cash provided from (used in) operating activities:					
Depreciation and amortization		4,073	4,062	8,145	8,126
Reserves amortized to profit	10	151	157	304	315
Loss on disposals		-	3,521	-	3,521
Finance income	9	(1,492)	(2,420)	(3,065)	(4,797)
Finance expense	9	7,440	7,422	14,876	14,835
		27,450	26,495	54,831	53,917
Changes in non-cash working capital balances	14	4,929	(2,176)	2,521	2,573
Increase in contract asset		(15,090)	(15,014)	(38,179)	(35,306)
Interest received		1,529	2,477	3,184	4,830
Interest paid		(14,776)	(14,786)	(14,881)	(14,840)
Net cash provided from (used in) operating activities		4,042	(3,004)	7,476	11,174
Investing activities					
Redemption of investments		3,498	3,440	3,498	3,440
Additions to property, plant and equipment	3	(2,688)	(23)	(2,812)	(1,049)
Additions to intangible assets		(1)	(102)	(2)	(127)
Changes in non-cash working capital balances	14	(2,638)	1,595	(2,566)	523
Net cash (used in) provided from investing activities		(1,829)	4,910	(1,882)	2,787
Financing activities					
Change in restricted cash		4,191	4,614	3,885	(4,379)
Repayment of long-term debt		(3,498)	(3,440)	(3,498)	(3,440)
Dividends	7	(2,906)	(3,080)	(5,981)	(6,142)
Net cash used in financing activities		(2,213)	(1,906)	(5,594)	(13,961)
Net increase (decrease) in cash		-	-	-	-
Cash, beginning of the period		-	-	-	-
Cash, end of the period		-	-	-	-

See accompanying notes

LABRADOR TRANSMISSION CORPORATION

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

1. DESCRIPTION OF BUSINESS

Labrador Transmission Corporation (Labrador Transco or the Company) was incorporated on November 13, 2013 under the laws of the Province of Newfoundland and Labrador (the Province). Labrador Transco is a 100% owned subsidiary of Newfoundland and Labrador Hydro (Hydro). Labrador Transco's head office is located at 500 Columbus Drive, St. John's, Newfoundland and Labrador, A1B 0M4, Canada.

Labrador Transco's principal activity is to operate and maintain the Labrador Transmission Assets (LTA), which includes two 315-kV High Voltage alternating current transmission lines connecting the Muskrat Falls hydroelectric generating facility (MF Plant), with the Labrador-Island Link, the Churchill Falls hydroelectric generating facility and Hydro's Labrador transmission assets.

Hydro, Muskrat Falls Corporation (Muskrat Falls), and Labrador Transco have entered into the Generator Interconnection Agreement (GIA), which provides transmission interconnection services using the LTA. Under the terms of the GIA, Labrador Transco will recover all costs associated with the LTA from Muskrat Falls, which in turn will recover all costs incurred under the GIA as part of a power purchase agreement (PPA) with Hydro.

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, Labrador Transco 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* and have been prepared 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 Labrador Transco'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 and are presented in Canadian dollars with all values rounded to the nearest thousand, except when otherwise noted. The Board of Directors of Labrador Transco has delegated the 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.

LABRADOR TRANSMISSION CORPORATION
NOTES TO THE CONDENSED 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	973,118	17,152	1,454	991,724
Additions	-	-	6,214	6,214
Disposals	(2,696)	(193)	-	(2,889)
Transfers	1,421	32	(1,453)	-
Balance at December 31, 2024	971,843	16,991	6,215	995,049
Additions	-	-	2,812	2,812
Balance at June 30, 2025	971,843	16,991	9,027	997,861
Depreciation				
Balance at January 1, 2024	11,993	11,772	-	23,765
Depreciation	15,926	278	-	16,204
Disposals	-	(11)	-	(11)
Balance at December 31, 2024	27,919	12,039	-	39,958
Depreciation	7,972	138	-	8,110
Balance at June 30, 2025	35,891	12,177	-	48,068
Carrying value				
Balance at January 1, 2024	961,125	5,380	1,454	967,959
Balance at December 31, 2024	943,924	4,952	6,215	955,091
Balance at June 30, 2025	935,952	4,814	9,027	949,793

4. INVESTMENTS

The following table represents the value of investments measured at amortized cost:

<i>As at (thousands of Canadian dollars)</i>	Year of Maturity	June 30 2025	December 31 2024
Amortizing Fixed Rate Deposit Notes with interest paid at a rate of 3.75% per annum	2025 - 2029	29,399	32,897
Less: redemptions to be received within one year		(7,125)	(7,061)
		22,274	25,836

5. CONTRACT ASSET

<i>As at (thousands of Canadian dollars)</i>	June 30 2025	December 31 2024
Contract asset, beginning of the period	346,717	280,667
Revenue recognized	57,230	114,264
Payments	(19,051)	(48,214)
Contract asset, end of the period	384,896	346,717
Less: current portion	(47,233)	(45,527)
	337,663	301,190

The contract asset represents the timing difference between the satisfaction of performance obligations to Muskrat Falls under the GIA and the timing of commercial payments.

LABRADOR TRANSMISSION CORPORATION
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

6. LONG-TERM DEBT

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

<i>As at (thousands of Canadian dollars)</i>	Face Value	Coupon Rate %	Year of Issue	Year of Maturity	June 30 2025	December 31 2024
Tranche A	107,713	3.63	2013	2029	107,723	107,724
Tranche B	111,856	3.83	2013	2037	111,865	111,865
Tranche C	211,283	3.86	2013	2048	211,311	211,312
Tranche 10	-	1.75	2017	2025	-	3,499
Tranche 11-20	37,166	1.84-2.37	2017	2025-2030	37,169	37,169
Tranche 21-30	41,858	2.41-2.64	2017	2030-2035	41,869	41,870
Tranche 31-40	47,756	2.66-2.80	2017	2035-2040	47,788	47,789
Tranche 41-50	54,857	2.81-2.86	2017	2040-2045	54,899	54,900
Tranche 51-60	63,150	2.84-2.86	2017	2045-2050	63,216	63,218
Tranche 61-64	27,848	2.85	2017	2050-2052	27,890	27,891
Tranche A-T	82,856	3.35-3.38	2022	2037-2047	82,856	82,856
Tranche U	82,856	3.38	2022	2057	82,856	82,856
Total	869,199				869,442	872,949
Less: maturities of debt within one year					(7,125)	(7,061)
					862,317	865,888

7. SHAREHOLDER'S EQUITY

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				
Preferred dividend for current period (3% coupon rate)	674	674	1,341	1,348
Common dividend for current period	2,232	2,406	4,640	4,794
	2,906	3,080	5,981	6,142

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	658	544	1,384	1,142
Maintenance and materials	193	178	289	325
Other operating costs	359	424	719	771
	1,210	1,146	2,392	2,238

LABRADOR TRANSMISSION CORPORATION
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

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	1,194	2,056	2,459	4,057
Interest on investments	294	360	598	732
Other interest	4	4	8	8
	1,492	2,420	3,065	4,797
Finance expense				
Interest and fees on long-term debt	7,325	7,354	14,655	14,713
Other interest	115	68	221	122
	7,440	7,422	14,876	14,835
Net finance expense	5,948	5,002	11,811	10,038

10. OTHER EXPENSE

<i>For the period ended June 30 (thousands of Canadian dollars)</i>	Three months ended		Six months ended	
	2025	2024	2025	2024
Loss on disposal of assets	(a)	-	4,175	7 4,175
Cash flow hedge amortization	151	157	304	315
	151	4,332	311	4,490

(a) On April 19, 2024, a fire damaged inventory and capital spares held in a storage facility in Happy Valley Goose Bay. This has resulted in a loss on disposal of assets of \$4.2 million.

11. 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 Labrador Transco might receive or incur in actual market transactions.

As a significant number of Labrador Transco'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 Labrador Transco as a whole.

Establishing Fair Value

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

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

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

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

LABRADOR TRANSMISSION CORPORATION**NOTES TO THE CONDENSED 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, the Company 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 year ended December 31 2024.

As at June 30, 2025 and December 31, 2024 the Company did not have any Level 3 instruments.

	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
<i>(thousands of Canadian dollars)</i>		June 30, 2025		December 31, 2024	
Financial assets					
Investments, including short-term	2	29,399	29,897	32,897	33,169
Financial liabilities					
Long-term debt, including amount due within one year	2	869,442	791,984	872,949	804,404

The fair values of restricted 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 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.

12. RELATED PARTY TRANSACTIONS

Labrador Transco 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 Labrador Transco transacts are as follows:

Related Party	Relationship
Hydro	100% shareholder of Labrador Transco
Muskrat Falls	Wholly-owned subsidiary of Hydro
Lower Churchill Management Corporation	Wholly-owned subsidiary of Hydro
Labrador-Island Link Operating Corporation	Wholly-owned subsidiary of Hydro
Labrador-Island Link Limited Partnership	Limited partnership between Labrador-Island Link Holding Corporation and KKR Island Link Incorporated

LABRADOR TRANSMISSION 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:

		June 30	December 31
		2025	2024
<i>As at (thousands of Canadian dollars)</i>			
Trade and other receivables:			
Other related parties		12	108
Contract asset (including current portion):			
Other related parties	Note 5	384,896	346,717
Trade and other payables:			
Parent		613	2,143
Other related parties		56	27
<i>For the period ended June 30 (thousands of Canadian dollars)</i>			
		Three months ended	Six months ended
		2025	2024
Revenue:			
Other related parties	(a)	28,660	28,295
Operating costs:			
Parent		766	662
Other related parties		30	30
		57,230	56,809
		1,655	1,449
		60	60

(a) Labrador Transco earned revenue from Muskrat Falls in relation to the GIA.

13. COMMITMENTS AND CONTINGENCIES

- (a) Labrador Transco has entered into the GIA with Muskrat Falls and Hydro, whereby Labrador Transco has committed to provide interconnection services to ensure safe and reliable transmission of energy and capacity. Revenue allocated to the remaining performance obligation (unsatisfied or partially unsatisfied) related to interconnection services as at June 30, 2025 is \$116 million (December 31, 2024 - \$116 million) within one year and \$5,461 million (December 31, 2024 - \$5,518 million) in more than one year.
- (b) As part of the MF/LTA Project Finance Agreement, Labrador Transco has pledged its present and future assets as security to the Collateral Agent.
- (c) Labrador Transco 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 the Company, they may have a significant adverse effect on the Company's financial position.
- (d) Outstanding commitments for capital projects total approximately \$12.9 million as at June 30, 2025 (December 31, 2024 - \$14.4 million).

LABRADOR TRANSMISSION CORPORATION
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

14. 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	(6)	256	526	3,295
Inventories	(153)	244	(163)	175
Prepayments	82	89	165	178
Trade and other payables	2,368	(1,170)	(573)	(552)
Changes in non-cash working capital balances	2,291	(581)	(45)	3,096
Related to:				
Operating activities	4,929	(2,176)	2,521	2,573
Investing activities	(2,638)	1,595	(2,566)	523
	2,291	(581)	(45)	3,096