2025

Q2 Financial Update

newfoundland labrador hydro

CONTENTS

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INTERIM MANAGEMENT DISCUSSION & ANALYSIS

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 June 30, 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 June 30, 2025, with subsequent events and outlook information updated to August 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 August 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.

Throughout this MD&A, "Company" and "Hydro" refer to the Newfoundland and Labrador Hydro Group of Companies (formerly Nalcor), references to "NL Hydro" refer to the amalgamated Newfoundland and Labrador Hydro legal entity, references to "Nalcor" refer to the legacy Nalcor legal entity, and references to "Legacy Hydro" refer to the legacy Newfoundland and Labrador Hydro legal entity.

OUR COMPANY

The Newfoundland and Labrador Hydro Group of Companies 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

For the periods ended June 30 (millions of Canadian dollars)	**Three months ended**		**Six months ended**	
	2025	2024	**2025**	2024
Profit	**122**	95	**70**	389
Operating profit[1]	**155**	95	**103**	389
Revenue	**330**	343	**784**	772
Operating costs	**89**	85	**171**	161
Cash provided from operations	**10**	3	**288**	231
Capital expenditures	**115**	78	**179**	125
Electricity sales (GWh)	**7,778**	9,083	**19,877**	23,334
Oil sales volume (thousands of bbls)	**876**	494	**1,531**	989
Realized oil price (CAD/bbl)	**93**	112	**99**	109

[1] Operating profit is a non-GAAP financial measure that encompasses profit excluding extraordinary items that are not indicative of Hydro's future financial performance.

Profit

Hydro's profit for the three months ended June 30, 2025 was $122 million, an increase of $27 million compared to the same period in 2024. The primary drivers of the increase in profit for the quarter relates to rate mitigation expense incurred in Q2 2024 to reduce the 2023 balance in the Supply Cost Variance Deferral Account (Deferral Account) and higher export electricity prices partially offset by a non-cash impairment expense in the oil and gas segment and variances in the timing of energy deliveries.

Hydro's profit for the six months ended June 30, 2025 was $70 million, a decrease of $319 million compared to the same period in 2024. The primary driver of the year-to-date decrease in profit relates to higher rate mitigation expense in 2025 in line with the Province's Rate Mitigation Plan. The year-to-date net income was also reduced by a non-cash impairment expense in the oil and gas segment and variances in the timing of energy deliveries partially offset by an increase in regulatory deferrals and higher export electricity prices.

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

On June 16, 2025, the Public Utility Board (PUB) approved Hydro Regulated's utility rate increase to Newfoundland Power and its Rural Rates application. The utility rate increase of 3.3% resulted in a retail rate increase of approximately 2.25%

to domestic consumers effective July 1, 2025. The July 1, 2025 increase to Hydro Regulated's rural customer rates mirrors the PUB approved rate increase to Newfoundland Power customers of 7.0%.

On July 9, 2025, the PUB approved Hydro Regulated's application for Island Industrial Customer Rate Adjustments effective July 1, 2025, resulting in a 3.3% overall rate increase in accordance with the Government of Newfoundland and Labrador's Rate Mitigation plan.

2025 Capital Budget and Supplemental Applications

Hydro Regulated's 2025 Build Application, filed in March, includes proposals for an authorized budget totaling $1.97 billion 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. The regulatory process for the application is ongoing and, on June 27, 2025, the PUB released its expert's report in response to Hydro's application. Hydro Regulated has reviewed the report and will be supplementing the regulatory record with additional information in order to clarify some of the assumptions made and analysis completed by the PUB's consultant. Hydro is confident that the proposed projects remain the least cost-reliable, environmentally responsible supply solutions for customers. While the application is under review, Hydro Regulated is proceeding with early execution work, as approved by the PUB, with the intention of having the assets in service in 2029 and 2031, respectively.

In March 2025, after a lengthy regulatory proceeding, the PUB declined 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 and filed an appeal of the PUB's decision with the Provincial Court of Appeal in April 2025. In addition, on June 25, 2025, Hydro Regulated submitted a request for reconsideration to the PUB, noting the conclusions upon which the PUB's decision was made were based on certain factual inaccuracies and misinterpretations of the evidence presented. Hydro Regulated is awaiting a decision from the PUB. In the interim, Hydro Regulated is reviewing, studying and implementing ways to ensure the communities of the southern region of Labrador receive safe, reliable, environmentally responsible service now, and long-term. This work is underway and is intended to supplement the data Hydro Regulated has previously developed for its application.

On June 20, 2025, Hydro Regulated submitted a supplemental capital application for the Life Extension of Bay d'Espoir Unit 7, proposing an authorized budget of $85.0 million with planned completion in 2028. The regulatory proceeding is ongoing.

Hydro Regulated's 2026 Capital Budget Application with total proposed capital expenditures of $131.6 million was filed on July 15, 2025, and excludes supplemental capital expenditures as well as Major Projects exceeding $50 million as noted above. Two-thirds of the budget is dedicated to the renewal of aging infrastructure, which aligns with Hydro's ongoing commitment to ensuring the reliability of the system at least-cost. The regulatory proceeding is ongoing.

LOWER CHURCHILL

The final software version for the LIL successfully passed testing in March 2024 and was installed in July 2024. Execution of a 900 MW pole overload test is to be completed in winter 2025-26. The LIL is available for reliable operation up to 700 MW. The Muskrat Falls plant ended the second quarter of 2025 with a 0.93% forced unavailability compared against a Canadian average of 5.27% unavailability; continuing to perform better than the Canadian average.

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-Québec 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 for many decades to come.

AMALGAMATION

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.

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			Six months ended		
For the periods ended June 30 (millions of Canadian dollars)	**2025**	2024	Variance	**2025**	2024	Variance
Revenue	**330**	343	(13)	**784**	772	12
Fuels	**21**	28	(7)	**99**	98	1
Power purchased	**19**	32	(13)	**51**	64	(13)
Operating costs	**89**	85	4	**171**	161	10
Production, marketing and transportation costs	**7**	7	-	**14**	21	(7)
Transmission rental	**6**	10	(4)	**13**	21	(8)
Depreciation, depletion, amortization and impairment	**140**	95	45	**239**	193	46
Net finance expense	**104**	89	15	**206**	178	28
Other expense	**13**	103	(90)	**459**	100	359
Loss for the period before regulatory adjustments	**(69)**	(106)	37	**(468)**	(64)	(404)
Regulatory adjustments	**(191)**	(201)	10	**(538)**	(453)	(85)
Profit for the period	**122**	95	27	**70**	389	(319)

Non-GAAP Operating Profit Disclosure

Reconciliation of the Company's profit to operating profit for the three months and six months ended June 30, 2025 and 2024 is as follows:

	Three months ended			Six months ended		
For the periods ended June 30 (millions of Canadian dollars)	**2025**	2024	Variance	**2025**	2024	Variance
Profit for the period	**122**	95	27	**70**	389	(319)
Impairment expense	**33**	-	33	**33**	-	33
Operating profit for the period	**155**	95	60	**103**	389	(286)

Revenue

	Three months ended			Six months ended		
For the periods ended June 30 (millions of Canadian dollars)	**2025**	2024	Variance	**2025**	2024	Variance
Electricity sales	**259**	279	(20)	**648**	648	-
Petroleum and natural gas sales, net of royalty expense	**60**	51	9	**114**	101	13
Other revenue	**11**	13	(2)	**22**	23	(1)
Total revenue	**330**	343	(13)	**784**	772	12

Electricity sales

Electricity sales for the three months ended June 30, 2025 were $259 million, a decrease of $20 million compared to the same period in 2024. The decrease for the quarter was primarily due to timing of energy deliveries from a short-term energy agreement, partially offset by higher export prices. Electricity sales for the six months ended June 30, 2025 were comparable to the same period in 2024. Certain variances in revenue are offset in the regulatory adjustments line.

Electricity sales volume is summarized in the table below:

	Three months ended		Six months ended	
For the periods ended June 30 (GWh)	**2025**	2024	**2025**	2024
Regulated	**1,696**	1,611	**4,193**	4,113
Hydro-Québec	**4,614**	5,932	**12,832**	16,069
Emera – NS Block	**244**	347	**631**	885
Other export	**771**	748	**1,235**	1,286
Other domestic	**453**	445	**986**	981
	7,778	9,083	**19,877**	23,334

Prices for Other export electricity sales are summarized in the table below:

	Three months ended		Six months ended	
For the periods ended June 30	**2025**	2024	**2025**	2024
Average Export Electricity Price (USD/MWh)[1]	**40**	27	**54**	33
Realized Export Electricity Price (USD/MWh)[2]	**40**	27	**54**	33
Realized Export Electricity Price (CAD/MWh)[3]	**55**	37	**76**	44

[1]The Average Export Electricity Price reflects actual market prices achieved for all Other exports.

[2]The Realized Export Electricity Price (USD) includes the impact of financial transmission rights for all periods.

[3]The Realized Export Electricity Price (CAD) includes the impact of financial transmission rights for all periods and foreign exchange.

Average and realized USD export electricity prices for the three and six months ended June 30, 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 June 30, 2025 was $60 million, an increase of $9 million compared to the same period in 2024. Petroleum and natural gas sales, net of royalty expense for the six months ended June 30, 2025 was $114 million, an increase of $13 million compared to the same period in 2024. The increase in revenue is primarily due to higher volumes sold for Hebron and Hibernia South Extension (HSE), largely offset by reduced oil prices and higher royalty expenses.

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

	Three months ended		Six months ended	
For the periods ended June 30	**2025**	2024	**2025**	2024
Average Dated Brent Price (USD/bbl)[1]	**67**	81	**70**	81
Realized Price (USD/bbl)[2]	**67**	81	**70**	81
Realized Price (CAD/bbl)[3]	**93**	112	**99**	109
Oil Sales Volume (thousands of bbls)	**876**	494	**1,531**	989

[1]The Average Dated Brent Price reflects prices available in the market adjusted for any premium or discount.

[2]The Realized Price (USD) includes the impact of oil commodity price hedges.

[3]The Realized Price (CAD) includes the impact of oil commodity price and foreign exchange hedges.

Other revenue

Other revenue for the three and six months ended June 30, 2025 was comparable to the same period in 2024.

Fuels

Fuel costs for the three months ended June 30, 2025 were $21 million, a decrease of $7 million compared to the same period in 2024. The decrease in fuel for the quarter was primarily due to lower volume of No. 6 fuel used as a result of decreased Holyrood production. Fuel costs for the six months ended June 30, 2025 were comparable to the same period in 2024**.** Certain variances in fuels are offset through regulatory mechanisms in the regulatory adjustments line.

Power purchased

Power purchased for the three months ended June 30, 2025 was $19 million, a decrease of $13 million compared to 2024. Power purchased for the six months ended June 30, 2025 was $51 million, a decrease of $13 million compared to 2024. Both decreases are due to lower purchases from a non-utility generator.

Operating costs

	Three months ended			Six months ended		
For the periods ended June 30 (millions of Canadian dollars)	**2025**	2024	Variance	**2025**	2024	Variance
Salaries and benefits	**47**	46	1	**91**	88	3
Maintenance and materials	**19**	21	(2)	**36**	39	(3)
Professional services	**11**	8	3	**21**	15	6
Impacts and Benefits amendment	**4**	-	4	**7**	-	7
Insurance	**3**	4	(1)	**7**	8	(1)
Travel and transportation	**3**	3	-	**5**	5	-
Other operating costs	**2**	3	(1)	**4**	6	(2)
Total operating costs	**89**	85	4	**171**	161	10

Operating costs for the three months ended June 30, 2025 were comparable to the same period in 2024. Operating costs for the six months ended June 30, 2025 were $171 million, an increase of $10 million compared to the same period in 2024. The increase for the period was primarily due to the Impacts and Benefits Agreement amendment with the Innu Nation signed in fall 2024, as well as higher professional services costs to support commercial negotiations.

Production, marketing and transportation costs

Production, marketing and transportation costs for the three months ended June 30, 2025 were comparable to the same period in 2024. Production, marketing and transportation costs for the six months ended June 30, 2025 were $14 million, a decrease of $7 million compared to the same period in 2024. The decrease was primarily due to fluctuations in White Rose inventory between periods.

Transmission rental

Transmission rental for the three months ended June 30, 2025 was comparable to the same period in 2024. Transmission rental for the six months ended June 30, 2025 was $13 million, a decrease of $8 million compared to the same period in 2024. The decrease was due to the conclusion of a firm transmission agreement with a New England based transmission provider.

Depreciation, depletion, amortization and impairment

Depreciation, depletion, amortization and impairment for the three months ended June 30, 2025 was $140 million, an increase of $45 million compared to the same period in 2024. Depreciation, depletion, amortization and impairment for the six months ended June 30, 2025 was $239 million, an increase of $46 million compared to the same period in 2024. These increased expenses were due to a non-cash impairment expense recorded in the oil and gas segment, as well as higher depletion expense due to higher oil and gas production.

Net finance expense

Net finance expense for the three months ended June 30, 2025 was $104 million, an increase of $15 million compared to the same period in 2024. Net finance expense for the six months ended June 30, 2025 was $206 million, an increase of $28 million compared to the same period in 2024. The increase was primarily due to higher interest expense on the Class

B partnership units due to KKR's increased ownership in line with the Newfoundland & Labrador Development Agreement as well as lower interest income earned.

Other expense

	Three months ended			Six months ended		
For the periods ended June 30 (millions of Canadian dollars)	**2025**	2024	Variance	**2025**	2024	Variance
Rate Mitigation	**-**	90	(90)	**441**	90	351
Rental and royalty	**5**	6	(1)	**11**	13	(2)
Loss on disposal of assets	**3**	13	(10)	**3**	13	(10)
HSE Redetermination adjustment	**-**	(12)	12	**-**	(23)	23
Other	**5**	6	(1)	**4**	7	(3)
Total other expense	**13**	103	(90)	**459**	100	359

Other expense for the three months ended June 30, 2025 was $13 million, a decrease of $90 million compared to the same period in 2024. Other expense for the six months ended June 30, 2025 was $459 million, an increase of $359 million compared to the same period in 2024. The variances were due to variations in the timing and amount of government directed rate mitigation expense between the periods.

Regulatory adjustments

Regulatory recoveries for the three months ended June 30, 2025 were $191 million, a decrease of $10 million compared to the same period in 2024. The decrease for the quarter was due to lower cost deferrals and higher cost recovery riders. Regulatory recoveries for the six months ended June 30, 2025 were $538 million, an increase of $85 million compared to the same period in 2024. The year-to-date increase was due to higher deferrals for the power purchase costs under the Muskrat Falls PPA (MF PPA) partially offset by higher cost recovery riders.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

Significant changes in the Consolidated Statement of Financial Position between June 30, 2025 and December 31, 2024 include:

ASSETS *(millions of Canadian dollars)*	Increase (Decrease)	**Explanation**
Cash and cash equivalents	(144)	See Liquidity and Capital Resources for additional details on movement in cash during the period ended June 30, 2025.
Trade and other receivables	(104)	Decrease primarily due to lower power billings due to seasonality.
Short-term investments	88	Increase is due to reclassification of sinking funds related to debt that is maturing in the next year.
Investments	(106)	Decrease is primarily due to reclassification of sinking funds related to debt which matures within one year.
Property, plant and equipment	(54)	Decrease is primarily due to oil and gas impairment expense and normal depreciation and depletion, partially offset by capital additions.
Regulatory assets, net of regulatory liabilities	97	Increase due to deferral of costs associated with Muskrat Falls and LC Transmission, partially offset by rate mitigation funding.
LIABILITIES AND EQUITY *(millions of Canadian dollars)*		
Short-term borrowings	(198)	Decrease is due to repayment of short-term borrowings by Hydro Regulated during the period, facilitated largely by rate mitigation funding. The balance of short term-borrowings will fluctuate depending on the timing of cash inflows and outflows.
Trade and other payables	(41)	Decrease is primarily due to timing of payables and accruals.
Current portion of long-term debt	229	Increase is primarily due to reclassification of debt maturing within one year to current portion of long-term debt.
Long-term debt	(262)	Decrease is primarily due to reclassification of debt maturing within one year to current portion of long-term debt and the scheduled bond payments for Muskrat Falls debt.
Retained earnings	70	Increase due to profit recorded for the period.

SEGMENTED RESULTS

The following presents an overview of the Company's profit or loss for the three and six months ended June 30, 2025, by operating segment, in comparison to the three and six months ended June 30, 2024. This discussion should be read in conjunction with Note 17 of the consolidated financial statements.

	Three months ended			Six months ended		
For the periods ended June 30 (millions of Canadian dollars)	**2025**	2024	Variance	**2025**	2024	Variance
Hydro Regulated	**14**	16	(2)	**27**	30	(3)
Muskrat Falls	**36**	51	(15)	**274**	191	83
LC Transmission	**54**	49	5	**108**	109	(1)
Churchill Falls	**8**	14	(6)	**28**	35	(7)
Energy Trading	**15**	10	5	**35**	16	19
Other Electric	**2**	(89)	91	**(427)**	(70)	(357)
Oil and Gas	**(7)**	44	(51)	**25**	78	(53)
Profit for the period	**122**	95	27	**70**	389	(319)

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.

Financial Highlights

	Three months ended			Six months ended		
For the periods ended June 30 (millions of Canadian dollars)	**2025**	2024	Variance	**2025**	2024	Variance
Revenue	**174**	165	9	**528**	453	75
Expenses	**352**	350	2	**1,040**	876	164
Loss for the period before regulatory adjustments	**(178)**	(185)	7	**(512)**	(423)	(89)
Regulatory adjustments	**(192)**	(201)	9	**(539)**	(453)	(86)
Profit for the period	**14**	16	(2)	**27**	30	(3)

Hydro Regulated's profit for the three and six months ended June 30, 2025 was comparable to that of the same periods in 2024.

Loss before regulatory adjustments for the three months ended June 30, 2025 was comparable to the same period in 2024. Loss before regulatory adjustments for the six months ended June 30, 2025 was $512 million, which was $89 million higher than the loss before regulatory adjustments in the same period in 2024. The increase in loss was primarily due to higher power purchase costs under the Muskrat Falls PPA, partially offset by higher cost recovery riders, and are offset through regulatory mechanisms in regulatory adjustments.

Regulated energy sales and supply are summarized

	Three months ended		Six months ended	
For the periods ended June 30 (GWh)	**2025**	2024	**2025**	2024
Customer Energy Sales:				
Utility	**1,315**	1,272	**3,299**	3,274
Rural	**270**	251	**673**	643
Industrial	**111**	88	**221**	196
Energy Sales	**1,696**	1,611	**4,193**	4,113
Generation:				
Hydraulic generation[1]	**1,157**	1,079	**2,451**	2,510
Holyrood generation	**64**	96	**418**	382
Standby generation[2]	**-**	(2)	**1**	-
Thermal diesel generation	**12**	12	**28**	27
Purchases:				
Domestic[3]	**420**	456	**1,007**	1,031
Off-Island[4]	**169**	72	**540**	391
Gross generation	**1,822**	1,713	**4,445**	4,341
Losses	**126**	102	**252**	228
Net generation	**1,696**	1,611	**4,193**	4,113

[1] Includes NL Hydro owned generation only.

[2] Includes gas turbine and diesel generation.

[3] 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.

[4] Off-Island purchases include energy imported over the LIL (including from Muskrat Falls) 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 June 30, 2025 was $36 million, a decrease of $15 million compared to the same period in 2024. The decrease for the quarter primarily relates to lower energy sales due to timing of deliveries for a short-term energy sales agreement, partially offset by an increase in energy deliveries to Hydro Regulated under the MF PPA and increased residual block exports. Profit for the six months ended June 30, 2025 was $274 million, an increase of $83 million compared to the same period in 2024. The increase 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, partially offset by lower energy sales due to timing of deliveries related to a short-term energy sales agreement.

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.

LC Transmission's profit for the three and six months ended June 30, 2025 were comparable to the same periods in 2024.

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 June 30, 2025 was $8 million, a decrease of $6 million compared to the same period in 2024. Profit for the six months ended June 30, 2025 was $28 million, a decrease of $7 million compared to the same period in 2024. The decrease in profit for the quarter and year-to-date was due to timing of deliveries related to a short-term energy sales agreement.

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 June 30, 2025 was comparable to that of the same period in 2024. Profit for the six months ended June 30, 2025 was $35 million, an increase of $19 million compared to the same period in 2024. The increase in profit was primarily due to higher 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.

Other Electric's profit for the three months ended June 30, 2025 was $2 million, an increase of $91 million compared to a loss of $89 million in the prior year. The loss for the six months ended June 30, 2025 was $427 million, compared to a loss of $70 million for the same period in 2024. The quarter and year-to-date variances relate to the timing of rate mitigation expenses, in accordance with direction from the Province aligned with its Rate Mitigation Plan. In the second quarter of 2024, $90 million of Hydro's internal funds were used towards rate mitigation, whereas in the first quarter of 2025, $441 million was used towards rate mitigation.

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.

Non-GAAP Operating Profit Disclosure

Reconciliation of Oil and Gas profit to operating profit for the three and six months and year ended June 30, 2025 and 2024 is as follows:

	Three months ended			**Six months ended**		
For the periods ended June 30 (millions of Canadian dollars)	**2025**	2024	Variance	**2025**	2024	Variance
(Loss) Profit for the period	**(7)**	44	(51)	**25**	78	(53)
Impairment expense	**33**	-	33	**33**	-	33
Operating profit for the period	**26**	44	(18)	**58**	78	(20)

Oil and Gas' loss for the three months ended June 30, 2025 was $7 million compared to a profit of $44 million in the same period in 2024. The profit for the six months ended June 30, 2025 was $25 million, which was $53 million lower than the profit in the same period 2024. The loss for the quarter and reduced profit for year-to-date was primarily due to an impairment expense recorded on the White Rose Extension assets as a result of declining oil prices, and higher depletion expense due to higher production in HSE and Hebron.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW HIGHLIGHTS

For the period ended June 30 (millions of Canadian dollars)	Six months ended **2025**	2024	Variance	**Explanation**
Cash and cash equivalents, beginning of the period	**1,164**	694	470	
Net cash provided from operating activities	**288**	231	57	Increase in net cash provided from operating activities was primarily driven by larger settlement of accounts receivable outstanding at year end.
Net cash used in investing activities	**(166)**	(117)	(49)	Increase driven by increased capital additions in Oil and Gas, Hydro Regulated and Churchill Falls.
Net cash (used in) provided from financing activities	**(266)**	74	(340)	Decrease primarily due to the use of rate mitigation funding from internal sources to repay short-term borrowings.
Cash and cash equivalents, end of the period	**1,020**	882	138	

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, the short-term borrowing limit will decline to $800 million.

Outstanding commitments for capital projects, excluding those related to Oil and Gas, total approximately $187.8 million as at June 30, 2025 (December 31, 2024 - $169 million). The Company has the available capital resources to sufficiently fund these requirements.

As at June 30, 2025, the Company's short-term credit facilities are as follows:

(millions of Canadian dollars)	Limit	Drawn	Letters of Credit	Available Limit
Revolving Term Facilities:				
Hydro[1]	**740**	**92**	**6**	**642**
Demand Operating Facilities:				
Churchill Falls	**10**	**-**	**1**	**9**
Energy Trading	**20**	**-**	**4**	**16**
Oil and Gas	**40**	**-**	**17**	**23**
Promissory Notes:				
Hydro	**300**	**300**	**-**	**-**
Total credit facilities	**1,110**	**392**	**28**	**690**

[1]On July 31, 2025 the maturity of these credit facilities was extended to July 31, 2026.

CAPITAL STRUCTURE

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

As at (millions of Canadian dollars)	**June 30 2025**	December 2024
Short-term borrowings	**392**	590
Long-term debt (net of sinking funds)[1]	**10,687**	10,724
Class B limited partnership units[1]	**973**	980
Lease liabilities[1]	**5**	5
Total debt	**12,057**	12,299
Total shareholder's equity	**8,010**	7,938
Debt to capital	**60%**	61%

[1]Includes current portion.

CAPITAL EXPENDITURES

	Three months ended			**Six months ended**		
For the periods ended June 30 (millions of Canadian dollars)	**2025**	2024	Variance	**2025**	2024	Variance
Hydro Regulated	**57**	32	25	**82**	56	26
Muskrat Falls	**1**	-	1	**1**	1	-
LC Transmission	**5**	5	-	**9**	9	-
Churchill Falls	**20**	12	8	**31**	17	14
Oil and Gas	**26**	25	1	**48**	38	10
Other Electric	**6**	4	2	**8**	4	4
Total capital expenditures	**115**	78	37	**179**	125	54

Capital expenditures for the three months ended June 30, 2025 were $115 million, an increase of $37 million compared to the same period in 2024. Capital expenditures for the six months ended June 30, 2025 were $179 million, an increase of $54 million compared to the same period in 2024. The increases for the quarter and year-to-date were primarily due additions to Hydro Regulated, Churchill Falls and Oil and Gas.

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.

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 June 30, 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 June 30, 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.

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 June 30, 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 ensuring the highest level of safety for our employees, contractors, customers and the general public. We work hard every day to live our values and support our safety culture, where employees have the right processes and protections to keep them safe, where employees feel they can speak up when they see something, and where every person goes home safely to their families each day.

As 2025 marks the last year of our three year strategic plan, Hydro is 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 dynamics, US tariffs, 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.

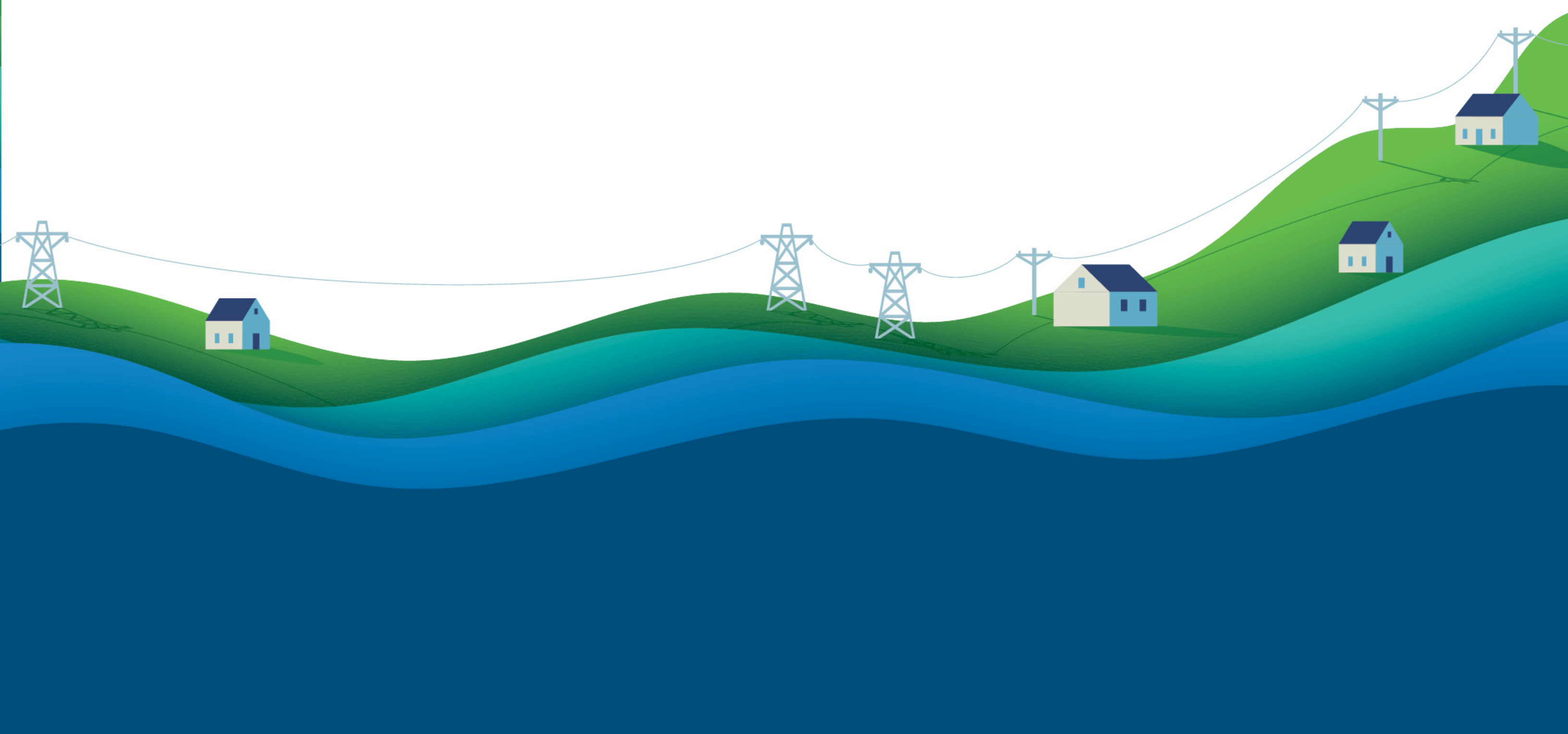
Hydro has immense opportunities on the horizon with the signing of an historic MOU in 2024. The MOU will terminate and replace the 1969 Upper Churchill Contract, develop Gull Island, and expand capacity of the Churchill Falls facility. The resulting definitive agreements, once negotiated, will be effective 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 oversight by an independent expert panel led by the Consumer Advocate who reports 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 continues to work transparently through the regulatory process with the PUB. Hydro is thorough and transparent in analyzing potential new sources of new generation. We honour lessons learned from the past in scrutinizing and considering new development factors such as cost, reliability and environmental responsibility. Any new generation requirements proposed for our ratepayers 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
June 30, 2025
(Unaudited)

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

As at (millions of Canadian dollars)	Notes	**June 30 2025**	December 31 2024
ASSETS			(Note 2.3)
Current assets			
Cash and cash equivalents		**1,020**	1,164
Restricted cash		**1,318**	1,326
Short-term investments		**165**	77
Trade and other receivables	3	**155**	259
Inventories		**167**	155
Prepayments		**14**	18
Total current assets		**2,839**	2,999
Non-current assets			
Property, plant and equipment	5	**17,794**	17,848
Intangible assets		**61**	65
Investments		**311**	417
Other long-term assets		**5**	5
Total assets		**21,010**	21,334
Regulatory deferrals	4	**1,587**	1,493
Total assets and regulatory deferrals		**22,597**	22,827
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings	7	**392**	590
Trade and other payables	6	**315**	356
Current portion of long-term debt	7	**299**	70
Current portion of Class B limited partnership units		**95**	95
Current portion of deferred credits	8	**105**	104
Other current liabilities		**22**	26
Total current liabilities		**1,228**	1,241
Non-current liabilities			
Long-term debt	7	**10,603**	10,865
Class B limited partnership units		**878**	885
Deferred credits	8	**1,496**	1,528
Decommissioning liabilities		**113**	104
Employee future benefits		**128**	125
Other long-term liabilities		**92**	89
Total liabilities		**14,538**	14,837
Shareholder’s equity			
Share capital		**123**	123
Shareholder contributions		**4,859**	4,859
Reserves		**(27)**	(29)
Retained earnings		**3,055**	2,985
Total equity		**8,010**	7,938
Total liabilities and equity		**22,548**	22,775
Regulatory deferrals	4	**49**	52
Total liabilities, equity and regulatory deferrals		**22,597**	22,827

Commitments and contingencies (Note 15)

See accompanying notes

NEWFOUNDLAND AND LABRADOR HYDRO
CONSOLIDATED STATEMENT OF PROFIT AND COMPREHENSIVE INCOME
(Unaudited)

For the period ended June 30 (millions of Canadian dollars)	Notes	**Three months ended** **2025**	2024	**Six months ended** **2025**	2024
			(Note 2.3)		(Note 2.3)
Energy sales	9	**319**	330	**762**	749
Other revenue		**11**	13	**22**	23
Revenue		**330**	343	**784**	772
Fuels		**21**	28	**99**	98
Power purchased		**19**	32	**51**	64
Operating costs	10	**89**	85	**171**	161
Production, marketing and transportation costs		**7**	7	**14**	21
Transmission rental		**6**	10	**13**	21
Depreciation, depletion, amortization and impairment		**140**	95	**239**	193
Net finance expense	11	**104**	89	**206**	178
Other expense	12	**13**	103	**459**	100
Expenses		**399**	449	**1,252**	836
Loss for the period before regulatory adjustments		**(69)**	(106)	**(468)**	(64)
Regulatory adjustments	4	**(191)**	(201)	**(538)**	(453)
Profit for the period		**122**	95	**70**	389
Other comprehensive income					
Total items that may or have been reclassified to profit or loss:					
Net fair value gain on reserve fund		**1**	-	**1**	-
Reclassification adjustments related to:					
Cash flow hedges recognized in profit or loss		**-**	1	**1**	2
Other comprehensive income for the period		**1**	1	**2**	2
Total comprehensive income for the period		**123**	96	**72**	391

See accompanying notes

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

(millions of Canadian dollars)	Note	Share Capital	Shareholder Contributions	Fair Value Reserve	Employee Benefit Reserve	Retained Earnings	Total
Balance at January 1, 2025		**123**	**4,859**	**(44)**	**15**	**2,985**	**7,938**
Profit for the period		**-**	**-**	**-**	**-**	**70**	**70**
Other comprehensive income		**-**	**-**	**2**	**-**	**-**	**2**
Total comprehensive income for the period		**-**	**-**	**2**	**-**	**70**	**72**
Balance at June 30, 2025		**123**	**4,859**	**(42)**	**15**	**3,055**	**8,010**
Balance at January 1, 2024		123	4,859	(50)	20	2,506	7,458
Profit for the period		-	-	-	-	389	389
Other comprehensive income		-	-	2	-	-	2
Total comprehensive income for the period		-	-	2	-	389	391
Balance at June 30, 2024	2.3	123	4,859	(48)	20	2,895	7,849

See accompanying notes

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

For the period ended June 30 (millions of Canadian dollars)	Notes	Three months ended **2025**	2024	Six months ended **2025**	2024
			(Note 2.3)		(Note 2.3)
Operating activities					
Profit for the period		**122**	95	**70**	389
Adjustments to reconcile profit to cash provided from operating activities:					
Depreciation, depletion, amortization and impairment		**140**	95	**239**	193
Amortization of deferred credits	8	**(19)**	(28)	**(50)**	(66)
Hibernia South Extension (HSE) Redetermination adjustment		**-**	(12)	**-**	(23)
Loss on disposal of property, plant and equipment	5	**6**	11	**6**	11
Maritime Link operating costs		**5**	5	**10**	11
Regulatory adjustments	4	**(191)**	(201)	**(538)**	(453)
Rate mitigation expense	4, 12	**-**	90	**441**	90
Finance income	11	**(25)**	(36)	**(52)**	(70)
Finance expense	11	**129**	125	**258**	248
Other		**3**	9	**8**	13
		170	153	**392**	343
Changes in non-cash working capital balances	16	**(18)**	(12)	**64**	41
Interest received		**22**	30	**45**	64
Interest paid		**(164)**	(168)	**(213)**	(217)
Net cash provided from operating activities		**10**	3	**288**	231
Investing activities					
Additions to property, plant and equipment and intangible assets		**(116)**	(78)	**(180)**	(124)
Redemption of investments		**23**	18	**21**	12
Changes in non-cash working capital balances	16	**72**	68	**(7)**	(5)
Net cash (used in) provided from investing activities		**(21)**	8	**(166)**	(117)
Financing activities					
Repayment of long-term debt		**(33)**	(32)	**(33)**	(32)
Decrease (increase) in restricted cash		**42**	(12)	**8**	(59)
Increase (decrease) in short-term borrowings		**148**	128	**(198)**	198
Distribution of Class B limited partnership units		**(15)**	(12)	**(48)**	(36)
Other		**(2)**	1	**5**	3
Net cash provided from (used in) financing activities		**140**	73	**(266)**	74
Net increase (decrease) in cash and cash equivalents		**129**	84	**(144)**	188
Cash and cash equivalents, beginning of the period		**891**	798	**1,164**	694
Cash and cash equivalents, end of the period		**1,020**	882	**1,020**	882

See accompanying notes

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 August 14, 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 June 30, 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 June 30, 2024 Nalcor

Energy consolidated financial statements for the Consolidated Statement of Profit and Comprehensive Income, adjusted for a change in the classification of rate mitigation accounting, as noted below.

Common control business combinations fall outside the scope of IFRS 3 – Business Combinations and therefore management has determined the appropriate accounting policy by applying other relevant guidance and conceptual framework principles under IFRS® Accounting Standards 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.

As a result of amalgamation, the rate mitigation expense incurred in Q2 2024 has been adjusted to conform with the post-amalgamation accounting. The result is an income statement reclassification of $90 million from Regulatory adjustments to Other (income) expense. The following table summarizes the adjustments from the previously issued June 30, 2024 financial statements to the current year:

Consolidated Statement of Profit and Comprehensive Income

For the three months ended June 30, 2024 (millions of Canadian dollars)	As previously reported	Adjustment	**Post-amalgamation**
Other expense	13	90	**103**
Regulatory adjustments	(111)	(90)	**(201)**

For the six months ended June 30, 2024 (millions of Canadian dollars)	As previously reported	Adjustment	**Post-amalgamation**
Other expense	10	90	**100**
Regulatory adjustments	(363)	(90)	**(453)**

3. TRADE AND OTHER RECEIVABLES

As at (millions of Canadian dollars)	**June 30 2025**	December 31 2024
Trade receivables	**158**	234
Other receivables	**27**	55
Loss allowance	**(30)**	(30)
	155	259

4. REGULATORY DEFERRALS

(millions of Canadian dollars)		January 1 2025	Reclass & Disposition	Regulatory Activity	**June 30 2025**	Recovery Settlement Period (years)
Regulatory asset deferrals						
Power purchase expense recognition	(a)	726	-	320	**1,046**	n/a
Supply cost variance deferral account	(b)	532	(6)	(136)	**390**	n/a
Retirement asset pool	(c)	46	-	4	**50**	n/a
Foreign exchange losses		37	-	(1)	**36**	16.5
Rate stabilization plan (RSP)	(d)	31	6	(14)	**23**	n/a
Muskrat Falls PPA sustaining capital		16	-	(1)	**15**	n/a
Business system transformation program		11	-	-	**11**	n/a
Deferred energy conservation costs		8	-	-	**8**	n/a
Supply deferral	(e)	6	(6)	4	**4**	n/a
Muskrat Falls PPA monetization	(f)	74	-	(74)	**-**	n/a
Other		6	-	(2)	**4**	n/a
		1,493	(6)	100	**1,587**	
Regulatory liability deferrals						
Removal provision	(g)	(27)	-	(3)	**(30)**	n/a
Holyrood thermal generating station (TGS) accelerated depreciation deferral account		(14)	-	-	**(14)**	n/a
Insurance amortization and proceeds		(4)	-	-	**(4)**	n/a
Other		(7)	6	-	**(1)**	n/a
		(52)	6	(3)	**(49)**	

4.1 Regulatory Adjustments Recorded in the Consolidated Statement of Profit and Comprehensive Income

For the period ended June 30 (millions of Canadian dollars)		**Three months ended**		**Six months ended**	
		2025	2024	**2025**	2024
			(Note 2.3)		(Note 2.3)
Power purchase expense recognition	(a)	**(32)**	(41)	**(320)**	(205)
Supply cost variance deferral account	(b)	**(158)**	(163)	**(305)**	(274)
Muskrat Falls PPA monetization	(f)	**-**	-	**74**	13
RSP	(d)	**6**	6	**14**	16
Supply deferral	(e)	**(2)**	(2)	**(4)**	(4)
Retirement asset pool	(c)	**(4)**	-	**(4)**	-
Removal provision	(g)	**2**	2	**3**	3
Other		**(3)**	(3)	**4**	(2)
		(191)	(201)	**(538)**	(453)

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 June 30, 2025 would have decreased by $538.0 million (June 30, 2024 – $453.0 million).

4.(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 June 30, 2025, IFRS power purchase expenses were $320.0 million (June 30, 2024 - $204.9 million) higher than commercial payments which resulted in a total regulatory asset of $1,046.5 million (December 31, 2024 - $726.5 million).

4.(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.

In Board Order No. P.U. 21 (2025), the PUB approved the transfer of the $5.7 million credit balance, as of December 31, 2023, in the Hydraulic Resources Optimization Deferral Account (Included in "Other" in Regulatory liability deferrals) to the SCVDA. This transfer, along with the rate mitigation funding offset by normal activity of the SCVDA of $305.0 million (June 30, 2024 - $274.4 million) resulted in a net decrease in the account of $136.0 million (June 30, 2024 - $184.4 million increase). The total balance owing from customers at June 30, 2025 is $390.0 million (December 31, 2024 - $531.7 million).

4.(c) Retirement Asset Pool

In Board Order No. P.U. 30 (2019), the Board approved Hydro's proposed depreciation methodology which includes the deferral of gains and losses on retirement of assets. The deferral will be recovered through future depreciation expense. For the period ended June 30, 2025, Hydro deferred $3.8 million (June 30, 2024 - $0.1 million) of retirement asset activity resulting in a total balance of $49.7 million (December 31, 2024 - $45.9 million).

4.(d) 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 $15.4 million (June 30, 2024 - $17.4 million) from customers and recorded $0.7 million in interest for future recovery from customers (June 30, 2024 - $1.2 million). 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 (June 30, 2024 - $11.6 million). This activity resulted in a remaining balance for future recovery from customers of $22.8 million (December 31, 2024 - $31.0 million).

4.(e) Supply Deferral

During 2025, Hydro deferred costs of $3.7 million (June 30, 2024 - $4.3 million) and per Board order No. P.U. 13 (2025), recorded the disposal of the 2024 Isolated Systems Supply Cost Variance Deferral balance of $6.7 million (June 30, 2024 - $11.6 million) with $6.5 million recovered from the current RSP Plan. This activity resulted in a balance receivable from customers of $3.7 million (December 31, 2024 - $6.7 million).

4.(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 estimate for monetization related to 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 (June 30, 2024 - $13.3 million).

4.(g) Removal Provision

In Board Order No. P.U. 30 (2019), the Board approved Hydro's proposed depreciation methodology which includes the provision for removal costs. For the period ended June 30, 2025, Hydro recorded a net increase to the provision of $2.8 million (June 30, 2024 - $2.6 million) resulting in a total balance of $29.7 million (December 31, 2024 - $26.9 million). The increase was driven by removal depreciation of $3.0 million (June 30, 2024 - $2.8 million) which was partially offset by removal costs of $0.2 million (June 30, 2024 - $0.2 million).

5. PROPERTY, PLANT AND EQUIPMENT

(millions of Canadian dollars)	Generation Plant	Transmission and Distribution	Petroleum and Natural Gas Properties	Other	Assets Under Development	Total
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
Additions	**-**	**-**	**48**	**-**	**130**	**178**
Disposals	**(11)**	**(1)**	**-**	**(2)**	**-**	**(14)**
Transfers	**1**	**5**	**-**	**-**	**(6)**	**-**
Decommissioning liabilities and revisions	**6**	**-**	**-**	**-**	**-**	**6**
Balance as at June 30, 2025	**8,764**	**9,440**	**1,790**	**688**	**323**	**21,005**
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
Depreciation and depletion	**66**	**90**	**34**	**9**	**-**	**199**
Disposals	**(8)**	**-**	**-**	**-**	**-**	**(8)**
Impairment	**-**	**-**	**33**	**-**	**-**	**33**
Balance as at June 30, 2025	**1,034**	**800**	**1,061**	**261**	**55**	**3,211**
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
Balance as at June 30, 2025	**7,730**	**8,640**	**729**	**427**	**268**	**17,794**

Capitalized interest for the period ended June 30, 2025 was $1.0 million (December 31, 2024 - $2.0 million) related to Assets Under Development.

On a quarterly basis, the Company assesses its Cash Generating Units (CGUs) for indicators that events or changes in circumstances may have impacted the recoverable amount of the associated assets. The Company determines the recoverable amount of its CGUs using value in use, which is estimated using discounted future cash flows based on forecasted oil prices, forecasted remaining reserves, forecasted future operating and capital costs and a discount rate derived from post-tax weighted average cost of capital, adjusted to reflect specific risks to the CGUs. For the period ended June 30, 2025, the Company recognized an impairment of $33.4 million (December 31, 2024 – impairment of $19.6 million), due to reduced pricing forecasts for its oil and gas operations.

6. TRADE AND OTHER PAYABLES

As at (millions of Canadian dollars)	**June 30 2025**	December 31 2024
Trade payables and accruals	**189**	222
Other payables	**77**	84
Accrued interest payable	**49**	50
	315	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. As at June 30, 2025 there was $92.0 million drawn on this facility with a maturity date of July 2, 2025, bearing interest at a rate of 3.75% (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 $6.1 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). On July 31, 2025 the credit facility was extended to July 31, 2026 and upon maturity, a CORRA advance was reissued.

Hydro utilized its $300.0 million government guaranteed promissory note program to fulfil its short-term funding requirements. As of June 30, 2025, there were two promissory notes outstanding totalling $300.0 million with a maturity date of July 21, 2025 bearing interest rates of 2.74% and 2.75% (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 ranging from 3.31% to 3.36%). Upon maturity, the promissory notes were reissued.

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 June 30, 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 June 30, 2025, there were no amounts drawn on this facility (December 31, 2024 - $nil). A total of $17.1 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 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 June 30, 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, $3.5 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 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 purchase and sale of transmission rights.

7.2 Long-term Debt

As at (millions of Canadian dollars)	Face Value	Coupon Rate %	Year of Issue	Year of Maturity	**June 30 2025**	December 31 2024
Hydro						
Y*	300	8.40	1996	2026	**300**	299
AB*	300	6.65	2001	2031	**303**	303
AD*	125	5.70	2003	2033	**124**	124
AF	500	3.60	2014/2017	2045	**483**	483
1A	600	3.70	2017/2018	2048	**635**	636
2A	300	1.75	2021	2030	**292**	291
LIL LP						
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	-	1.75	2017	2025	**-**	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
Labrador Transco/Muskrat Falls						
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	-	1.75	2017	2025	**-**	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	**289**	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
LIL (2021) LP						
Convertible debenture	295	3.03	2023	2071	**306**	302
Total	11,010				**11,036**	11,063
Less: sinking fund investments in own debentures					**(134)**	(128)
					10,902	10,935
Less: repayment of debt due within one year					**(299)**	(70)
					10,603	10,865

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

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.

As at June 30, 2025 (millions of Canadian dollars)	Deferred Energy Sales	Deferred Lease Revenue	Other	Total
Deferred credits, beginning of the period	1,531	78	23	1,632
Additions	10	7	1	18
Amortization	(47)	(1)	(1)	(50)
Deferred credits, end of the period	1,494	84	23	1,601
Less: current portion	(95)	(3)	(7)	(105)
	1,399	**81**	**16**	**1,496**

9. ENERGY SALES

	Three months ended		Six months ended	
For the period ended June 30 (millions of Canadian dollars)	**2025**	2024	**2025**	2024
Electricity sales	**259**	279	**648**	648
Petroleum and natural gas sales	**82**	55	**151**	108
Royalty expense	**(22)**	(4)	**(37)**	(7)
Total energy sales	**319**	330	**762**	749

10. OPERATING COSTS

	Three Months ended		Six months ended	
For the period ended June 30 (millions of Canadian dollars)	**2025**	2024	**2025**	2024
Salaries and benefits	**47**	46	**91**	88
Maintenance and materials	**19**	21	**36**	39
Professional services	**11**	8	**21**	15
Impacts and Benefits amendment	**4**	-	**7**	-
Insurance	**3**	4	**7**	8
Travel and transportation	**3**	3	**5**	5
Other operating costs	**2**	3	**4**	6
Total operating costs	**89**	85	**171**	161

11. NET FINANCE EXPENSE

	Three months ended		Six months ended	
For the period ended June 30 (millions of Canadian dollars)	**2025**	2024	**2025**	2024
Finance income				
Interest on restricted cash	**12**	18	**26**	37
Interest on investments	**7**	6	**13**	13
Other interest income	**6**	12	**13**	20
	25	36	**52**	70
Finance expense				
Interest on long-term debt	**101**	100	**201**	199
Interest on Class B limited partnership units	**21**	15	**41**	30
Debt guarantee fee	**3**	2	**5**	4
Other	**5**	8	**12**	16
	130	125	**259**	249
Interest capitalized during construction	**(1)**	-	**(1)**	(1)
	129	125	**258**	248
Net finance expense	**104**	89	**206**	178

12. OTHER EXPENSE

	Three months ended		Six months ended	
For the period ended June 30 (millions of Canadian dollars)	**2025**	2024	**2025**	2024
		(Note 2.3)		(Note 2.3)
Rate Mitigation	**-**	90	**441**	90
Rental and royalty	**5**	6	**11**	13
Loss on disposal of assets	**3**	13	**3**	13
HSE Redetermination adjustment	**-**	(12)	**-**	(23)
Other	**5**	6	**4**	7
Total other expense	**13**	103	**459**	100

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

13.1 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 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 (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 June 30, 2025 and the year ended December 31, 2024.

	Level	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
As at (millions of Canadian dollars)			**June 30, 2025**		December 31, 2024
Financial assets					
Sinking funds - investments in Hydro debt issue	**2**	**134**	**136**	128	129
Sinking funds - other investments	**2**	**249**	**257**	245	253
Investments, including short-term	**2**	**178**	**181**	199	200
Reserve fund	**2**	**49**	**49**	50	50
Financial liabilities					
Long-term debt including amount due within one year (before sinking funds)	**2**	**11,036**	**10,164**	11,063	10,331
Class B limited partnership units including amount due within one year	**3**	**973**	**973**	980	980
Long-term payables including amount due within one year	**2**	**49**	**47**	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 June 30,2025 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:

(millions of Canadian dollars)	1% increase	1% decrease
Class B limited partnership units	(72.9)	69.4

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 June 30, 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 short-term promissory notes.

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.

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 June 30, 2025, total oil sales denominated in USD were $106.8 million (June 30, 2024 - $79.6 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 Island Link Incorporated	Limited Partner holding 25 Class B limited partnership units of LIL LP
Board of Commissioners of Public Utilities	Agency of the Province

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

As at (millions of Canadian dollars)		**June 30 2025**	December 31 2024
Trade and other receivables:			
Other related parties		**10**	24
The Province		**2**	2
Trade and other payables:			
The Province	(a,b,c)	**61**	61
Other current liabilities			
Other related parties		**6**	4
Long-term debt (including current portion):			
The Province		**927**	927

		Three months ended		**Six months ended**	
For the period ended June 30 (millions of Canadian dollars)		**2025**	2024	**2025**	2024
Energy sales:					
Other related parties		**22**	58	**48**	86
The Province	(d)	**(22)**	(4)	**(36)**	(7)
Power purchased:					
The Province	(c)	**7**	7	**15**	15
Operating costs (recoveries):					
Other related parties		**1**	1	**2**	2
The Province	(c)	**(5)**	(5)	**(10)**	(10)
Net finance expense:					
The Province		**9**	9	**18**	18
Other expense:					
The Province	(a,b)	**5**	6	**11**	13

(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 $15.1 million (June 30, 2024 - $15.5 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.

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 $187.8 million as at June 30, 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		**Six months ended**	
For the period ended June 30 (millions of Canadian dollars)	**2025**	2024	**2025**	2024
Trade and other receivables	**75**	39	**103**	41
Prepayments	**5**	9	**8**	12
Inventories	**(8)**	(2)	**(12)**	11
Trade and other payables	**(18)**	10	**(42)**	(28)
Changes in non-cash working capital balances	**54**	56	**57**	36
Related to:				
Operating activities	**(18)**	(12)	**64**	41
Investing activities	**72**	68	**(7)**	(5)
	54	56	**57**	36

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 June 30, 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 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.

(millions of Canadian dollars)	Hydro Regulated	Muskrat Falls	LC Transmission	Churchill Falls	Energy Trading	Other Electric	Oil and Gas	Inter-Segment	Total
	For the six months ended June 30, 2025								
Energy sales	514	462	57	57	94	80	114	(616)	762
Other revenue	14	-	227	3	7	8	-	(237)	22
Revenue	528	462	284	60	101	88	114	(853)	784
Fuels	99	-	-	-	-	-	-	-	99
Power purchased	766	-	-	-	39	35	-	(789)	51
Operating costs	80	21	16	24	2	26	2	-	171
Production, marketing and transportation costs	-	-	-	-	-	-	14	-	14
Transmission rental	-	57	-	-	22	-	-	(66)	13
Depreciation, depletion, amortization and Impairment	43	45	54	9	-	20	69	(1)	239
Net finance expense (income)	51	59	106	(2)	(1)	(8)	1	-	206
Other expense	1	6	-	3	4	442	3	-	459
Preferred dividends	-	-	-	(2)	-	-	-	2	-
Expenses	1,040	188	176	32	66	515	89	(854)	1,252
(Loss) profit for the period before regulatory adjustments	(512)	274	108	28	35	(427)	25	1	(468)
Regulatory adjustments	(539)	-	-	-	-	-	-	1	(538)
Profit (loss) for the period	27	274	108	28	35	(427)	25	-	70
Capital expenditures*	82	1	9	31	-	8	48	-	179
Total assets	4,442	8,192	7,150	873	111	9,156	832	(8,159)	22,597
Total debt**	2,182	4,377	5,498	-	-	-	-	-	12,057

*Capitalized interest for the period ended June 30, 2025 was $1.0 million related to Assets Under Development.

**Total debt includes short-term borrowings, long-term debt including current portion less Hydro's sinking funds of $214.7 million, Class B limited partnership units, and lease liabilities of $5.1 million.

(millions of Canadian dollars)	Hydro Regulated	Muskrat Falls	LC Transmission	Churchill Falls	Energy Trading	Other Electric	Oil and Gas	Inter-Segment	Total
	For the six months ended June 30, 2024 (Note 2.3)								
Energy sales	440	372	57	60	57	96	101	(434)	749
Other revenue	14	-	228	9	12	5	-	(245)	23
Revenue	454	372	285	69	69	101	101	(679)	772
Fuels	98	-	-	-	-	-	-	-	98
Power purchased	604	-	-	-	22	50	-	(612)	64
Operating costs	79	12	20	22	3	23	2	-	161
Production, marketing and transportation costs	-	-	-	-	-	-	21	-	21
Transmission rental	-	57	-	-	30	-	-	(66)	21
Depreciation, depletion and amortization	39	44	55	12	-	20	23	-	193
Net finance expense (income)	54	51	90	(3)	(1)	(14)	1	-	178
Other expense (income)	2	17	11	4	(1)	92	(24)	(2)	100
Preferred dividends	-	-	-	(1)	-	-	-	1	-
Expenses	876	181	176	34	53	171	23	(679)	836
(Loss) profit for the period before regulatory adjustments	(422)	191	109	35	16	(70)	78	-	(64)
Regulatory adjustments	(453)	-	-	-	-	-	-	-	(453)
Profit (loss) for the period	31	191	109	35	16	(70)	78	-	389
Capital expenditures*	56	1	9	17	-	4	38	-	125
Total assets	4,058	7,931	6,883	834	87	3,472	826	(1,948)	22,143
Total debt**	2,240	4,412	5,145	-	-	-	-	-	11,797

*Capital expenditures (inclusive of property, plant and equipment and intangible assets) include non-cash additions of $1.0 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 $211.2 million, Class B limited partnership units and lease liabilities of $5.3 million.

(millions of Canadian dollars)	Hydro Regulated	Muskrat Falls	LC Transmission	Churchill Falls	Energy Trading	Other Electric	Oil and Gas	Inter-Segmen	Total
			For the three months ended June 30, 2025						
Energy sales	167	132	28	22	42	32	59	(163)	319
Other revenue	7	-	113	2	3	5	-	(119)	11
Revenue	174	132	141	24	45	37	59	(282)	330
Fuels	21	-	-	-	-	-	-	-	21
Power purchased	241	-	-	-	17	12	-	(251)	19
Operating costs	41	11	8	13	1	14	1	-	89
Production, marketing and transportation costs	-	-	-	-	-	-	7	-	7
Transmission rental	-	28	-	-	10	-	-	(32)	6
Depreciation, depletion, amortization and impairment	22	23	26	4	-	10	56	(1)	140
Net finance expense (income)	25	30	53	(1)	(1)	(2)	-	-	104
Other expense (income)	2	4	-	1	3	1	2	-	13
Preferred dividends	-	-	-	(1)	-	-	-	1	-
Expenses	352	96	87	16	30	35	66	(283)	399
(Loss) profit for the period before regulatory adjustments	(178)	36	54	8	15	2	(7)	1	(69)
Regulatory adjustments	(192)	-	-	-	-	-	-	1	(191)
Profit (loss) for the period	14	36	54	8	15	2	(7)	-	122
Capital expenditures*	57	1	5	20	-	6	26	-	115
Total assets	4,442	8,192	7,150	873	111	9,156	832	(8,159)	22,597
Total debt**	2,182	4,377	5,498	-	-	-	-	-	12,057

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

****Total debt includes short-term borrowings, long-term debt including current portion less Hydro's sinking funds of $214.7 million, Class B limited partnership units, and lease liabilities of $5.1 million.**

(millions of Canadian dollars)	Hydro Regulated	Muskrat Falls	LC Transmission	Churchill Falls	Energy Trading	Other Electric	Oil and Gas	Inter-Segment	Total
	For the three months ended June 30, 2024 (Note 2.3)								
Energy sales	159	143	29	23	27	40	51	(142)	330
Other revenue	7	-	115	8	7	2	-	(125)	13
Revenue	166	143	144	31	34	42	51	(268)	343
Fuels	28	-	-	-	-	-	-	-	28
Power purchased	232	-	-	-	9	25	-	(234)	32
Operating costs	41	6	11	12	2	12	1	-	85
Production, marketing and transportation costs	-	-	-	-	-	-	7	-	7
Transmission rental	-	29	-	-	14	-	-	(33)	10
Depreciation, depletion and amortization	20	22	28	5	-	10	10	-	95
Net finance expense (income)	28	25	45	(2)	(1)	(8)	1	1	89
Other expense (income)	2	10	11	2	-	92	(12)	(1)	103
Expenses	351	92	95	17	24	131	7	(268)	449
(Loss) profit for the period before regulatory adjustments	(185)	51	49	14	10	(89)	44	-	(106)
Regulatory adjustments	(201)	-	-	-	-	-	-	-	(201)
Profit (loss) for the period	16	51	49	14	10	(89)	44	-	95
Capital expenditures*	32	-	5	12	-	4	25	-	78
Total assets	4,058	7,931	6,883	834	87	3,472	826	(1,948)	22,143
Total debt**	2,240	4,412	5,145	-	-	-	-	-	11,797

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

**Total debt includes short-term borrowings, long-term debt including current portion less Hydro's sinking funds of $211.2 million, Class B Limited Partnership Units and lease liabilities of $5.3 million.