2026

Q1 Financial Update

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 March 31, 2026, and the annual audited consolidated financial statements (annual financial statements) and MD&A (annual MD&A) of Hydro for the year ended December 31, 2025. Unless otherwise noted, all financial information has been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board and reported in Canadian dollars (CAD).

The following discussion and analysis include results as of March 31, 2026, with subsequent events and outlook information updated to May 13, 2026. The MD&A is the responsibility of Management, and the Board of Directors carries out its responsibility for review of this disclosure principally through its Audit Committee. This MD&A was reviewed by the Audit Committee and subsequently approved by the Board of Directors on May 13, 2026.

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.

OUR COMPANY

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

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

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

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

INTERIM MANAGEMENT DISCUSSION & ANALYSIS

AT A GLANCE

For the period ended March 31 (millions of Canadian dollars)	**Three months ended** **2026**	2025
Loss	**(16)**	(52)
Operating loss[1]	**(67)**	(52)
Revenue	**524**	454
Operating costs	**84**	82
Cash provided from operations	**226**	210
Capital expenditures	**66**	64
Electricity sales (GWh)	**11,767**	12,099
Oil sales (thousands of bbls)	**978**	655
Realized oil price (CAD/bbl)	**114**	105

[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.

Loss

Hydro's $16 million loss for the three months ended March 31, 2026 was driven by rate mitigation payments during the quarter in order to maintain stable and affordable electricity rates. Hydro applied $350 million of funds from its operations against the balance in its Supply Cost Variance Deferral Account, in accordance with the Province's Rate Mitigation Plan. This loss is an improvement of $36 million compared to the $52 million loss in the same period in 2025. The improvement was driven by lower rate mitigation expense and stronger Oil and Gas earnings as a result of higher production levels and higher oil prices which also led to a non-cash impairment reversal. The positive variances were partially offset by lower regulatory deferrals. Impairment expenses and reversals are not uncommon in the oil and gas industry.

RECENT DEVELOPMENTS

HYDRO REGULATED

Rate Mitigation, the Recovery of LCP Costs

In March 2026, Hydro applied $350 million of rate mitigation funding against the balance of the Supply Cost Variance Deferral Account (the "Deferral Account") in accordance with the Province'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. The March 2026 payment retires the last $90 million of the 2023 balance.

Customer Rate Changes

As is normal process on an annual basis, rates to recover the generation costs from Labrador Industrial customers were updated using a formula-based methodology that has been in effect since 2015. Effective January 1, 2026, the customer rate impact was an increase of approximately 4.4%.

On April 24, 2026, Hydro filed its annual application with the PUB for approval of its utility rate, effective July 1, 2026. Hydro requested a 3.3% wholesale rate increase to Newfoundland Power Inc. ("Newfoundland Power"), which would target a retail rate increase targeted at 2.25% for domestic customers, consistent with the Rate Mitigation Plan. Newfoundland Power's portion of the July 1, 2026 rate adjustment was estimated to result in an overall average customer rate increase of approximately seven percent.

On April 22, 2026, Government wrote Hydro and advised them to apply to the PUB requesting to use the $45 million credit balance associated with the Rural Rate Alteration component of the Deferral Account to offset the July 1, 2026 rate increase stemming from Newfoundland Power's cost recovery. Without this action, electricity rates were projected to increase by seven per cent on July 1. By applying the RRA credit, the overall increase for island residential customers would be reduced to 2.25%. Government indicated this approach was reasonable and necessary in light of ongoing affordability pressures on households and businesses throughout the province. Hydro included this proposal in its July 1, 2026 application to the PUB. The regulatory proceeding is ongoing.

2026 General Rate Application (GRA)

Hydro, Newfoundland Power Inc., the Island Industrial Customer Group and the Consumer Advocate continue to work through a settlement agreement with respect to Hydro's Cost of Service Methodology application. In the spring, Hydro Regulated is planning to file its 2026 GRA with the Public Utilities Board seeking approval of updated rates effective July 1, 2027. The filing reflects Hydro's ongoing commitment to transparency, regulatory oversight, and accountability. The application reflects the first inclusion of Muskrat Falls supply costs in Hydro's revenue requirement and incorporates government directed rate mitigation measures designed to limit customer rate impacts. Hydro has continued to prioritize prudent cost management since its last GRA.

Capital Budget and Major Projects Supplemental Applications

In 2026, Hydro Regulated continues to advance capital budget proposals associated with both ensuring adequate resources are available to respond to increasing customer electricity demand as well as ensuring that our existing infrastructure continues to permit reliable operations. Hydro Regulated is actively preparing its annual 2027 Capital Budget Application, due to the PUB on July 15, 2026.

Hydro Regulated previously filed its 2025 Build Application that included proposals for Bay d'Espoir Unit 8 and the Avalon Combustion Turbine (the "Avalon CT"). The regulatory proceeding is ongoing for these two system additions that are in line with Hydro's Expansion Plan, as recommended in its 2024 Resource Adequacy Plan filed with the PUB. In February 2026, the PUB's consultant issued its final report and a schedule for the proceeding is expected to follow in the coming weeks. Hydro Regulated continues to provide additional information, studies and clarification of evidence as requested by the PUB, and its expert consultant. Hydro revised its application for the 2025 Build Application on April 16, 2026, with a revised budget totaling just under $2.1 billion, reflecting an increase of $100 million to the initial cost estimate of the Avalon CT due to market conditions. Hydro is confident that the Avalon CT and Bay d'Espoir Unit 8 remain the least-cost, reliable and environmentally responsible supply solutions for customers. On April 2, 2026, the PUB made a decision regarding the confidentiality claim by Hydro within its 2025 Build Application. The PUB determined that certain cost information that had previously been held confidential should be publicly released. There remains a significant risk that the released information would be used by suppliers and contractors to strengthen their negotiating position, increasing project costs and thus the costs to customers. Hydro will take all possible steps to manage and minimize any resulting impacts. Hydro is proceeding with early execution work in order to mitigate scheduling delays. The total budget of all early execution work related to the Avalon CT and the Bay d'Espoir Unit 8 is currently $82 million, of which $77 million has been approved by the PUB. All requested early execution work for the Avalon CT has been approved by the PUB. While these costs are approved to be incurred, they have not yet been approved to be recovered from customers. The regulatory proceeding for the Additional Early Execution application for Bay d'Espoir Unit 8 is ongoing, Hydro is awaiting a schedule from the PUB.

Hydro Regulated submitted a supplemental capital application for the Life Extension of Bay d'Espoir Unit 7 on June 20, 2025. The application proposed an authorized budget of $85 million with planned completion in 2028. On April 21, 2026 the PUB approved expenditures of $66 million. The reason for the variance is primarily due to differences in contingency and management reserve estimates.

On March 13, 2026, Hydro Regulated filed a supplemental capital application for section replacement and weld refurbishment of Penstock 3 at the Bay d'Espoir Hydro-electric Generating Facility. Project execution is expected to take three years with an estimated project cost of $77 million. The application also contained a request for Early Execution approval to allow for regulatory review of the application without resulting in delays to the overall construction timeline for the proposed project. The Early Execution request is $1.9 million and was approved by the PUB on April 9, 2026. The regulatory proceeding for the overall project is ongoing.

Hydro Regulated's appeal of the PUB decision on the application for Long-Term Supply for Southern Labrador to the Provincial Court of Appeal is ongoing. In the interim, Hydro is reviewing, studying and implementing ways to ensure the communities of the southern region of Labrador receive safe, reliable service now, and long-term. This work is underway and is intended to supplement the information Hydro Regulated has previously developed for its application.

LOWER CHURCHILL

In March 2026 Hydro successfully completed a high power test at 900MW to test functionality in the event of a fault of one of the transmission line poles. This test was a requirement of the commissioning approval provided by the Government of Canada's Independent Engineer. Hydro has completed final reviews of test results, and the LIL has been released for full operation up to 900 MW by the NL System Operator and the Government of Canada's Independent Engineer.

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 LOSS HIGHLIGHTS

	Three months ended		
For the period ended March 31 (millions of Canadian dollars)	**2026**	2025	Variance
Revenue	**524**	454	70
Fuels	**67**	78	(11)
Power purchased	**50**	32	18
Operating costs	**84**	82	2
Production, marketing and transportation costs	**8**	7	1
Transmission rental	**6**	7	(1)
Depreciation, depletion, amortization and impairment	**61**	99	(38)
Net finance expense	**108**	102	6
Rate mitigation expense	**350**	441	(91)
Other expense	**8**	5	3
Loss for the period before regulatory adjustments	**(218)**	(399)	181
Regulatory adjustments	**(202)**	(347)	145
Loss for the period	**(16)**	(52)	36

Non-GAAP Operating Loss Disclosure

Reconciliation of the Company's loss to operating loss for the three months ended March 31, 2026 and 2025 is as follows:

	Three months ended		
For the period ended March 31 (millions of Canadian dollars)	**2026**	2025	Variance
Loss for the period	**(16)**	(52)	36
Impairment reversal of property, plant and equipment	**(51)**	-	(51)
Operating loss for the period	**(67)**	(52)	(15)

Revenue

	Three months ended		
For the period ended March 31 (millions of Canadian dollars)	**2026**	2025	Variance
Electricity sales	**434**	388	46
Petroleum and natural gas sales, net of royalties	**83**	55	28
Other revenue	**7**	11	(4)
Total revenue	**524**	454	70

Electricity sales

Electricity sales for the three months ended March 31, 2026 were $434 million, an increase of $46 million compared to the same period in 2025. The increase for the quarter was primarily due to stronger export prices and higher regulated sales. Certain variances in revenue are offset in the regulatory adjustments line.

Electricity sales volume is summarized in the table below:

For the period ended March 31 (GWh)	**Three months ended** **2026**	2025
Regulated	**2,597**	2,497
Hydro-Québec	**7,730**	8,218
Emera - NS Block	**381**	387
Other export markets	**555**	464
Other domestic	**504**	533
	11,767	12,099

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

For the period ended March 31	**Three months ended** **2026**	2025
Average Export Electricity Price (USD/MWh)[1]	**98**	77
Realized Export Electricity Price (USD/MWh)[2]	**98**	77
Realized Export Electricity Price (CAD/MWh)[3]	**134**	111

[1]The Average Export Electricity Price reflects actual prices achieved in the export market.
[2]The Realized Export Electricity Price (USD) includes the impact of financial transmission rights.
[3]The Realized Export Electricity Price (CAD) includes the impact of financial transmission rights and foreign exchange.

Average and realized USD export electricity prices for the three months ended March 31, 2026 were higher compared to the same periods in 2025 due to elevated prices in the export markets due to reduced Canadian hydro energy supply, colder than normal weather increasing regional demand and rising natural gas prices in the Northeastern US.

Petroleum and natural gas sales, net of royalty expense

Petroleum and natural gas sales, net of royalty expense for the three months ended March 31, 2026 were $83 million, an increase of $28 million compared to the same period in 2025. The increase is driven by higher oil prices as a result of global supply disruption, geopolitical risk and market uncertainty as well as higher volumes for Hebron due to new well production and high operation efficiency.

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

For the period ended March 31	**Three months ended** **2026**	2025
Average Dated Brent Price (USD/bbl)[1]	**83**	73
Realized Price (CAD/bbl)[2]	**114**	105
Oil Sales Volumes (thousands of bbls)	**978**	655

[1]The Average Dated Brent Price reflects prices available in the market adjusted for any premium or discount.
[2]The Realized Price (CAD) includes the conversion of oil price from USD to CAD.

Other revenue

Other revenue for the three months ended March 31, 2026 was comparable to the same period in 2025.

Fuels

Fuel costs for the three months ended March 31, 2026 were $67 million, a decrease of $11 million compared to the same period in 2025. The decrease in fuel for the quarter was primarily due to lower pricing and volumes of No. 6 fuel used by Holyrood in Q1 2026. Certain variances in fuels are offset through regulatory mechanisms in the regulatory adjustments line.

Power purchased
Power purchased for the three months ended March 31, 2026 was $50 million, an increase of $18 million compared to the same period in 2025. The increase was due to higher purchases from a non-utility generator, as well as increased imports over the Maritime Link due to the frazil ice event at Bay d'Espoir.

Operating costs

	Three months ended		
For the period ended March 31 (millions of dollars)	**2026**	2025	Variance
Salaries and benefits	**49**	44	5
Maintenance and materials	**16**	17	(1)
Professional services	**6**	10	(4)
Impacts and Benefits agreement and amendment	**3**	3	-
Insurance	**3**	4	(1)
Travel and transportation	**2**	2	-
Other operating costs	**5**	2	3
Total operating costs	**84**	82	2

Operating costs for the three months ended March 31, 2026 were comparable to the same period in 2025.

Production, marketing and transportation costs
Production, marketing and transportation costs for the three months ended March 31, 2026 were comparable to the same period in 2025.

Transmission rental
Transmission rental for the three months ended March 31, 2026 was comparable to the same period in 2025.

Depreciation, depletion, amortization and impairment
Depreciation, depletion, amortization and impairment for the three months ended March 31, 2026 was $61 million, a decrease of $38 million compared to the same period in 2025. The decrease was primarily due to a non-cash impairment reversal recorded in Oil and Gas, partially offset by higher depletion expense driven by higher oil production.

Net finance expense
Net finance expense for the three months ended March 31, 2026 was comparable to the same period in 2025.

Rate mitigation expense
Rate mitigation for the three months ended March 31, 2026 was $350 million, a decrease of $91 million compared to the same period in 2025. The decrease was mainly due to lower government-directed rate mitigation in accordance with the Province's Rate Mitigation Plan.

Other expense
Other expense for the three months ended March 31, 2026 was comparable to the same period in 2025.

Regulatory adjustments
Regulatory recoveries for the three months ended March 31, 2026 were $202 million, a decrease of $145 million compared to the same period in 2025. The decrease for the quarter was due to lower deferrals for the power purchase costs under the Muskrat Falls Power Purchase agreement (MF PPA) primarily due to lower volume of deferred energy recognized in the period.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

Significant changes in the Consolidated Statement of Financial Position between March 31, 2026 and December 31, 2025 include:

ASSETS *(millions of Canadian dollars)*	Decrease	**Explanation**
Cash and cash equivalents	(167)	See Liquidity and Capital Resources for additional details on movement in cash during the period ended March 31, 2026.
Short-term investments	(111)	Decrease is due to a reduction of sinking funds which were used to repay principal on a matured Hydro Regulated debenture in February 2026.
Regulatory assets, net of regulatory liabilities	(149)	Decrease is due to rate mitigation funding, partially offset by increased deferral of costs associated with Muskrat Falls and LC Transmission.
LIABILITIES AND EQUITY *(millions of Canadian dollars)*		
Short-term borrowings	(128)	Decrease is due to repayment of short-term borrowings by Hydro Regulated during the period, facilitated by rate mitigation funding. The balance of short-term borrowings will fluctuate depending on the timing of cash inflows and outflows.
Current portion of long-term debt	(223)	Decrease is due to repayment of principal on a Hydro Regulated maturing debenture during the period, partially offset by changes in the Sinking Fund.

SEGMENTED RESULTS

The following presents an overview of the Company's profit or loss for the three months ended March 31, 2026, by operating segment, in comparison to the three months ended March 31, 2025. This discussion should be read in conjunction with Note 18 of the interim financial statements.

	Three months ended		
For the period ended March 31 (millions of Canadian dollars)	**2026**	2025	Variance
Hydro Regulated	**8**	13	(5)
Muskrat Falls	**122**	238	(116)
LC Transmission	**49**	54	(5)
Churchill Falls	**20**	20	-
Energy Trading	**32**	20	12
Other Electric	**(349)**	(429)	80
Oil and Gas	**102**	32	70
Loss for the period	**(16)**	(52)	36

HYDRO REGULATED

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

	Three months ended		
For the period ended March 31 (millions of Canadian dollars)	**2026**	2025	Variance
Revenue	**355**	354	1
Expenses	**549**	688	(139)
Loss for the period before regulatory adjustments	**(194)**	(334)	140
Regulatory adjustments	**(202)**	(347)	145
Profit for the period	**8**	13	(5)

Hydro Regulated's profit for the three months ended March 31, 2026 was comparable to the same period in 2025. Although expenses were lower due to reduced power purchase costs compared to Q1 2025, the power purchase costs were also deferred during the period.

Regulated energy sales and supply are summarized below:

For the period ended March 31 (GWh)	**Three months ended 2026**	2025
Customer Energy Sales:		
Utility	**2,017**	1,984
Rural	**413**	403
Industrial	**167**	110
Energy Sales	**2,597**	2,497
Generation:		
Hydraulic generation[1]	**1,353**	1,294
Holyrood generation	**313**	354
Standby generation[2]	**6**	1
Thermal diesel generation	**17**	16
Purchases:		
Domestic[3]	**649**	587
Off-Island[4]	**397**	371
Gross generation	**2,735**	2,623
Losses	**138**	126
Net generation	**2,597**	2,497

[1] Includes 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 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 in a given period.

Muskrat Falls' profit for the three months ended March 31, 2026 was $122 million, a decrease of $116 million compared to the same period in 2025. The decrease primarily relates to lower energy sales revenue from Hydro Regulated under the MF PPA due to lower volume of deferred energy recognized in 2026.

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 months ended March 31, 2026 was comparable to the same period in 2025.

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 Falls' profit for the three months ended March 31, 2026 was comparable to the same period in 2025.

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. As well, Energy Trading and Muskrat Falls operate under a service agreement where Energy Trading purchases excess Muskrat Falls Residual Block energy for re-sale to external markets.

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

Energy Trading's profit for the three months ended March 31, 2026 was $32 million, an increase of $12 million compared to the same period in 2025. The increase in profit for the quarter was due to higher export electricity prices as well as higher volumes exported.

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 loss for the three months ended March 31, 2026 was $349 million, an improvement of $80 million compared to the same period in 2025. The variance for the quarter primarily relates to lower rate mitigation expense, in accordance with the Province's Rate Mitigation Plan.

OIL AND GAS

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

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

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

Non-GAAP Operating Profit Disclosure

Reconciliation of Oil and Gas profit to operating profit for the three months ended March 31, 2026 and 2025 is as follows:

	Three months ended		
For the period ended March 31 (millions of Canadian dollars)	**2026**	2025	Variance
Profit for the period	**102**	32	70
Impairment reversal of property, plant and equipment	**(51)**	**-**	(51)
Operating profit for the period	**51**	32	19

Oil and Gas's profit for the three months ended March 31, 2026 was $102 million, an increase of $70 million compared to the same period in 2025. The increase was driven by higher oil prices which resulted in an increase in revenue and a non-cash impairment reversal for the White Rose extension assets, as well as higher oil sales volume. Oil and gas prices are forecasted to remain elevated for the remainder of the year due to ongoing geopolitical tensions and supply constraints.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW HIGHLIGHTS

For the period ended March 31 (millions of Canadian dollars)	Three months ended **2026**	2025	Variance	**Explanation**
Cash and cash equivalents, beginning of the period	**1,054**	1,164	(110)	
Net cash provided from operating activities	**226**	210	16	Net cash provided from operating activities was higher primarily due to higher energy sales.
Net cash provided from (used in) investing activities	**89**	(77)	166	Increase driven by withdrawal from sinking fund for debt repayment.
Net cash used in financing activities	**(482)**	(406)	(76)	Decrease in cash driven by principal repayment on matured debentures partially offset by repayment of short-term borrowings as a result of the rate mitigation funding transfer
Cash and cash equivalents, end of the period	**887**	891	(4)	

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. Hydro has not requested or received equity contributions from the Province since 2021.

Short-term and long-term borrowings are restricted by legislation that currently limits Hydro and its subsidiaries short-term borrowings to $800 million and total borrowings to $3.2 billion (excluding CF and LCP entities).

Outstanding commitments for capital projects, excluding those related to Oil and Gas, total approximately $174 million as at March 31, 2026 (December 31, 2025 - $131 million). The Company has the available capital resources to sufficiently fund these requirements.

As at March 31, 2026, 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**	**-**	**6**	**734**
Demand Operating Facilities:				
Churchill Falls	**10**	**-**	**1**	**9**
Energy Trading	**20**	**-**	**4**	**16**
Oil and Gas	**40**	**-**	**17**	**23**
Promissory Notes:				
Hydro Regulated	**300**	**122**	**-**	**178**
Total credit facilities	**1,110**	**122**	**28**	**960**

[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)	**March 31 2026**	December 2025
Short-term borrowings	**122**	250
Long-term debt (net of sinking funds)[1]	**10,981**	11,097
Class B limited partnership units[1]	**956**	968
Lease liabilities[1]	**5**	5
Total debt	**12,064**	12,320
Total shareholder's equity	**8,047**	8,062
Debt to capital	**60%**	60%

[1]Includes current portion.

CAPITAL EXPENDITURES

	Three months ended		
For the period ended March 31 (millions of Canadian dollars)	**2026**	2025	Variance
Hydro Regulated	**33**	25	8
LC Transmission	**8**	4	4
Churchill Falls	**10**	11	(1)
Other Electric	**2**	2	-
Oil and Gas	**13**	22	(9)
Total capital expenditures	**66**	64	2

Capital expenditures for the three months ended March 31, 2026 were comparable to the same period in 2025.

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, 2025.

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

MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGMENTS AND ESTIMATES

MATERIAL ACCOUNTING POLICIES

The Company's material accounting policies are described in Note 2 of the Hydro consolidated annual financial statements for the year ended December 31, 2025. The company's material accounting policies remain substantially unchanged from those disclosed in the Hydro consolidated annual financial statements.

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 Hydro consolidated annual financial statements for the year ended December 31, 2025. There were no material changes to the nature of significant accounting judgments and estimates for the three month period ended March 31, 2026.

RELATED PARTY TRANSACTIONS

The Company enters into various transactions with its shareholder and other related parties. Refer to Note 15 in the interim 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, Hydro remains committed to serving our customers and supporting a sustainable future for generations to come. As Hydro advances its vision and supports the transformation of our industry, we will continue to proactively navigate global, national, and provincial economic conditions, including the evolving geopolitical landscape, supply chain dynamics, and a competitive labour market. We will continue to approach opportunities and challenges with a solution-focused mindset, driving outcomes that benefit the people of our province.

Building on the foundation of our 2023-2025 Strategic Plan, a new strategic plan has been developed for 2026-2030. As we look to 2030, we aspire to be a more harmonized, trusted utility that generates sustainable value in Newfoundland and Labrador. To achieve this, Hydro will prioritize:

1. **Safety, Health & Engagement**

Hydro is focused on a holistic approach to safety, health and engagement as these mutually reinforcing priorities are central to a strong organizational culture. When employees feel safe, supported, valued, and recognized, they are better able to maintain focus, reduce distractions, and apply safe work practices consistently. This, in turn, improves both safety and operational outcomes.

2. **Reliability & Readiness**

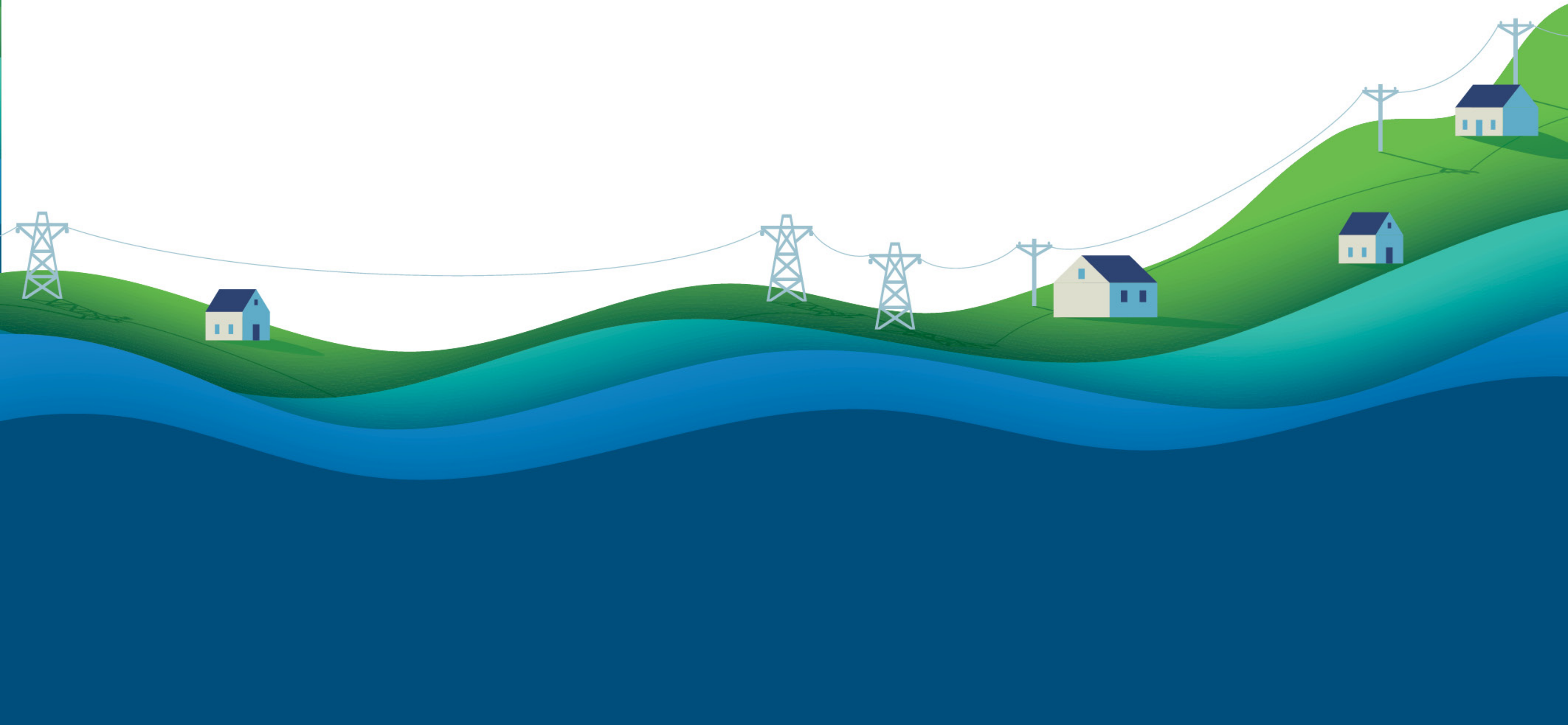
During a period of transformation in the electricity sector, Hydro will prioritize reliability today while preparing its people and electrical system for the future. Given the long planning horizons of electric utilities, this dual focus supports dependable service that withstands and recovers from disruptions and positions Hydro to meet future system requirements and capitalize on opportunities for the province.

3. **Sustainable Value Generation**

Hydro has a responsibility to manage provincial electrical assets in a way that serves customers and delivers broad value to the people of Newfoundland and Labrador. Working with the provincial government, Hydro enables economic development through the provision of electricity, contributes to sincere and meaningful relationships with Indigenous Peoples, and supports long-term socio-economic benefits.

Through delivery of essential electricity service, Hydro will continue to play a key role in supporting economic development in the province while safely and reliably meeting increasing demand. By aligning our processes, operating transparently, remaining accountable, and operating with good utility practice, we will optimize our provincial resources, manage costs, and maintain customer and stakeholder confidence.

APPENDIX 1



NEWFOUNDLAND AND LABRADOR HYDRO
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
March 31, 2026
(Unaudited)

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

As at (millions of Canadian dollars)	Notes	**March 31 2026**	December 31 2025
ASSETS			
Current assets			
Cash and cash equivalents		**887**	1,054
Restricted cash		**1,377**	1,352
Short-term investments		**65**	176
Trade and other receivables	3	**265**	288
Inventories		**144**	151
Prepayments		**28**	17
Total current assets		**2,766**	3,038
Non-current assets			
Property, plant and equipment	4	**17,899**	17,897
Intangible assets		**57**	59
Investments		**278**	277
Other long-term assets		**5**	5
Total assets		**21,005**	21,276
Regulatory deferrals	5	**1,574**	1,721
Total assets and regulatory deferrals		**22,579**	22,997
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings	7	**122**	250
Trade and other payables	6	**378**	400
Current portion of long-term debt	7	**73**	296
Current portion of Class B limited partnership units		**95**	95
Current portion of deferred credits	8	**87**	99
Other current liabilities		**29**	25
Total current liabilities		**784**	1,165
Non-current liabilities			
Long-term debt	7	**11,013**	11,015
Class B limited partnership units		**861**	873
Deferred credits	8	**1,480**	1,494
Decommissioning liabilities		**123**	122
Employee future benefits		**128**	126
Other long-term liabilities		**91**	90
Total liabilities		**14,480**	14,885
Shareholder's equity			
Share capital		**123**	123
Shareholder contributions		**4,859**	4,859
Reserves		**(19)**	(20)
Retained earnings		**3,084**	3,100
Total equity		**8,047**	8,062
Total liabilities and equity		**22,527**	22,947
Regulatory deferrals	5	**52**	50
Total liabilities, equity and regulatory deferrals		**22,579**	22,997

Commitments and contingencies (Note 16)

See accompanying notes

NEWFOUNDLAND AND LABRADOR HYDRO

CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS

(Unaudited)

For the period ended March 31 (millions of Canadian dollars)	Notes	**Three months ended** **2026**	2025
Energy sales	9	**517**	443
Other revenue		**7**	11
Revenue		**524**	454
Fuels		**67**	78
Power purchased		**50**	32
Operating costs	10	**84**	82
Production, marketing and transportation costs		**8**	7
Transmission rental		**6**	7
Depreciation, depletion, amortization and impairment		**61**	99
Net finance expense	11	**108**	102
Rate mitigation expense	12	**350**	441
Other expense	13	**8**	5
Expenses		**742**	853
Loss for the period before regulatory adjustments		**(218)**	(399)
Regulatory adjustments	5	**(202)**	(347)
Loss for the period		**(16)**	(52)
Other comprehensive income			
Total items that may or have been reclassified to profit or loss:			
Reclassification adjustments related to:			
Cash flow hedges recognized in profit		**1**	1
Other comprehensive income for the period		**1**	1
Total comprehensive loss for the period		**(15)**	(51)

See accompanying notes

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

(millions of Canadian dollars)	**Share Capital**	**Shareholder Contributions**	**Fair Value Reserve**	**Employee Benefit Reserve**	**Retained Earnings**	**Total**
Balance at January 1, 2026	**123**	**4,859**	**(38)**	**18**	**3,100**	**8,062**
Loss for the period	**-**	**-**	**-**	**-**	**(16)**	**(16)**
Other comprehensive income	**-**	**-**	**1**	**-**	**-**	**1**
Total comprehensive loss for the period	**-**	**-**	**1**	**-**	**(16)**	**(15)**
Balance at March 31, 2026	**123**	**4,859**	**(37)**	**18**	**3,084**	**8,047**
Balance at January 1, 2025	123	4,859	(44)	15	2,985	7,938
Loss for the period	-	-	-	-	(52)	(52)
Other comprehensive income	-	-	1	-	-	1
Total comprehensive loss for the period	-	-	1	-	(52)	(51)
Balance at March 31, 2025	123	4,859	(43)	15	2,933	7,887

See accompanying notes

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

		Three months ended	
For the period ended March 31 (millions of Canadian dollars)	Notes	**2026**	2025
Operating activities			
Loss for the period		**(16)**	(52)
Adjustments to reconcile profit to cash provided from operating activities:			
Depreciation, depletion, amortization and impairment		**61**	99
Amortization of deferred credits	8	**(31)**	(31)
Loss on disposal of property, plant and equipment	13	**3**	-
Maritime Link operating costs		**5**	5
Regulatory adjustments	5	**(202)**	(347)
Rate mitigation expense	12	**350**	441
Finance income	11	**(22)**	(27)
Finance expense	11	**130**	129
Other		**1**	5
		279	222
Changes in non-cash working capital balances	17	**(25)**	14
Interest received		**21**	23
Interest paid		**(49)**	(49)
Net cash provided from operating activities		**226**	210
Investing activities			
Purchase of property, plant and equipment and intangible assets		**(96)**	(75)
Decrease (increase) in sinking fund	7	**185**	(2)
Net cash provided from (used in) investing activities		**89**	(77)
Financing activities			
Repayment of long-term debt	7	**(300)**	-
Increase in restricted cash		**(25)**	(34)
Decrease in short-term borrowings	7	**(128)**	(346)
Distribution of Class B limited partnership units		**(32)**	(33)
Other		**3**	7
Net cash used in financing activities		**(482)**	(406)
Net decrease in cash and cash equivalents		**(167)**	(273)
Cash and cash equivalents, beginning of the period		**1,054**	1,164
Cash and cash equivalents, end of the period		**887**	891

See accompanying notes

1. DESCRIPTION OF BUSINESS

Newfoundland and Labrador Hydro (Hydro or the Company) is a Crown corporation, formed under a special act of the Legislature of the Province of Newfoundland and Labrador (the Province) and its business includes 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 for the year ended December 31, 2025. Hydro has adopted the amendments to IFRS 9 - Financial Instruments and IFRS 7 - Financial Instruments: Disclosure effective for annual periods beginning on or after January 1, 2026, which did not have a material impact on Hydro's interim financial statements.

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 annual audited consolidated financial statements. Interim results will fluctuate due to the seasonal nature of electricity demand and water flows, as well as timing and recognition of regulatory items. Due to higher electricity demand during the winter months, revenue from electricity sales is higher during the first and fourth quarters.

These interim financial statements have been prepared on a historical cost basis, except for financial instruments at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVTOCI) which have been measured at fair value. The interim financial statements are presented in Canadian Dollars (CAD) and all values rounded to the nearest million, except when otherwise noted. The interim financial statements were approved by Hydro's Board of Directors on May 13, 2026.

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.

3. TRADE AND OTHER RECEIVABLES

As at (millions of Canadian dollars)	**March 31 2026**	December 31 2025
Trade receivables	**258**	265
Other receivables	**38**	54
Loss allowance	**(31)**	(31)
	265	288

4. 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, 2025	8,768	9,436	1,742	690	199	20,835
Additions	4	3	86	-	391	484
Disposals	(30)	(3)	-	(7)	-	(40)
Transfers	177	120	-	48	(346)	(1)
Decommissioning liabilities and revisions	6	-	8	-	-	14
Other adjustments	-	(1)	-	-	-	(1)
Balance as at December 31, 2025	8,925	9,555	1,836	731	244	21,291
Additions	**-**	**1**	**13**	**-**	**52**	**66**
Disposals	**-**	**(4)**	**-**	**(1)**	**-**	**(5)**
Transfers	**23**	**(2)**	**-**	**1**	**(21)**	**1**
Other adjustments	**(1)**	**(2)**	**-**	**-**	**-**	**(3)**
Balance as at March 31, 2026	**8,947**	**9,548**	**1,849**	**731**	**275**	**21,350**
Depreciation, depletion and impairment						
Balance as at January 1, 2025	976	710	994	252	55	2,987
Depreciation and depletion	137	182	72	17	-	408
Disposals	(15)	-	-	(6)	-	(21)
Impairment expense	-	-	20	-	-	20
Balance as at December 31, 2025	1,098	892	1,086	263	55	3,394
Depreciation and depletion	**36**	**45**	**24**	**5**	**-**	**110**
Disposals	**(1)**	**-**	**-**	**(1)**	**-**	**(2)**
Impairment reversal	**-**	**-**	**(51)**	**-**	**-**	**(51)**
Balance as at March 31, 2026	**1,133**	**937**	**1,059**	**267**	**55**	**3,451**
Carrying value						
Balance as at January 1, 2025	7,792	8,726	748	438	144	17,848
Balance as at December 31, 2025	7,827	8,663	750	468	189	17,897
Balance as at March 31, 2026	**7,814**	**8,611**	**790**	**464**	**220**	**17,899**

Capitalized interest for the period ended March 31, 2026 was $1 million (December 31, 2025 - $3 million) related to Assets Under Development.

During the quarter, previously accrued capital additions were settled and new capital additions were accrued. The net change in capital accrual of $30 million (March 31, 2025 - $11 million) (Note 17) is adjusted on the statement of cash flows as non-cash transactions to purchases of property, plant and equipment and intangibles.

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 March 31, 2026, the Company recognized an impairment reversal of $51 million (December 31, 2025 – impairment expense of $20 million). The impairment reversal was related to the White Rose Extension due to the recent spike in oil and gas prices, driven by major disruptions to global supply.

5. REGULATORY DEFERRALS

(millions of Canadian dollars)		January 1 2026	Reclass & Disposition	Regulatory Activity	**March 31 2026**
Regulatory asset deferrals					
Power purchase expense recognition	(a)	1,148	-	157	**1,305**
Supply cost variance deferral account	(b)	350	-	(254)	**96**
Retirement asset pool		64	-	-	**64**
Foreign exchange losses[1]		35	-	(1)	**34**
Muskrat Falls PPA sustaining capital		22	-	3	**25**
Business system transformation program		13	-	-	**13**
Rate stabilization plan (RSP)		12	6	(8)	**10**
Deferred energy conservation costs		9	-	(1)	**8**
General expenses capitalized deferral account		6	-	2	**8**
Supply deferral		6	(6)	3	**3**
Muskrat Falls PPA monetization	(c)	49	-	(49)	**-**
Rate Mitigation funding revenue recognition	(d)	-	(350)	350	**-**
Other		7	-	1	**8**
		1,721	(350)	203	**1,574**
Regulatory liability deferrals					
Removal provision		(31)	-	(2)	**(33)**
Holyrood thermal generating station (TGS) accelerated depreciation deferral account		(14)	-	-	**(14)**
Insurance amortization and proceeds		(4)	-	-	**(4)**
Other		(1)	-	-	**(1)**
		(50)	-	(2)	**(52)**

[1] Remaining recovery settlement period of 15.8 years.

5.1 Regulatory Adjustments Recorded in the Non-Consolidated Statement of Loss and Comprehensive Loss

		Three months ended	
For the period ended March 31 (millions of Canadian dollars)		**2026**	2025
Rate mitigation funding revenue recognition	(d)	**(350)**	(441)
Power purchase expense recognition	(a)	**(157)**	(288)
Supply cost variance deferral account	(b)	**254**	294
Muskrat Falls PPA monetization	(c)	**49**	74
RSP		**8**	8
Muskrat Falls PPA sustaining capital		**(3)**	5
Supply deferral		**(3)**	(2)
Other		**-**	3
		(202)	(347)

Hydro’s regulatory deferrals which will be, or are expected to be, reflected in customer rates in future periods have been established through the rate setting process. In the absence of rate regulation, these amounts would be reflected in operating results in the period and profit for the period ended March 31, 2026 would have decreased by $202 million (March 31, 2025 – $347 million).

5.(a) Power Purchase Expense Recognition

In Board Order No's. P.U. 9 (2021) and P.U. 33 (2021), the PUB approved Hydro's proposal to deviate from IFRS to allow recognition of expenses related to the purchase of energy in accordance with the commercial terms of the Muskrat Falls PPA and Labrador-Island Link Transmission Funding Agreement (TFA). For the period ended March 31, 2026, IFRS power purchase expenses were $157 million (March 31, 2025 - $288 million) higher than commercial payments which resulted in a total regulatory asset of $1.3 billion (December 31, 2025 - $1.1 billion). Costs associated with the contract payments made under the Muskrat Falls PPA and Labrador-Island Link TFA for the period were $189 million (March 31, 2025 - $216 million).

5.(b) Supply Cost Variance Deferral Account

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

On May 16, 2024, the Province announced the finalization of its Rate Mitigation Plan. The Plan ensures domestic rate increases, for customers subject to Island Interconnected System rates, attributable to Hydro's costs are targeted at 2.25% per year up to and including 2030. The Plan also requires that any additional rate mitigation funding required to mitigate Lower Churchill costs for the period up to and including 2030 to come from Hydro's own sources to the extent possible. The Province has also directed Hydro to retire the ending 2023 Supply Cost Variance Deferral Account (SCVDA) balance of $271 million over the 2024-2026 period. As described in Note 12, Hydro Regulated applied $350 million (March 31, 2025 - $441 million) of rate mitigation funding from internal sources to reduce the balance in the SCVDA. The rate mitigation funding offset by normal activity of the SCVDA of $96 million (March 31, 2025 - $147 million) resulted in a net decrease in the account of $254 million (March 31, 2025 - $294 million). The total balance owing from customers at March 31, 2026 is $96 million (December 31, 2025 - $350 million).

5.(c) 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, 2025, Hydro recorded an estimate for monetization related to the 2025 undelivered Schedule II energy of $49 million (December 31, 2025 - $74 million) which was reversed upon actual monetization in 2026 of $49 million (March 31, 2025 - $74 million).

5.(d) Rate Mitigation Funding Revenue Recognition

In Board Order No. P.U. 34 (2025), effective January 1, 2025, the PUB approved Hydro Regulated's accounting of rate mitigation funding as revenue, consistent with the treatment prior to amalgamation. Accordingly, Hydro Regulated recognized $350 million in rate mitigation funding received from Hydro Non-Regulated as revenue for regulatory purposes and deferred this in the SCVDA (March 31, 2025 - $441 million). Please refer to Note 5(b) for further information.

6. TRADE AND OTHER PAYABLES

As at (millions of Canadian dollars)	**March 31 2026**	December 31 2025
Trade payables and accruals	**172**	250
Accrued interest payable	**116**	53
Other payables	**90**	97
	378	400

7. DEBT

7.1 Short-term Borrowings

Hydro maintains a $740 million committed revolving term credit facility with its banker with a maturity date of July 31, 2026. As at March 31, 2026 there was no balance drawn on this facility (December 31, 2025 - $nil). A total of $6 million of the borrowing limit has been used to issue letters of credit (December 31, 2025 - $6 million CAD equivalent to issue letters of credit).

Hydro utilized its $300 million government guaranteed promissory note program to fulfil its short-term funding requirements. As of March 31, 2026, there were promissory notes outstanding totalling $122 million with a maturity date of April 1, 2026, bearing interest at rates ranging from 2.31% to 2.35% (December 31, 2025 - promissory notes outstanding totalling $250 million with a maturity date of January 2, 2026 bearing interest at a rate of 2.26%). 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 was $1 billion, until January 1, 2026 at which time the level returned to $800 million.

Churchill Falls maintains a $10 million CAD or USD equivalent unsecured demand operating credit facility with its banker. There were no amounts drawn on this facility as at March 31, 2026 (December 31, 2025 - $nil). Churchill Falls has issued irrevocable letters of credit totalling $2 million (December 31, 2025 - $2 million), $1 million of which does not impact the borrowing limit of the operating facility (December 31, 2025- $1 million).

Oil and Gas maintains a $40 million CAD or USD equivalent unsecured credit facility with its banker. As at March 31, 2026, there were no amounts drawn on this facility (December 31, 2025 - $nil). A total of $17 million of the borrowing limit has been used to issue irrevocable letters of credit (December 31, 2025 - $17 million).

Energy Marketing maintains a $20 million CAD or USD equivalent demand operating credit facility with its banker, and as at March 31, 2026, there were no amounts drawn on this facility (December 31, 2025 - $nil). This facility has an unconditional and irrevocable guarantee from Hydro. A total of $4 million CAD equivalent of the limit is used to issue irrevocable letters of credit (December 31, 2025 - $4 million CAD equivalent).

As at March 31, 2026, Hydro, on behalf of Energy Marketing, has issued unconditional guarantees and sales contracts in the amount of $23 million CAD equivalent (December 31, 2025 - $23 million CAD).

7.2 Long-term Debt

As at (millions of Canadian dollars)	Face Value	Coupon Rate %	Year of Issue	Year of Maturity	**March 31 2026**	December 31 2025
Hydro						
Y[1]	-	8.40	1996	2026	**-**	300
AB[1]	300	6.65	2001	2031	**303**	303
AD[1]	125	5.70	2003	2033	**124**	124
AF	500	3.60	2014/2017	2045	**484**	484
1A[2]	600	3.70	2017/2018	2048	**634**	634
2A[2]	300	1.75	2021	2030	**293**	293
3A[1,2]	300	4.60	2025	2055	**297**	297
LIL LP						
Tranche A[1]	725	3.76	2013	2033	**725**	725
Tranche B[1]	600	3.86	2013	2045	**600**	600
Tranche C[1]	1,075	3.85	2013	2053	**1,075**	1,075
Tranche 12-20	95	1.90-2.37	2017	2026-2030	**95**	95
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[1]	675	3.83	2013	2037	**675**	675
Tranche C[1]	1,275	3.86	2013	2048	**1,275**	1,275
Tranche 12-20	203	1.90-2.37	2017	2025-2030	**203**	203
Tranche 21-30	253	2.41-2.64	2017	2030-2035	**253**	253
Tranche 31-40	288	2.66-2.80	2017	2035-2040	**288**	288
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	3.35-3.3	2022	2037-2047	**500**	500
Tranche U	500	3.38	2022	2057	**500**	500
LIL (2021) LP						
Convertible debenture	445	3.03	2023	2071	**466**	463
Total	11,129				**11,162**	11,459
Less: sinking fund investments in own debentures					**(76)**	(148)
					11,086	11,311
Less: repayment of debt due within one year					**(73)**	(296)
					11,013	11,015

[1] Sinking funds are required to be established for these issues.
[2] Bonds were issued by the Province and lent to Hydro on the same terms and conditions.

On February 27, 2026 Hydro's $300 million long-term debt, Series Y, matured. Sinking fund disposals and interest income received in the amount of $185 million were used to repay the Series Y maturity.

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 March 31, 2026 (millions of Canadian dollars)	Deferred Energy Sales	Deferred Lease Revenue	Other	Total
Deferred credits, beginning of the period	1,465	106	22	1,593
Additions	5	-	-	5
Amortization	(29)	(1)	(1)	(31)
Deferred credits, end of the period	1,441	105	21	1,567
Less: current portion	(76)	(5)	(6)	(87)
	1,365	**100**	**15**	**1,480**

9. ENERGY SALES

For the period ended March 31 (millions of Canadian dollars)	**Three months ended** **2026**	2025
Electricity sales	**434**	388
Petroleum and natural gas sales	**111**	70
Royalty expense	**(28)**	(15)
Total energy sales	**517**	443

10. OPERATING COSTS

For the period ended March 31 (millions of Canadian dollars)	**Three months ended** **2026**	2025
Salaries and benefits	**49**	44
Maintenance and materials	**16**	17
Professional services	**6**	10
Impacts and Benefits agreement and amendment	**3**	3
Insurance	**3**	4
Travel and transportation	**2**	2
Other operating costs	**5**	2
Total operating costs	**84**	82

11. NET FINANCE EXPENSE

	Three months ended	
For the period ended March 31 (millions of Canadian dollars)	**2026**	2025
Finance income		
Interest on restricted cash	**11**	14
Interest on investments	**4**	6
Other interest income	**7**	7
	22	27
Finance expense		
Interest on long-term debt	**102**	100
Interest on Class B limited partnership units	**20**	20
Debt guarantee fee	**3**	2
Accretion	**2**	3
Other	**4**	4
	131	129
Interest capitalized during construction	**(1)**	-
	130	129
Net finance expense	**108**	102

12. RATE MITIGATION EXPENSE

As part of the Province's Rate Mitigation Plan which was finalized in May 2024, Hydro is directed by the Province to apply internal funds towards mitigating customer rates in Hydro Regulated. Hydro Regulated applied $350 million (March 31, 2025 - $441 million) of Government directed rate mitigation funding from internal sources to reduce the balance in the SCVDA. Please refer to note 5(b).

13. OTHER EXPENSE

	Three months ended	
For the period ended March 31 (millions of Canadian dollars)	**2026**	2025
Rental and royalty	**6**	6
Loss on disposal of property, plant and equipment	**3**	-
Other	**(1)**	(1)
Total other expense	**8**	5

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

14.1 Fair Value

The estimated fair values of financial instruments as at March 31, 2026 and, December 31, 2025 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 March 31, 2026 and the year ended December 31, 2025.

	Level	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
As at (millions of Canadian dollars)		**March 31, 2026**		December 31, 2025	
Financial assets					
Sinking funds - investments in Hydro debt issue	**2**	**76**	**76**	148	148
Sinking funds - other investments	**2**	**138**	**143**	247	253
Investments, including short-term	**2**	**155**	**157**	156	159
Reserve fund	**2**	**50**	**50**	50	50
Financial liabilities					
Long-term debt including amount due within one year (before sinking funds)	**2**	**11,162**	**10,069**	11,459	10,300
Class B limited partnership units including amount due within one year	**3**	**956**	**956**	968	968
Long-term payables including amount due within one year	**2**	**58**	**58**	55	55

The fair value of cash and cash equivalents, restricted cash, trade and other receivables, short-term borrowings and trade and other payables approximates their carrying values due to their short-term maturity.

The fair values of Level 2 financial instruments are determined using quoted prices in active markets, which in some cases are adjusted for factors specific to the asset or liability. Level 2 derivative instruments are valued based on observable commodity future curves, broker quotes or other publicly available data. Level 2 fair values of other risk management assets and liabilities and long-term debt are determined using observable inputs other than unadjusted quoted prices, such as interest rate yield curves and currency rates.

Level 3 financial instruments include Class B limited partnership units.

The Class B limited partnership units are carried at amortized cost, calculated using the effective interest method, which approximates fair value. The effective interest rate as at March 31, 2026 of 8.9% (December 31, 2025 - 8.9%) 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	(80)	77

14.2 Risk Management

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

Credit Risk

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

Hydro does not have any significant amounts that are past due and uncollectable, for which a provision has not been recognized as at March 31, 2026.

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 March 31, 2026, total oil sales denominated in USD were $81 million (March 31, 2025 - $48 million).

15. 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)		**March 31 2026**	December 31 2025
Trade and other receivables:			
Other related parties		**27**	33
The Province		**2**	1
Trade and other payables:			
The Province	(a,b,c)	**76**	58
Other current liabilities			
Other related parties		**4**	4
Long-term debt (including current portion):			
The Province		**1,224**	1,224

For the period ended March 31 (millions of Canadian dollars)		**Three months ended 2026**	2025
Energy sales:			
Other related parties		**26**	26
The Province	(d)	**(27)**	(14)
Power purchased:			
The Province	(c)	**7**	8
Operating costs (recoveries):			
Other related parties		**-**	1
The Province	(c)	**(5)**	(5)
Net finance expense:			
The Province		**13**	9
Other expense:			
The Province	(a,b)	**6**	6

(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. For the period ended March 31, 2026, Hydro has purchased $7 million (March 31, 2025 - $8 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) During the period March 31, 2026, Oil and Gas incurred $28 million (March 31, 2025 - $14 million) in royalty expenses of which $27 million (March 31, 2025 - $14 million) were paid to the Province and $1 million paid to Federal Government (March 31, 2025 - $nil). Royalties payable at the end of the period were $24 million (December 31, 2025 - $6 million).

16. 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 $174 million as at March 31, 2026 (December 31, 2025 - $131 million).

17. SUPPLEMENTARY CASH FLOW INFORMATION

		Three months ended	
For the period ended March 31 (millions of Canadian dollars)		**2026**	2025
Trade and other receivables		**23**	28
Prepayments		**(3)**	3
Inventories		**7**	(4)
Trade and other payables	Note 4	**(52)**	(13)
Changes in non-cash working capital balances		**(25)**	14

18. SEGMENT INFORMATION

The following summary provides a brief overview of the nature of operations included in each of the Company's operating segments as at March 31, 2026.

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 three months ended March 31, 2026								
Energy sales	349	217	29	36	75	50	83	(322)	517
Other revenue	6	-	114	-	1	4	-	(118)	7
Revenue	355	217	143	36	76	54	83	(440)	524
Fuels	67	-	-	-	-	-	-	-	67
Power purchased	389	-	-	-	33	35	-	(407)	50
Operating costs	43	9	8	11	1	15	1	(4)	84
Production, marketing and transportation costs	-	-	-	-	-	-	8	-	8
Transmission rental	-	29	-	-	10	-	-	(33)	6
Depreciation, depletion, amortization and impairment	24	22	27	5	-	10	(27)	-	61
Net finance expense (income)	27	30	55	(1)	1	(4)	1	(1)	108
Rate mitigation	-	-	-	-	-	350	-	-	350
Other (income) expense	(1)	5	4	2	(1)	(3)	(2)	4	8
Preferred dividends	-	-	-	(1)	-	-	-	1	-
Expenses	549	95	94	16	44	403	(19)	(440)	742
(Loss) profit for the period before regulatory adjustments	(194)	122	49	20	32	(349)	102	-	(218)
Regulatory adjustments	(202)	-	-	-	-	-	-	-	(202)
Profit (loss) for the period	8	122	49	20	32	(349)	102	-	(16)
Capital expenditures*	33	-	8	10	-	2	13	-	66
Total assets	4,450	8,394	7,178	907	135	9,254	933	(8,672)	22,579
Total debt**	2,079	4,359	5,626	-	-	-	-	-	12,064

*Capital expenditures include non-cash additions of $1 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 $105 million, Class B limited partnership units, and lease liabilities.

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

*Total debt includes short-term borrowings, long-term debt including current portion less Hydro's sinking funds of $217 million, Class B limited partnership units, and lease liabilities.