

NALCOR ENERGY MARKETING CORPORATION
CONDENSED INTERIM FINANCIAL STATEMENTS
March 31, 2026
(Unaudited)

NALCOR ENERGY MARKETING CORPORATION
STATEMENT OF FINANCIAL POSITION
(Unaudited)

<i>As at (thousands of Canadian dollars)</i>	Notes	March 31	December 31
		2026	2025
ASSETS			
Current assets			
Cash		39,732	33,805
Trade and other receivables	3	7,448	16,206
Inventories		2,774	2,448
Prepayments		2,626	2,716
Derivative assets	11	82,666	109,843
Total current assets		135,246	165,018
Non-current assets			
Property, plant and equipment		134	141
Intangible assets		4	4
Total assets		135,384	165,163
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	4	9,347	11,948
Derivative liabilities	11	2	-
Deferred liability	5	82,333	109,777
Total current liabilities		91,682	121,725
Non-current liabilities			
Employee future benefits		867	841
Total liabilities		92,549	122,566
Shareholder's equity			
Share capital		1	1
Reserves		346	346
Retained earnings		42,488	42,250
Total equity		42,835	42,597
Total liabilities and equity		135,384	165,163

See accompanying notes

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

<i>For the period ended March 31 (thousands of Canadian dollars)</i>	Notes	Three months ended	
		2026	2025
Energy sales		74,475	51,530
Other revenue	7	1,059	3,926
Net finance income	8	498	471
Revenue		76,032	55,927
Transmission rental and market fees		10,334	12,026
Operating costs	9	1,312	1,076
Power purchased		33,329	21,068
Depreciation and amortization		8	8
Other income	10	(1,189)	(12,215)
Expenses		43,794	21,963
Total profit and comprehensive income for the period		32,238	33,964

See accompanying notes

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

<i>(thousands of Canadian dollars)</i>	Note	Share Capital	Employee Benefit Reserve	Retained Earnings	Total
Balance at January 1, 2026		1	346	42,250	42,597
Total profit and comprehensive income for the period		-	-	32,238	32,238
Dividends	6	-	-	(32,000)	(32,000)
Balance at March 31, 2026		1	346	42,488	42,835
Balance at January 1, 2025		1	371	40,955	41,327
Total profit and comprehensive income for the period		-	-	33,964	33,964
Dividends	6	-	-	(27,000)	(27,000)
Balance at March 31, 2025		1	371	47,919	48,291

See accompanying notes

NALCOR ENERGY MARKETING CORPORATION
STATEMENT OF CASH FLOWS
(Unaudited)

<i>For the period ended March 31 (thousands of Canadian dollars)</i>	Notes	Three months ended	
		2026	2025
Operating activities			
Profit for the period		32,238	33,964
Adjustments to reconcile profit to cash provided from operating activities:			
(Gain) loss on fair value of renewable energy certificates (RECs)	10	(326)	1,007
Depreciation and amortization		8	8
Gain on power purchase agreement (PPA) balances	11.2	(325)	(13,495)
Unrealized loss on derivatives		60	83
Finance income	8	(509)	(480)
Finance expense	8	11	9
Other		26	(72)
		31,183	21,024
Changes in non-cash working capital balances	13	6,247	10,281
Interest received		509	480
Interest paid		(11)	(9)
Net cash provided from operating activities		37,928	31,776
Investing activities			
Additions to property, plant and equipment		(1)	-
Change in non-cash working capital balances	13	-	(85)
Net cash used in investing activities		(1)	(85)
Financing activity			
Dividends paid	6	(32,000)	(27,000)
Net cash used in financing activity		(32,000)	(27,000)
Net increase in cash		5,927	4,691
Cash, beginning of the period		33,805	27,252
Cash, end of the period		39,732	31,943

See accompanying notes

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

1. DESCRIPTION OF BUSINESS

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

2. MATERIAL ACCOUNTING POLICIES

Statement of Compliance and Basis of Measurement

These condensed interim financial statements have been prepared in accordance with *International Accounting Standard 34 – Interim Financial Reporting* using accounting policies consistent with those used in the preparation of the annual audited financial statements for the year ended December 31, 2025.

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

These condensed interim financial statements have been prepared on a historical cost basis, except for financial instruments at fair value through profit or loss (FVTPL) which have been measured at fair value. The financial statements are presented in Canadian Dollars (CAD) and all values rounded to the nearest thousand, except when otherwise noted. The Board of Directors has delegated authority to approve the condensed interim financial statements to the Audit Committee of the Board of Directors of Hydro, which approved the condensed interim financial statements on May 13, 2026.

3. TRADE AND OTHER RECEIVABLES

<i>As at (thousands of Canadian dollars)</i>	Note	March 31 2026	December 31 2025
Trade receivables		7,243	16,085
Due from related parties	12	205	121
		7,448	16,206

4. TRADE AND OTHER PAYABLES

<i>As at (thousands of Canadian dollars)</i>	Note	March 31 2026	December 31 2025
Trade payables and other accruals		3,209	1,523
Due to related parties	12	6,138	10,425
		9,347	11,948

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

5. DEFERRED LIABILITY

The deferred liability associated with the Energy Marketing – Hydro PPA represents Energy Marketing’s current liability related to its expected commitments for 2026 under the PPA with Hydro. The PPA, which became effective on October 1, 2015, allows Energy Marketing to purchase available Recapture energy from Hydro for resale in export markets or through agreements with counterparties. Additionally, the PPA allows for the use of Hydro’s transmission service rights by Energy Marketing to deliver electricity, through rights which are provided to Hydro pursuant to a Transmission Service Agreement with Hydro-Québec dated April 1, 2009. The PPA can be terminated by either party with notice provided 60 days prior to the intended termination date.

<i>As at (thousands of Canadian dollars)</i>	Note	March 31 2026	December 31 2025
Deferred liability, beginning of the period		109,777	83,907
Additions		-	109,777
Amortization		(27,444)	(83,907)
Deferred liability, end of the period	12	82,333	109,777

6. DIVIDENDS

<i>For the period ended March 31 (thousands of Canadian dollars)</i>	Three months ended	
	2026	2025
Declared and paid during the period	32,000	27,000

7. OTHER REVENUE

<i>For the period ended March 31 (thousands of Canadian dollars)</i>	Three months ended	
	2026	2025
REC sales	1,059	3,612
Other	-	314
Total other revenue	1,059	3,926

8. NET FINANCE INCOME

<i>For the period ended March 31 (thousands of Canadian dollars)</i>	Three months ended	
	2026	2025
Finance income		
Bank interest	509	480
Finance expense		
Bank and interest charges	11	9
Net finance income	498	471

9. OPERATING COSTS

<i>For the period ended March 31 (thousands of Canadian dollars)</i>	Three months ended	
	2026	2025
Salaries and benefits	876	769
Professional services	215	117
Other operating costs	221	190
Total operating costs	1,312	1,076

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

10. OTHER INCOME

		Three months ended	
		2026	2025
<i>For the period ended March 31 (thousands of Canadian dollars)</i>			
Unrealized foreign exchange (gain) loss		(782)	104
(Gain) loss on fair value of RECs		(326)	1,007
Net PPA gain	11.2	(325)	(13,495)
Realized foreign exchange (gain) loss		(161)	98
Net financial transmission rights income and amortization		345	10
Other		60	61
Total other income		(1,189)	(12,215)

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

11.1 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 Energy Marketing might receive or incur in actual market transactions.

As some of Energy Marketing's assets and liabilities do not meet the definition of a financial instrument, the fair value estimates below do not reflect the fair value of Energy Marketing as a whole.

Establishing Fair Value

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

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

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

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

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. For assets and liabilities that are recognized at fair value on a recurring basis, Energy Marketing determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between Level 1, 2 and 3 fair value measurements during the period ended March 31, 2026 and the year ended December 31, 2025.

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

	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
<i>As at (thousands of Canadian dollars)</i>		March 31, 2026		December 31, 2025	
Financial assets					
Derivative assets	3	82,666	82,666	109,843	109,843
Financial liabilities					
Derivative liabilities	2	2	2	-	-

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

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

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

The PPA derivative represents Energy Marketing's forecasted energy sales net of Recapture power purchases, for the 2026 calendar year. It does not include the value of transmission rights or other transportation and market related costs.

Financial transmission rights are purchased contracts used to mitigate risk associated with congestion in export markets and the carrying value was immaterial as at March 31, 2026 and December 31, 2025.

The following table summarizes quantitative information about the valuation techniques and unobservable inputs used in the fair value measurement of Level 3 financial instruments as at March 31, 2026.

<i>(thousands of Canadian dollars)</i>	Carrying Value	Valuation Techniques	Significant Unobservable Input(s)	Range
Derivative asset (Power purchase derivative asset)	82,658	Modelled pricing	Volumes (MWh)	39% to 41% of available generation

The derivative asset arising under the PPA is designated as a Level 3 instrument as certain forward market prices and related volumes are not readily determinable to estimate a portion of the fair value of the derivative asset. Hence, fair value measurement of this instrument is based upon a combination of internal and external pricing and volume estimates. As at March 31, 2026, the effect of using reasonably possible alternative assumptions for volume inputs to valuation techniques may have resulted in +\$2 million to +\$3 million change in the carrying value of the power purchase derivative asset.

11.2 Risk Management

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

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

Credit Risk

Energy Marketing's expected future cash flows are exposed to credit risk through its operating activities, primarily due to the potential for non-performance by its customers, and through its financing and investing activities, based on the risk of non-performance by counterparties to its financial instruments. The degree of exposure to credit risk on trade receivables is minimal and the receivables are primarily due from independent system operators or approved counterparties, which are either investment-grade or have provided sufficient collateral to support their obligations. Exposure to approved counterparties is continuously monitored to ensure credit limits are adhered to, and in cases where those limits may be exceeded additional collateral is required. The maximum exposure to credit risk on these financial instruments is represented by their carrying values on the Statement of Financial Position at the reporting date. Credit risk on cash is considered to be minimal, as Energy Marketing's cash deposits are held by a Canadian Schedule 1 Chartered bank with a rating of A+ (Standard and Poor's).

Liquidity Risk

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

Short-term liquidity is provided mainly through cash on hand, funds from operations, and a \$20 million demand operating credit facility with its bank. This credit facility, which is unconditionally and irrevocably guaranteed by Hydro, had no amounts outstanding as of March 31, 2026 (December 31, 2025 - \$nil), however \$4 million CAD equivalent of the limit was 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 \$6 million CAD equivalent (December 31, 2025 - \$6 million CAD equivalent) in letters of credit to various independent system operators, transmission providers, and bilateral counterparties in relation to power purchase and sale contracts. These letters of credit have automatic renewal clauses, unless cancelled with appropriate notice by the issuer or beneficiary.

As at 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), in order to guarantee amounts under power purchase and sale contracts with bilateral counterparties and sale of transmission rights.

Market Risk

In the course of carrying out its operating, financing and investing activities, Energy Marketing is exposed to possible market price movements that could impact expected future cash flow and the carrying value of certain financial assets and liabilities. Market price movements to which Energy Marketing has significant exposure include those relating to USD/CAD foreign exchange rates and current commodity prices, most notably the spot prices for electricity and any potential new or revised tariffs.

Foreign Currency and Commodity Exposure

Energy Marketing's primary exposure to both foreign exchange and commodity price risk arises from its USD denominated electricity and REC sales. For the period ended March 31, 2026, total energy and REC sales denominated in USD were \$53 million USD (March 31, 2025 - \$37 million USD).

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

The components of change impacting the carrying value of derivative assets and liabilities for the period ended March 31, 2026 and 2025 are as follows:

<i>(thousands of Canadian dollars)</i>	Total	
	Level II	Level III
Balance at January 1, 2026	52	109,791
Net Purchases	-	-
Additions	-	-
	52	109,791
Changes to profit (loss)		
Amortization	-	(8)
Mark-to-market	(49)	5,772
Settlements (a)	-	(32,894)
Total	(49)	(27,130)
Balance at March 31, 2026	3	82,661
Balance at January 1, 2025	(3)	83,932
Net Purchases	-	-
Additions	-	-
	(3)	83,932
Changes to profit (loss)		
Amortization	-	(13)
Mark-to-market	(62)	15,811
Settlements (a)	-	(23,301)
Total	(62)	(7,503)
Balance at March 31, 2025	(65)	76,429

(a) Net changes in Energy Marketing – Hydro PPA

<i>For the period ended March 31 (thousands of Canadian dollars)</i>	Three months ended	
	2026	2025
PPA gains		
Amortization of deferral	(27,444)	(20,977)
Mark-to-market of derivative	(5,775)	(15,819)
	(33,219)	(36,796)
PPA losses		
Settlement of realized profit	32,894	23,301
	32,894	23,301
Net PPA gain	(325)	(13,495)

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

12. RELATED PARTY TRANSACTIONS

Energy Marketing enters into various transactions with its parent and other related parties. Unless otherwise noted, these transactions occur within the normal course of operations and are measured at the exchange amount, which is the amount of consideration agreed to by the related parties. Outstanding balances due to or from related parties are non-interest bearing with settlement normally within 30 days.

Related parties with which Energy Marketing transacts are as follows:

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

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

<i>As at (thousands of Canadian dollars)</i>	Notes	March 31 2026	December 31 2025
Trade and other receivables:			
Parent	3	205	121
Prepayments:			
Parent		2,204	2,204
Derivative asset:			
Parent	11	82,658	109,777
Trade and other payables:	4		
Parent		5,341	8,556
Other related parties		797	1,869
Deferred liability:			
Parent	5	82,333	109,777
		Three months ended	
		2026	2025
<i>For the period ended March 31 (thousands of Canadian dollars)</i>			
Transmission rental and market fees:			
Parent		9,650	11,397
Operating costs:			
Parent		280	187
Power purchased:			
Parent	(a)	18,723	9,804
Other related parties	(b)	14,550	11,215
Other income:			
Parent	11.2	325	13,495

(a) In April 2022, Energy Marketing and Hydro amended the Energy Marketing – Hydro PPA to allow Energy Marketing to purchase incremental Recapture energy for export and sales to external markets.

(b) In July 2022, Energy Marketing and Muskrat Falls entered into a short-term Service Agreement where Energy Marketing has agreed to purchase Muskrat Falls Residual Block for export and sales to external markets.

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

13. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended	
<i>For the period ended March 31 (thousands of Canadian dollars)</i>	2026	2025
Trade and other receivables	8,758	6,865
Prepayments	90	206
Trade and other payables	(2,601)	3,125
Changes in non-cash working capital balances	6,247	10,196
Related to:		
Operating activities	6,247	10,281
Investing activities	-	(85)
	6,247	10,196