NALCOR ENERGY MARKETING CORPORATION
CONDENSED INTERIM FINANCIAL STATEMENTS
June 30, 2026
(Unaudited)

NALCOR ENERGY MARKETING CORPORATION
STATEMENT OF FINANCIAL POSITION
(Unaudited)

As at (thousands of Canadian dollars)	Notes	**June 30 2026**	December 31 2025
ASSETS			
Current assets			
Cash		**23,146**	33,805
Trade and other receivables		**14,180**	16,206
Inventories		**2,628**	2,448
Prepayments		**2,444**	2,716
Derivative assets	9	**64,149**	109,843
Total current assets		**106,547**	165,018
Non-current assets			
Property, plant and equipment		**156**	141
Intangible assets		**4**	4
Total assets		**106,707**	165,163
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		**11,989**	11,948
Derivative liabilities	9	**11**	-
Deferred liability	3	**54,889**	109,777
Total current liabilities		**66,889**	121,725
Non-current liabilities			
Employee future benefits		**893**	841
Total liabilities		**67,782**	122,566
Shareholder’s equity			
Share capital		**1**	1
Reserves		**346**	346
Retained earnings		**38,578**	42,250
Total equity		**38,925**	42,597
Total liabilities and equity		**106,707**	165,163

See accompanying notes

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

For the period ended June 30 (thousands of Canadian dollars)	Notes	**Three months ended** **2026**	2025	**Six months ended** **2026**	2025
Energy sales		**50,381**	42,315	**124,856**	93,845
Other revenue	5	**1,773**	2,914	**2,832**	6,840
Net finance income	6	**345**	317	**843**	788
Revenue		**52,499**	45,546	**128,531**	101,473
Transmission rental and market fees		**10,534**	10,261	**20,868**	22,287
Operating costs	7	**1,357**	1,390	**2,669**	2,466
Power purchased		**19,857**	16,519	**53,186**	37,587
Depreciation and amortization		**8**	8	**16**	16
Other (income) expense	8	**(9,347)**	10,641	**(10,536)**	(1,574)
Expenses		**22,409**	38,819	**66,203**	60,782
Total profit and comprehensive income for the period		**30,090**	6,727	**62,328**	40,691

See accompanying notes

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

(thousands of Canadian dollars)	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		**-**	**-**	**62,328**	**62,328**
Dividends	**4**	**-**	**-**	**(66,000)**	**(66,000)**
Balance at June 30, 2026		**1**	**346**	**38,578**	**38,925**
Balance at January 1, 2025		1	371	40,955	41,327
Total profit and comprehensive income for the period		-	-	40,691	40,691
Dividends	4	-	-	(27,000)	(27,000)
Balance at June 30, 2025		1	371	54,646	55,018

See accompanying notes

NALCOR ENERGY MARKETING CORPORATION
STATEMENT OF CASH FLOWS
(Unaudited)

For the period ended June 30 (thousands of Canadian dollars)	Notes	**Three months ended** **2026**	2025	**Six months ended** **2026**	2025
Operating activities					
Profit for the period		**30,090**	6,727	**62,328**	40,691
Adjustments to reconcile profit to cash provided from operating activities:					
Loss (gain) on fair value of renewable energy certificates (RECs)	8	**146**	1,599	**(180)**	2,606
Depreciation and amortization		**8**	8	**16**	16
(Gain) loss on power purchase agreement (PPA) balances	8	**(8,851)**	7,856	**(9,176)**	(5,639)
Unrealized (gain) loss on derivatives		**(67)**	332	**(7)**	415
Finance income	6	**(358)**	(330)	**(867)**	(810)
Finance expense	6	**13**	13	**24**	22
Other		**26**	26	**52**	(46)
		21,007	16,231	**52,190**	37,255
Changes in non-cash working capital balances	11	**(3,908)**	(6,555)	**2,339**	3,726
Interest received		**358**	330	**867**	810
Interest paid		**(13)**	(13)	**(24)**	(22)
Net cash provided from operating activities		**17,444**	9,993	**55,372**	41,769
Investing activities					
Additions to property, plant and equipment		**(30)**	(16)	**(31)**	(16)
Change in non-cash working capital balances	11	**-**	-	**-**	(85)
Net cash used in investing activities		**(30)**	(16)	**(31)**	(101)
Financing activity					
Dividends paid	4	**(34,000)**	-	**(66,000)**	(27,000)
Net cash used in financing activity		**(34,000)**	-	**(66,000)**	(27,000)
Net (decrease) increase in cash		**(16,586)**	9,977	**(10,659)**	14,668
Cash, beginning of the period		**39,732**	31,943	**33,805**	27,252
Cash, end of the period		**23,146**	41,920	**23,146**	41,920

See accompanying notes

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 August 13, 2026.

3. 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.

As at (thousands of Canadian dollars)	Note	**June 30 2026**	December 31 2025
Deferred liability, beginning of the period		**109,777**	83,907
Additions		**-**	109,777
Amortization		**(54,888)**	(83,907)
Deferred liability, end of the period	10	**54,889**	109,777

4. DIVIDENDS

	Three months ended		**Six months ended**	
For the period ended June 30 (thousands of Canadian dollars)	**2026**	2025	**2026**	2025
Declared and paid during the period	**34,000**	-	**66,000**	27,000

5. OTHER REVENUE

	Three months ended		Six months ended	
For the period ended June 30 (thousands of Canadian dollars)	**2026**	2025	**2026**	2025
REC sales	**1,773**	2,914	**2,832**	6,526
Other	**-**	-	**-**	314
Total other revenue	**1,773**	2,914	**2,832**	6,840

6. NET FINANCE INCOME

	Three months ended		Six months ended	
For the period ended June 30 (thousands of Canadian dollars)	**2026**	2025	**2026**	2025
Finance income				
Bank interest	**358**	330	**867**	810
Finance expense				
Bank and interest charges	**13**	13	**24**	22
Net finance income	**345**	317	**843**	788

7. OPERATING COSTS

	Three months ended		Six months ended	
For the period ended June 30 (thousands of Canadian dollars)	**2026**	2025	**2026**	2025
Salaries and benefits	**906**	971	**1,782**	1,740
Professional services	**225**	185	**440**	302
Other operating costs	**226**	234	**447**	424
Total operating costs	**1,357**	1,390	**2,669**	2,466

8. OTHER (INCOME) EXPENSE

		Three months ended		Six months ended	
For the period ended June 30 (thousands of Canadian dollars)	Notes	**2026**	2025	**2026**	2025
Net PPA (gains) losses	9.2	**(8,851)**	7,856	**(9,176)**	(5,639)
Unrealized foreign exchange (gains) losses		**(497)**	997	**(1,279)**	1,101
Fair value adjustments of RECs	(a)	**146**	1,599	**(180)**	2,606
Other		**(145)**	189	**99**	358
Total other (income) expense		**(9,347)**	10,641	**(10,536)**	(1,574)

(a) This represents the fair value of REC inventory additions, disposals and other adjustments for the period ended June 30, 2026 and 2025.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

9.1 Fair Value

The estimated fair values of financial instruments as at June 30, 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 June 30, 2026 and the year ended December 31, 2025.

	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
As at (thousands of Canadian dollars)			**June 30, 2026**		December 31, 2025
Financial assets					
Derivative assets	**2, 3**	**64,149**	**64,149**	109,843	109,843
Financial liabilities					
Derivative liabilities	**2**	**11**	**11**	-	-

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 June 30, 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 June 30, 2026.

(thousands of Canadian dollars)	Carrying Value	Valuation Techniques	Significant Unobservable Input(s)	Range
Derivative asset (Power purchase derivative asset)	**64,065**	Modelled pricing	Volumes (MWh)	41% to 42% 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 June 30, 2026, the effect of using reasonably possible alternative assumptions for volume inputs to valuation techniques may have resulted in +$1 million to +$2 million change in the carrying value of the power purchase derivative asset.

9.2 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.

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 June 30, 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 June 30, 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 June 30, 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 equivalent), 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 June 30, 2026, total energy and REC sales denominated in USD were $90 million USD (June 30, 2025 - $69 million USD).

The components of change impacting the carrying value of derivative assets and liabilities for the period ended June 30, 2026 and 2025 are as follows:

	Total	
(thousands of Canadian dollars)	**Level II**	**Level III**
Balance at January 1, 2026	**52**	**109,791**
Net purchases	**-**	**-**
Additions	**-**	**-**
	52	**109,791**
Changes to profit		
Amortization	**-**	**(11)**
Mark-to-market	**21**	**12,063**
Settlements (a)	**-**	**(57,778)**
Total	**21**	**(45,726)**
Balance at June 30, 2026	**73**	**64,065**
Balance at January 1, 2025	(3)	83,932
Net Purchases	-	-
Additions	-	-
	(3)	83,932
Changes to (loss) profit		
Amortization	-	(18)
Mark-to-market	(391)	8,330
Settlements (a)	-	(44,651)
Total	(391)	(36,339)
Balance at June 30, 2025	(394)	47,593

(a) Net changes in Energy Marketing – Hydro PPA

		Three months ended		Six months ended	
For the period ended June 30 (thousands of Canadian dollars)	Note	**2026**	2025	**2026**	2025
PPA gains					
Amortization of deferral		**(27,444)**	(20,977)	**(54,888)**	(41,954)
Mark-to-market of derivative		**(6,291)**	-	**(12,066)**	(8,336)
		(33,735)	(20,977)	**(66,954)**	(50,290)
PPA losses					
Settlement of realized profit		**24,884**	21,350	**57,778**	44,651
Mark-to-market of derivative		**-**	7,483	**-**	-
		24,884	28,833	**57,778**	44,651
Net PPA (gains) losses	10	**(8,851)**	7,856	**(9,176)**	(5,639)

10. 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
Churchill Falls (Labrador) Corporation	Joint arrangement of Hydro
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:

As at (thousands of Canadian dollars)	Notes	**June 30 2026**	December 31 2025
Trade and other receivables:			
Parent		**-**	121
Other related parties		**6**	-
Prepayments:			
Parent		**2,204**	2,204
Derivative asset:			
Parent	9	**64,065**	109,777
Trade and other payables:			
Parent		**4,582**	8,556
Other related parties		**4,387**	1,869
Deferred liability:			
Parent	3	**54,889**	109,777

		Three months ended		**Six months ended**	
For the period ended June 30 (thousands of Canadian dollars)		**2026**	2025	**2026**	2025
Transmission rental and market fees:					
Parent		**9,665**	9,648	**19,315**	21,045
Operating costs:					
Parent		**324**	285	**604**	472
Power purchased:					
Parent	(a)	**7,998**	4,892	**26,721**	14,696
Other related parties	(b)	**11,859**	11,532	**26,409**	22,747
Other income:					
Parent	9.2	**(8,851)**	7,856	**(9,176)**	(5,639)

(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.

11. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended		**Six months ended**	
For the period ended June 30 (thousands of Canadian dollars)	**2026**	2025	**2026**	2025
Trade and other receivables	**(6,732)**	(9,592)	**2,026**	(2,727)
Prepayments	**182**	167	**272**	373
Trade and other payables	**2,642**	2,870	**41**	5,995
Changes in non-cash working capital balances	**(3,908)**	(6,555)	**2,339**	3,641
Related to:				
Operating activities	**(3,908)**	(6,555)	**2,339**	3,726
Investing activities	**-**	-	**-**	(85)
	(3,908)	(6,555)	**2,339**	3,641