

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2026
(Unaudited)

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Unaudited)

<i>As at (millions of Canadian dollars)</i>	<i>Notes</i>	June 30 2026	December 31 2025
ASSETS			
Current assets			
Cash		234	234
Restricted cash		400	374
Trade and other receivables		2	1
Related party receivable	10	52	56
Inventories		17	10
Prepayments		2	2
Total current assets		707	677
Non-current assets			
Property, plant and equipment	3	4,797	4,842
Intangible assets		65	67
Right-of-use assets		1	1
Total assets		5,570	5,587
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	4	27	31
Contract liability	10	1	2
Current portion of long-term debt	5	21	21
Current portion of Class B limited partnership units	6	94	94
Related party promissory note	10	555	555
Total current liabilities		698	703
Non-current liabilities			
Long-term debt	5	3,773	3,778
Class B limited partnership units	6	867	873
Lease liabilities		1	1
Total liabilities		5,339	5,355
Shareholder's equity			
Share capital	7	826	901
Shareholder contributions		43	36
Deficit		(638)	(705)
Total equity		231	232
Total liabilities and equity		5,570	5,587

Commitments and contingencies (Note 11)

See accompanying notes

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION
CONSOLIDATED STATEMENT OF PROFIT AND COMPREHENSIVE INCOME
(Unaudited)

<i>For the period ended June 30 (millions of Canadian dollars)</i>	Notes	Three months ended		Six months ended	
		2026	2025	2026	2025
Revenue	10	109	107	217	214
Total revenue		109	107	217	214
Operating costs		1	-	1	1
Depreciation and amortization		23	24	46	47
Net finance expense	8	50	48	99	95
Other (income) expense		(1)	(1)	4	(1)
Total expenses		73	71	150	142
Total profit and comprehensive income for the period		36	36	67	72

See accompanying notes

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Unaudited)

<i>(millions of Canadian dollars)</i>	Note	Share Capital	Shareholder Contributions	Deficit	Total
Balance at January 1, 2026		901	36	(705)	232
Total profit and comprehensive income for the period		-	-	67	67
Reduction of share capital	7	(75)	-	-	(75)
Shareholder contributions		-	7	-	7
Balance at June 30, 2026		826	43	(638)	231
Balance at January 1, 2025		1,052	25	(845)	232
Total profit and comprehensive income for the period		-	-	72	72
Reduction of share capital		(76)	-	-	(76)
Shareholder contributions		-	6	-	6
Balance at June 30, 2025		976	31	(773)	234

See accompanying notes

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

		Three months ended		Six months ended	
<i>For the period ended June 30 (millions of Canadian dollars)</i>		2026	2025	2026	2025
Operating activities					
Profit for the period		36	36	67	72
Adjustments to reconcile profit to cash provided from operating activities:					
Depreciation and amortization		23	24	46	47
Loss on disposal of assets		-	1	4	1
Finance income	8	(5)	(5)	(8)	(10)
Finance expense	8	55	53	107	105
		109	109	216	215
Changes in non-cash working capital balances	12	(7)	(1)	(8)	(2)
Decrease in contract liability		(1)	-	(1)	-
Interest received		5	5	9	10
Interest paid		(49)	(48)	(59)	(58)
Net cash provided from operating activities		57	65	157	165
Investing activities					
Additions to property, plant and equipment		-	(2)	(5)	(5)
Decrease in related party receivable		4	-	4	3
Changes in non-cash working capital balances	12	(3)	(8)	(4)	(8)
Net cash provided from (used in) investing activities		1	(10)	(5)	(10)
Financing activities					
Increase in restricted cash		(14)	(8)	(26)	(26)
Repayment of long-term debt		(11)	(11)	(11)	(11)
Distributions of Class B limited partnership units	6	(15)	(16)	(47)	(48)
Shareholder contributions		7	6	7	6
Reduction of share capital	7	(25)	(26)	(75)	(76)
Net cash used in financing activities		(58)	(55)	(152)	(155)
Net increase (decrease) in cash		-	-	-	-
Cash, beginning of the period		234	234	234	234
Cash, end of the period		234	234	234	234

See accompanying notes

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

1. DESCRIPTION OF BUSINESS

Labrador-Island Link Holding (2021) Corporation (LIL Holdco (2021)) was incorporated on February 4, 2022 under the laws of the Province of Newfoundland and Labrador. LIL Holdco (2021)'s head office is located at 500 Columbus Drive, St. John's, Newfoundland and Labrador, A1B 0M4, Canada.

LIL Holdco (2021) is a 100% owned subsidiary of Newfoundland and Labrador Hydro (Hydro) and is a limited partner in the LIL (2021) Limited Partnership (LIL (2021) LP). LIL Holdco (2021), together with the Labrador-Island Link General Partner (2021) Corporation (LIL GP (2021)) represents Hydro's interests in LIL (2021) LP. LIL Holdco (2021) holds all of the Class A partnership units and LIL GP (2021) holds the only general partnership unit of LIL (2021) LP.

LIL (2021) LP holds 100% interest in Labrador-Island Link Holding Corporation (LIL Holdco). LIL Holdco, together with the Labrador-Island Link General Partner Corporation (LIL GP), represent Hydro's interests in Labrador-Island Link Limited Partnership (LIL LP). KKR Island Link Incorporated (KKR) is the remaining limited partner of LIL LP. LIL LP was established to carry on the business of designing, engineering, constructing, commissioning, owning, financing and sustaining the assets and property constituting the Labrador-Island Link (LIL). LIL LP has entered into the LIL Lease and the Transmission Funding Agreement (TFA) with Labrador-Island Link Operating Corporation (LIL Opco) and Hydro. These agreements effectively provide Hydro with transmission services over the LIL. LIL Opco maintains and operates the LIL on behalf of LIL LP.

LIL (2021) LP is administering a Federal Government of Canada (Canada) investment in the form of a committed convertible debenture in the amount of \$1 billion, which may be drawn in amounts of up to \$150 million per year. The convertible debenture is convertible at the sole option of Canada into Class B Units of LIL (2021) LP following the earlier of the full advance of the committed debenture balance and December 31, 2041.

2. MATERIAL ACCOUNTING POLICIES

2.1 Statement of Compliance and Basis of Measurement

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

These condensed consolidated interim financial statements do not include all of the disclosures normally found in LIL Holdco (2021)'s annual audited consolidated financial statements and should be read in conjunction with the annual audited consolidated financial statements.

These condensed consolidated interim financial statements have been prepared on a historical cost basis and are presented in Canadian Dollars (CAD) with all values rounded to the nearest million, except when otherwise noted. The Board of Directors of LIL Holdco (2021) has delegated the authority to approve the condensed consolidated interim financial statements to the Audit Committee of the Board of Directors of Hydro, which approved the condensed consolidated interim financial statements on August 13, 2026.

2.2 Basis of Consolidation

These condensed consolidated interim financial statements include the financial statements of LIL Holdco (2021), LIL (2021) LP, LIL Holdco, and LIL LP. Intercompany transactions and balances have been eliminated upon consolidation.

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)
3. PROPERTY, PLANT AND EQUIPMENT

<i>(millions of Canadian dollars)</i>	Transmission and Terminals	Service Facilities and Other	Construction in Progress	Total
Cost				
Balance at January 1, 2025	5,011	51	20	5,082
Additions	2	-	10	12
Disposals	(1)	-	-	(1)
Transfers	22	3	(25)	-
Balance at December 31, 2025	5,034	54	5	5,093
Additions	-	-	6	6
Disposals	(4)	-	-	(4)
Adjustments	(1)	-	-	(1)
Transfers	-	3	(3)	-
Balance at June 30, 2026	5,029	57	8	5,094
Depreciation				
Balance at January 1, 2025	150	12	-	162
Depreciation	87	2	-	89
Balance at December 31, 2025	237	14	-	251
Depreciation	45	1	-	46
Balance at June 30, 2026	282	15	-	297
Carrying value				
Balance at January 1, 2025	4,861	39	20	4,920
Balance at December 31, 2025	4,797	40	5	4,842
Balance at June 30, 2026	4,747	42	8	4,797

4. TRADE AND OTHER PAYABLES

<i>As at (millions of Canadian dollars)</i>	Note	June 30 2026	December 31 2025
Trade payables and accruals		11	14
Accrued interest		10	10
HST payable		5	5
Due to related parties	10	1	2
		27	31

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

5. LONG-TERM DEBT

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

<i>As at (millions of Canadian dollars)</i>	Face Value	Coupon Rate %	Year of Issue	Year of Maturity	June 30 2026	December 31 2025
Tranche A	725	3.76	2013	2033	725	725
Tranche B	600	3.86	2013	2045	600	600
Tranche C	1,075	3.85	2013	2053	1,075	1,075
Tranche 13-20	84	1.99-2.37	2017	2026-2030	84	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
Convertible debenture	445	3.03	2023	2071	469	463
Total	3,769				3,794	3,799
Less: maturities of debt within					(21)	(21)
					3,773	3,778

6. CLASS B LIMITED PARTNERSHIP UNITS

<i>As at (millions of Canadian dollars)</i>	Units	June 30 2026	Units	December 31 2025
Class B limited partnership units, beginning of the period	25	967	25	979
Accrued interest	-	41	-	84
Distributions	-	(47)	-	(96)
Class B limited partnership units, end of the period	25	961	25	967
Less: maturities within one year		(94)		(94)
		867		873

7. SHARE CAPITAL

<i>As at (millions of Canadian dollars)</i>	June 30 2026	December 31 2025
Common shares without nominal or par value		
Authorized - unlimited		
Issued - fully paid and outstanding - 1,100 (2025 - 1,100)	826	901

During 2026 Hydro has resolved to reduce the stated capital of common shares of LIL Holdco (2021) in the amount of \$75 million (December 31, 2025 - \$151 million).

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

8. NET FINANCE EXPENSE

	Three months ended		Six months ended	
<i>For the period ended June 30 (millions of Canadian dollars)</i>	2026	2025	2026	2025
Finance income				
Interest on restricted cash	5	5	8	10
	5	5	8	10
Finance expense				
Interest and fees on long-term debt	34	32	66	63
Interest on Class B limited partnership units	21	21	41	42
	55	53	107	105
Net finance expense	50	48	99	95

9. FINANCIAL INSTRUMENTS

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 disclosed are not necessarily indicative of the amounts that LIL Holdco (2021) might receive or incur in actual market transactions.

As a significant number of LIL Holdco (2021)'s assets and liabilities do not meet the definition of a financial instrument, the fair value estimates disclosed do not reflect the fair value of LIL Holdco (2021) 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, LIL Holdco (2021) 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
<i>As at (millions of Canadian dollars)</i>		June 30, 2026		December 31, 2025	
Financial liabilities					
Long-term debt, including amount due within one year	2	3,794	3,489	3,799	3,374
Related party promissory note	2	555	555	555	555
Class B limited partnership units, including amount due within one year	3	961	961	967	967

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

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

The fair values of Level 2 financial instruments are determined using quoted prices in active markets, which in some cases are adjusted for factors specific to the asset or liability. Level 2 fair values of other risk management assets and liabilities and long-term debt are determined using observable inputs other than unadjusted quoted prices, such as interest rate yield curves.

The Class B limited partnership units are carried at amortized cost, calculated using the effective interest method, which approximates fair value. The effective interest rate as at June 30, 2026 is 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 LIL Holdco (2021)'s Level 3 financial liabilities given a one percent change in the discount rate while holding other variables constant:

<i>(millions of Canadian dollars)</i>	1% increase in discount rate	1% decrease in discount rate
Class B limited partnership units	(82)	80

10. RELATED PARTY TRANSACTIONS

LIL Holdco (2021) 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 LIL Holdco (2021) transacts are as follows:

Related Party	Relationship
Hydro	100% shareholder of LIL Holdco (2021)
KKR	Limited Partner holding 25 Class B limited partnership units of LIL LP
Labrador Transmission Corporation	Wholly-owned subsidiary of Hydro
LIL GP	Wholly-owned subsidiary of Hydro, general partner of LIL LP
LIL GP (2021)	Wholly-owned subsidiary of Hydro, general partner of LIL (2021) LP
LIL Opco	Wholly-owned subsidiary of Hydro
Lower Churchill Management Corporation	Wholly-owned subsidiary of Hydro
Muskrat Falls Corporation	Wholly-owned subsidiary of Hydro

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

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

		June 30	December 31
<i>As at (millions of Canadian dollars)</i>		2026	2025
Related party receivable:			
Other related parties	(a)	52	56
Trade and other payables:			
Parent	Note 4	1	-
Other related parties		-	2
Contract liability:			
Other related parties	(b)	1	2
Related party promissory note:			
Parent	(c)	555	555
		Three months ended	Six months ended
<i>For the period ended June 30 (millions of Canadian dollars)</i>		2026	2025
Revenue:			
Other related parties	(d)	109	107
		217	214

(a) LIL LP has a non-interest bearing receivable from LIL Opco which is payable from LIL Opco upon demand as cash is required.

(b) The contract liability represents the timing difference between the satisfaction of performance obligations to LIL Opco under the LIL Lease and the timing of commercial payments.

(c) LIL Holdco (2021) has a non-interest bearing promissory note payable to Hydro in relation to the purchase of the shares of LIL Holdco which is payable upon demand.

(d) LIL LP earned revenue from LIL Opco in relation to the LIL Lease.

11. COMMITMENTS AND CONTINGENCIES

(a) LIL LP has entered into the LIL Lease and the TFA with LIL Opco and Hydro, whereby LIL LP has committed to design, construct and sustain the LIL and LIL Opco operates and maintains the LIL and provides such other services as agreed to ensure safe and reliable transmission of electricity for a 50 year term. Revenue allocated to the remaining performance obligation related to transmission sales under the LIL Lease as at June 30, 2026 is \$436 million (December 31, 2025 - \$431 million) within one year and \$19,910 million (December 31, 2025 - \$19,865 million) in more than one year.

(b) LIL LP is subject to legal claims with respect to construction and other various matters. For some legal claims, it is not possible at this time to predict with any certainty the outcome of such litigation. Should these claims result in an unfavourable outcome for LIL LP, they may have a significant adverse effect on LIL Holdco (2021)'s financial position.

(c) Outstanding commitments for capital projects total approximately \$6.9 million as at June 30, 2026 (December 31, 2025 - \$18.3 million).

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)**

12. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended		Six months ended	
<i>For the period ended June 30 (millions of Canadian dollars)</i>	2026	2025	2026	2025
Trade and other receivables	-	-	(1)	-
Inventories	(5)	(1)	(7)	(2)
Trade and other payables	(5)	(8)	(4)	(8)
Changes in non-cash working capital balances	(10)	(9)	(12)	(10)
Related to:				
Operating activities	(7)	(1)	(8)	(2)
Investing activities	(3)	(8)	(4)	(8)
	(10)	(9)	(12)	(10)