LABRADOR - ISLAND LINK LIMITED PARTNERSHIP
CONDENSED INTERIM FINANCIAL STATEMENTS
June 30, 2026
(Unaudited)

LABRADOR - ISLAND LINK LIMITED PARTNERSHIP
STATEMENT OF FINANCIAL POSITION
(Unaudited)

As at (millions of Canadian dollars)	Notes	**June 30 2026**	December 31 2025
ASSETS			
Current assets			
Restricted cash		**400**	374
Trade and other receivables		**2**	1
Related party receivable	9	**52**	56
Inventories		**17**	10
Prepayments		**2**	2
Total current assets		**473**	443
Non-current assets			
Property, plant and equipment	3	**5,231**	5,277
Intangible assets		**65**	67
Right-of-use assets		**1**	1
Total assets		**5,770**	5,788
LIABILITIES AND DEFICIENCY			
Current liabilities			
Trade and other payables	4	**27**	31
Contract liability	9	**1**	2
Current portion of long-term debt	5	**21**	21
Current portion of Class A limited partnership units	6	**142**	142
Current portion of Class B limited partnership units	6	**94**	94
Total current liabilities		**285**	290
Non-current liabilities			
Long-term debt	5	**3,304**	3,315
Class A limited partnership units	6	**1,309**	1,311
Class B limited partnership units	6	**867**	873
Lease liabilities		**1**	1
Total liabilities		**5,766**	5,790
Partners' equity (deficit)			
Retained earnings (deficit)		**4**	(2)
Total equity (deficiency)		**4**	(2)
Total liabilities and equity (deficiency)		**5,770**	5,788

Commitments and contingencies (Note 10)

See accompanying notes

LABRADOR - ISLAND LINK LIMITED PARTNERSHIP
STATEMENT OF PROFIT AND COMPREHENSIVE INCOME
(Unaudited)

For the period ended June 30 (millions of Canadian dollars)	Notes	**Three months ended**		**Six months ended**	
		2026	2025	**2026**	2025
Revenue	9	**109**	107	**217**	214
Total revenue		**109**	107	**217**	214
Operating costs		**1**	1	**1**	1
Depreciation and amortization		**25**	25	**50**	50
Net finance expense	7	**78**	79	**156**	157
Other (income) expense		**(1)**	(1)	**4**	(1)
Total expenses		**103**	104	**211**	207
Total profit and comprehensive income for the period		**6**	3	**6**	7

See accompanying notes

LABRADOR - ISLAND LINK LIMITED PARTNERSHIP
STATEMENT OF CHANGES IN EQUITY (DEFICIT)
(Unaudited)

(millions of Canadian dollars)	**Allocation to Class A Limited Partner**	**Allocation to Class B Limited Partner**	**Total Equity (Deficit)**
Balance at January 1, 2026	**-**	**(2)**	**(2)**
Total profit and comprehensive income for the period	**4**	**2**	**6**
Balance at June 30, 2026	**4**	**-**	**4**
Balance at January 1, 2025	(8)	(8)	(16)
Total profit and comprehensive income for the period	4	3	7
Balance at June 30, 2025	(4)	(5)	(9)

See accompanying notes

LABRADOR - ISLAND LINK LIMITED PARTNERSHIP
STATEMENT OF CASH FLOWS
(Unaudited)

For the period ended June 30 (millions of Canadian dollars)	Notes	**Three months ended** **2026**	2025	**Six months ended** **2026**	2025
Operating activities					
Profit for the period		**6**	3	**6**	7
Adjustments to reconcile profit to cash provided from operating activities:					
Depreciation and amortization		**25**	25	**50**	50
Loss on disposal of assets		**-**	1	**4**	1
Finance income	7	**(3)**	(3)	**(5)**	(6)
Finance expense	7	**81**	82	**161**	163
		109	108	**216**	215
Changes in non-cash working capital balances	11	**(7)**	(1)	**(8)**	(2)
Decrease in contract liability		**(1)**	-	**(1)**	-
Interest received		**2**	4	**5**	6
Interest paid		**(49)**	(48)	**(59)**	(58)
Net cash provided from operating activities		**54**	63	**153**	161
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	11	**(3)**	(8)	**(4)**	(8)
Net cash provided from (used in) investing activities		**1**	(10)	**(5)**	(10)
Financing activities					
Repayment of long-term debt		**(11)**	(11)	**(11)**	(11)
Increase in restricted cash		**(14)**	(8)	**(26)**	(26)
Contributions of Class A limited partnership units	6	**8**	6	**8**	6
Distributions of Class A limited partnership units	6	**(23)**	(24)	**(72)**	(72)
Distributions of Class B limited partnership units	6	**(15)**	(16)	**(47)**	(48)
Net cash used in financing activities		**(55)**	(53)	**(148)**	(151)
Net increase (decrease) in cash		**-**	-	**-**	-
Cash, beginning of the period		**-**	-	**-**	-
Cash, end of the period		**-**	-	**-**	-

See accompanying notes

1. DESCRIPTION OF BUSINESS

Labrador-Island Link Limited Partnership (LIL LP) was formed on July 31, 2012 under the laws of the Province of Newfoundland and Labrador. LIL LP's head office is located at 500 Columbus Drive, St. John's, Newfoundland and Labrador, A1B 0M4, Canada.

LIL LP has two limited partners, Labrador-Island Link Holding Corporation (LIL Holdco), and KKR Island Link Incorporated (KKR). LIL Holdco holds 75 Class A partnership units and one Class C unit while KKR holds 25 Class B units. LIL Holdco is a 100% owned subsidiary of LIL (2021) Limited Partnership (LIL (2021) LP) and is controlled by Newfoundland and Labrador Hydro (Hydro) through its ownership of 100% of the common shares of Labrador-Island Link Holding (2021) Corporation (LIL Holdco (2021)), the limited partner of LIL (2021) LP. The general partner of LIL LP is Labrador-Island Link General Partner Corporation (LIL GP or the General Partner). Although LIL GP holds legal title to the assets, LIL LP is the beneficial owner and assumes all risks and rewards of the assets.

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 LP is expected to terminate on December 31, 2081, unless terminated earlier or extended in accordance with the Labrador-Island Link Limited Partnership Agreement (the Partnership Agreement).

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* 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 interim financial statements do not include all of the disclosures normally found in LIL LP'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 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 GP has delegated the 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. PROPERTY, PLANT AND EQUIPMENT

(millions of Canadian dollars)	Transmission and Terminals	Service Facilities and Other	Construction in Progress	Total
Cost				
Balance at January 1, 2025	5,464	51	20	5,535
Additions	2	-	12	14
Disposals	(1)	-	-	(1)
Transfers	23	3	(26)	-
Balance at December 31, 2025	5,488	54	6	5,548
Additions	**-**	**-**	**6**	**6**
Disposals	**(4)**	**-**	**-**	**(4)**
Adjustments	**(1)**	**-**	**-**	**(1)**
Transfers	**-**	**3**	**(3)**	**-**
Balance at June 30, 2026	**5,483**	**57**	**9**	**5,549**
Depreciation				
Balance at January 1, 2025	163	12	-	175
Depreciation	94	2	-	96
Balance at December 31, 2025	257	14	-	271
Depreciation	**46**	**1**	**-**	**47**
Balance at June 30, 2026	**303**	**15**	**-**	**318**
Carrying value				
Balance at January 1, 2025	5,301	39	20	5,360
Balance at December 31, 2025	5,231	40	6	5,277
Balance at June 30, 2026	**5,180**	**42**	**9**	**5,231**

Capitalized interest for the period ended June 30, 2026, was $0.2 million (December 31, 2025 - $1.6 million) related to construction in progress.

4. TRADE AND OTHER PAYABLES

As at (millions of Canadian dollars)	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	9	**1**	2
		27	31

5. LONG-TERM DEBT

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

As at (millions of Canadian dollars)	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
Total	3,324				**3,325**	3,336
Less: maturities of debt within one year					**(21)**	(21)
					3,304	3,315

6. LIMITED PARTNERSHIP UNITS

6.1 Class A Limited Partnership Units

As at (millions of Canadian dollars)	**Units**	**June 30 2026**	Units	December 31 2025
Class A limited partnership units, beginning of the period	**75**	**1,453**	75	1,460
Contributions	**-**	**8**	-	11
Accrued interest	**-**	**62**	-	125
Distributions	**-**	**(72)**	-	(143)
Class A limited partnership units, end of the period	**75**	**1,451**	75	1,453
Less: maturities within one year		**(142)**		(142)
		1,309		1,311

6.2 Class B Limited Partnership Units

As at (millions of Canadian dollars)	**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. NET FINANCE EXPENSE

For the period ended June 30 (millions of Canadian dollars)	**Three months ended**		**Six months ended**	
	2026	2025	**2026**	2025
Finance income				
Interest on restricted cash	**3**	3	**5**	6
	3	3	**5**	6
Finance expense				
Interest and fees on long-term debt	**29**	31	**58**	60
Interest on limited partnership units	**52**	51	**103**	103
	81	82	**161**	163
Net finance expense	**78**	79	**156**	157

8. 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 LP might receive or incur in actual market transactions.

As a significant number of LIL LP'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 LP 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 LP 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.

As at (millions of Canadian dollars)	**Level**	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
		June 30, 2026		December 31, 2025	
Financial liabilities					
Long-term debt, including amount due within one year	**2**	**3,325**	**3,020**	3,336	2,911
Class A limited partnership units, including amount due within one year	**3**	**1,451**	**1,451**	1,453	1,453
Class B limited partnership units, including amount due within one year	**3**	**961**	**961**	967	967

The fair values of 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 A and 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 LP's Level 3 financial liabilities given a one percent change in the discount rate while holding other variables constant:

(millions of Canadian dollars)	1% increase in discount rate	1% decrease in discount rate
Class A limited partnership units	(121)	116
Class B limited partnership units	(82)	80
Total	(203)	196

9. RELATED PARTY TRANSACTIONS

LIL LP enters into various transactions with its partners 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 LP transacts are as follows:

Related Party	Relationship
LIL Holdco	Limited Partner holding 75 Class A limited partnership units of LIL LP
KKR	Limited Partner holding 25 Class B limited partnership units of LIL LP
Hydro	100% shareholder of Labrador-Island Link Holding (2021) Corporation
Labrador Transmission Corporation	Wholly-owned subsidiary of Hydro
LIL GP	Wholly-owned subsidiary of Hydro, general partner of LIL 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

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

As at (millions of Canadian dollars)		**June 30 2026**	December 31 2025
Related party receivable:			
Other related parties	(a)	**52**	56
Trade and other payables:			
Other related parties	Note 4	**1**	2
Contract liability:			
Other related parties	(b)	**1**	2

		Three months ended		**Six months ended**	
For the period ended June 30 (millions of Canadian dollars)		**2026**	2025	**2026**	2025
Revenue:					
Other related parties	(c)	**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 LP earned revenue from LIL Opco in relation to the LIL Lease.

10. 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 LP'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).

11. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended		Six months ended	
For the period ended June 30 (millions of Canadian dollars)	**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)