LABRADOR TRANSMISSION CORPORATION
CONDENSED INTERIM FINANCIAL STATEMENTS
June 30, 2026
(Unaudited)

LABRADOR TRANSMISSION CORPORATION
STATEMENT OF FINANCIAL POSITION
(Unaudited)

As at (thousands of Canadian dollars)	Notes	**June 30 2026**	December 31 2025
ASSETS			
Current assets			
Restricted cash		**144,841**	146,690
Trade and other receivables		**686**	596
Short-term investments	4	**7,266**	7,196
Current portion of contract asset	5	**55,517**	59,502
Other current assets		**3,584**	1,803
Total current assets		**211,894**	215,787
Non-current assets			
Property, plant and equipment	3	**944,893**	948,080
Investments	4	**15,007**	18,640
Intangible assets		**1,644**	1,593
Right-of-use asset		**204**	204
Contract asset	5	**391,798**	357,224
Total assets		**1,565,440**	1,541,528
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		**6,306**	6,770
Current portion of long-term debt	6	**7,266**	7,196
Current portion of lease liability		**1**	1
Total current liabilities		**13,573**	13,967
Non-current liabilities			
Long-term debt	6	**855,035**	858,676
Lease liability		**224**	224
Total liabilities		**868,832**	872,867
Shareholder’s equity			
Share capital		**90,147**	90,147
Shareholder contributions		**274,877**	274,877
Reserves		**(8,100)**	(8,394)
Retained earnings		**339,684**	312,031
Total equity		**696,608**	668,661
Total liabilities and equity		**1,565,440**	1,541,528

Commitments and contingencies (Note 12)

See accompanying notes

LABRADOR TRANSMISSION 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
Revenue	11	**28,950**	28,660	**57,577**	57,230
Total revenue		**28,950**	28,660	**57,577**	57,230
Operating costs	8	**1,462**	1,210	**2,652**	2,392
Depreciation and amortization		**4,082**	4,073	**8,163**	8,145
Net finance expense	9	**6,097**	5,948	**12,276**	11,811
Other expense		**147**	151	**297**	311
Total expenses		**11,788**	11,382	**23,388**	22,659
Profit for the period		**17,162**	17,278	**34,189**	34,571
Other comprehensive income					
Total items that may or have been reclassified to profit:					
Reclassification adjustments related to:					
Cash flow hedges recognized in profit		**146**	151	**294**	304
Other comprehensive income for the period		**146**	151	**294**	304
Total comprehensive income for the period		**17,308**	17,429	**34,483**	34,875

See accompanying notes

LABRADOR TRANSMISSION CORPORATION
STATEMENT OF CHANGES IN EQUITY
(Unaudited)

(thousands of Canadian dollars)	Note	Share Capital	Shareholder Contributions	Reserves	Retained Earnings	Total
Balance at January 1, 2026		**90,147**	**274,877**	**(8,394)**	**312,031**	**668,661**
Profit for the period		**-**	**-**	**-**	**34,189**	**34,189**
Other comprehensive income		**-**	**-**	**294**	**-**	**294**
Total comprehensive income for the period		**-**	**-**	**294**	**34,189**	**34,483**
Dividends	7	**-**	**-**	**-**	**(6,536)**	**(6,536)**
Balance at June 30, 2026		**90,147**	**274,877**	**(8,100)**	**339,684**	**696,608**
Balance at January 1, 2025		90,147	274,877	(8,997)	254,584	610,611
Profit for the period		-	-	-	34,571	34,571
Other comprehensive income		-	-	304	-	304
Total comprehensive income for the period		-	-	304	34,571	34,875
Dividends	7	-	-	-	(5,981)	(5,981)
Balance at June 30, 2025		90,147	274,877	(8,693)	283,174	639,505

See accompanying notes

LABRADOR TRANSMISSION 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		**17,162**	17,278	**34,189**	34,571
Adjustments to reconcile profit to cash (used in) provided from operating activities:					
Depreciation and amortization		**4,082**	4,073	**8,163**	8,145
Reserves amortized to profit		**146**	151	**294**	304
Finance income	9	**(1,235)**	(1,492)	**(2,436)**	(3,065)
Finance expense	9	**7,332**	7,440	**14,712**	14,876
		27,487	27,450	**54,922**	54,831
Changes in non-cash working capital balances	13	**(3,383)**	4,929	**(2,965)**	2,521
Increase in contract asset		**(14,798)**	(15,090)	**(30,589)**	(38,179)
Interest received		**1,242**	1,529	**2,440**	3,184
Interest paid		**(14,637)**	(14,776)	**(14,719)**	(14,881)
Net cash (used in) provided from operating activities		**(4,089)**	4,042	**9,089**	7,476
Investing activities					
Redemption of investments		**3,563**	3,498	**3,563**	3,498
Additions to property, plant and equipment	3	**(2,212)**	(2,688)	**(4,940)**	(2,812)
Additions to intangible assets		**(1)**	(1)	**(87)**	(2)
Changes in non-cash working capital balances	13	**1,155**	(2,638)	**625**	(2,566)
Net cash provided from (used in) investing activities		**2,505**	(1,829)	**(839)**	(1,882)
Financing activities					
Decrease in restricted cash		**8,423**	4,191	**1,849**	3,885
Repayment of long-term debt		**(3,563)**	(3,498)	**(3,563)**	(3,498)
Dividends paid	7	**(3,276)**	(2,906)	**(6,536)**	(5,981)
Net cash provided from (used in) financing activities		**1,584**	(2,213)	**(8,250)**	(5,594)
Net increase (decrease) in cash		**-**	-	**-**	-
Cash, beginning of the period		**-**	-	**-**	-
Cash, end of the period		**-**	-	**-**	-

See accompanying notes

1. DESCRIPTION OF BUSINESS

Labrador Transmission Corporation (Labrador Transco or the Company) was incorporated on November 13, 2013 under the laws of the Province of Newfoundland and Labrador (the Province). Labrador Transco is a 100% owned subsidiary of Newfoundland and Labrador Hydro (Hydro). Labrador Transco's head office is located at 500 Columbus Drive, St. John's, Newfoundland and Labrador, A1B 0M4, Canada.

Labrador Transco's principal activity is to operate and maintain the Labrador Transmission Assets (LTA), which includes two 315-kV High Voltage alternating current transmission lines connecting the Muskrat Falls hydroelectric generating facility (MF Plant), with the Labrador-Island Link, the Churchill Falls hydroelectric generating facility and Hydro's Labrador transmission assets.

Hydro, Muskrat Falls Corporation (Muskrat Falls), and Labrador Transco have entered into the Generator Interconnection Agreement (GIA), which provides transmission interconnection services using the LTA. Under the terms of the GIA, Labrador Transco will recover all costs associated with the LTA from Muskrat Falls, which in turn will recover all costs incurred under the GIA as part of a power purchase agreement (PPA) with Hydro.

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 financial statements for the year ended December 31, 2025.

These condensed interim financial statements do not include all of the disclosures normally found in Labrador Transco'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 with all values rounded to the nearest thousand, except when otherwise noted. The Board of Directors of Labrador Transco 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

(thousands of Canadian dollars)	Transmission and Terminals	Service Facilities and Other	Construction in Progress	Total
Cost				
Balance at January 1, 2025	971,843	16,991	6,215	995,049
Additions	694	-	8,604	9,298
Other adjustments	-	(87)	-	(87)
Transfers	1,538	441	(1,979)	-
Balance at December 31, 2025	974,075	17,345	12,840	1,004,260
Additions	**-**	**-**	**5,634**	**5,634**
Other adjustments	**(694)**	**-**	**-**	**(694)**
Balance at June 30, 2026	**973,381**	**17,345**	**18,474**	**1,009,200**
Depreciation				
Balance at January 1, 2025	27,919	12,039	-	39,958
Depreciation	15,946	276	-	16,222
Balance at December 31, 2025	43,865	12,315	-	56,180
Depreciation	**7,986**	**141**	**-**	**8,127**
Balance at June 30, 2026	**51,851**	**12,456**	**-**	**64,307**
Carrying Value				
Balance at January 1, 2025	943,924	4,952	6,215	955,091
Balance at December 31, 2025	930,210	5,030	12,840	948,080
Balance at June 30, 2026	**921,530**	**4,889**	**18,474**	**944,893**

4. INVESTMENTS

The following table represents the value of investments measured at amortized cost:

As at (thousands of Canadian dollars)	Year of Maturity	**June 30 2026**	December 31 2025
Amortizing Fixed Rate Deposit Notes with interest paid at a rate of 3.75% per annum.	2026-2029	**22,273**	25,836
Less: redemptions to be received within one year		**(7,266)**	(7,196)
		15,007	18,640

5. CONTRACT ASSET

As at (thousands of Canadian dollars)	Note	**June 30 2026**	December 31 2025
Contract asset, beginning of the period		**416,726**	346,717
Revenue recognized		**57,577**	115,204
Payments		**(26,988)**	(45,195)
Contract asset, end of the period	11	**447,315**	416,726
Less: current portion		**(55,517)**	(59,502)
		391,798	357,224

The contract asset represents the timing difference between the satisfaction of performance obligations to Muskrat Falls under the GIA and the timing of commercial payments.

6. LONG-TERM DEBT

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

As at (thousands of Canadian dollars)	Face Value	Coupon Rate %	Year of Issue	Year of Maturity	**June 30 2026**	December 31 2025
Tranche A	107,713	3.63	2013	2029	**107,720**	107,721
Tranche B	111,856	3.83	2013	2037	**111,864**	111,864
Tranche C	211,283	3.86	2013	2048	**211,310**	211,311
Tranche 13-20	30,041	1.99-2.37	2017	2026-2030	**30,042**	33,606
Tranche 21-30	41,858	2.41-2.64	2017	2030-2035	**41,868**	41,868
Tranche 31-40	47,756	2.66-2.80	2017	2035-2040	**47,786**	47,787
Tranche 41-50	54,857	2.81-2.86	2017	2040-2045	**54,896**	54,899
Tranche 51-60	63,150	2.84-2.86	2017	2045-2050	**63,214**	63,215
Tranche 61-64	27,848	2.85	2017	2050-2052	**27,889**	27,889
Tranche A-T	82,856	3.35-3.38	2022	2037-2047	**82,856**	82,856
Tranche U	82,856	3.38	2022	2057	**82,856**	82,856
Total	862,074				**862,301**	865,872
Less: maturities of debt within one year					**(7,266)**	(7,196)
					855,035	858,676

7. DIVIDENDS

For the period ended June 30 (thousands of Canadian dollars)	**Three months ended 2026**	2025	**Six months ended 2026**	2025
Declared and paid during the period				
Preferred dividend for current period (3% coupon rate)	**674**	674	**1,341**	1,341
Common dividend for current period	**2,602**	2,232	**5,195**	4,640
	3,276	2,906	**6,536**	5,981

8. OPERATING COSTS

For the period ended June 30 (thousands of Canadian dollars)	**Three months ended 2026**	2025	**Six months ended 2026**	2025
Salaries and benefits	**650**	658	**1,396**	1,384
Maintenance and materials	**434**	193	**571**	289
Other operating costs	**378**	359	**685**	719
	1,462	1,210	**2,652**	2,392

9. NET FINANCE EXPENSE

For the period ended June 30 (thousands of Canadian dollars)	**Three months ended 2026**	2025	**Six months ended 2026**	2025
Finance income				
Interest on restricted cash	**990**	1,194	**1,948**	2,459
Interest on investments	**241**	294	**480**	598
Other interest	**4**	4	**8**	8
	1,235	1,492	**2,436**	3,065
Finance expense				
Interest and fees on long-term debt	**7,292**	7,325	**14,591**	14,655
Other interest	**40**	115	**121**	221
	7,332	7,440	**14,712**	14,876
Net finance expense	**6,097**	5,948	**12,276**	11,811

10. 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 Labrador Transco might receive or incur in actual market transactions.

As a significant number of Labrador Transco'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 Labrador Transco 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, the Company 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 June 30, 2026 and December 31, 2025, the Company did not have any Level 3 instruments.

	Level	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
(thousands of Canadian dollars)			**June 30, 2026**		December 31, 2025
Financial assets					
Investments, including short-term	**2**	**22,273**	**22,520**	25,836	26,269
Financial liabilities					
Long-term debt, including amount due within one year	**2**	**862,301**	**785,302**	865,872	766,887

The fair values of restricted 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 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.

11. RELATED PARTY TRANSACTIONS

Labrador Transco 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 Labrador Transco transacts are as follows:

Related Party	Relationship
Hydro	100% shareholder of Labrador Transco
Muskrat Falls	Wholly-owned subsidiary of Hydro
Lower Churchill Management Corporation	Wholly-owned subsidiary of Hydro
Labrador-Island Link Operating Corporation	Wholly-owned subsidiary of Hydro
Labrador-Island Link Limited Partnership	Limited partnership between Labrador-Island Link Holding Corporation and KKR Island Link Incorporated

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

As at (thousands of Canadian dollars)		**June 30 2026**	December 31 2025
Contract asset (including current portion):			
Other related parties	Note 5	**447,315**	416,726
Trade and other payables:			
Parent		**1,106**	1,789
Other related parties		**90**	145

		Three months ended		**Six months ended**	
For the period ended June 30 (thousands of Canadian dollars)		**2026**	2025	**2026**	2025
Revenue:					
Other related parties	(a)	**28,950**	28,660	**57,577**	57,230
Operating costs:					
Parent		**873**	766	**1,868**	1,655
Other related parties		**30**	30	**60**	60

(a) Labrador Transco earned revenue from Muskrat Falls in relation to the GIA.

12. COMMITMENTS AND CONTINGENCIES

(a) Labrador Transco has entered into the GIA with Muskrat Falls and Hydro, whereby Labrador Transco has committed to provide interconnection services to ensure safe and reliable transmission of energy and capacity for a 50 year term. Revenue allocated to the remaining performance obligation related to interconnection services as at June 30, 2026 is $116 million (December 31, 2025 - $117 million) within one year and $5,386 million (December 31, 2025 - $5,443 million) in more than one year.

(b) Labrador Transco 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 the Company, they may have a significant adverse effect on the Company's financial position.

(c) Outstanding commitments for capital projects total approximately $8.2 million as at June 30, 2026 (December 31, 2025 - $11.7 million).

13. 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	**145**	(6)	**(101)**	526
Inventories	**(717)**	(153)	**(1,948)**	(163)
Prepayments	**90**	82	**167**	165
Trade and other payables	**(1,746)**	2,368	**(458)**	(573)
Changes in non-cash working capital balances	**(2,228)**	2,291	**(2,340)**	(45)
Related to:				
Operating activities	**(3,383)**	4,929	**(2,965)**	2,521
Investing activities	**1,155**	(2,638)	**625**	(2,566)
	(2,228)	2,291	**(2,340)**	(45)