

Newfoundland and Labrador Hydro

2025 Annual Report

June 2026

Message from the Board of Directors

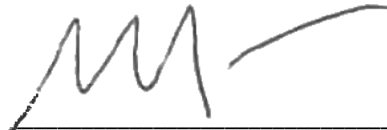
Honourable Lloyd Parrott
Minister of Energy and Mines
Government of Newfoundland and Labrador
P.O. Box 8700
St. John's, NL A1B 4J6

Dear Minister Parrott:

In accordance with the **Hydro Corporation Act, 2024** and the **Transparency and Accountability Act**, I am pleased to provide the 2025 Annual Report for Newfoundland and Labrador Hydro (Hydro).

This report presents performance results and accomplishments for the 2025 calendar year (January 1, 2025 to December 31, 2025) for Hydro as a Category 1 public body and Crown utility, and is the final year under the 2023-2025 Strategic Plan.

As the Board of Directors for Hydro, we are accountable for the results contained within this report.



Maureen Ryan, K.C.
Chair, Board of Directors of
Newfoundland and Labrador Hydro

Note: Ms. Ryan was appointed Chair of the Board of Directors June 4, 2026.

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1.0 OVERVIEW

1.1 Vision

As per Hydro's 2023-2025 Strategic Plan:

Hydro is the people's utility that you can count on – providing safe, cost-conscious, reliable electricity while harnessing sustainable energy opportunities to benefit the people of Newfoundland and Labrador.

1.2 Mandates

The **Hydro Corporation Act, 2024**¹ mandates Hydro² to do the following in accordance with the priorities of the government of the province:

- Develop and purchase power on an economic and efficient basis;
- Engage within the province and elsewhere in the development, generation, production, transmission, distribution, delivery, supply, sale, export, purchase and use of power from water, steam, gas, coal, oil, wind, hydrogen and other products used or useful in the production of power;
- Supply power, at rates consistent with sound financial administration, for domestic, commercial, industrial or other uses in the province and, subject to the prior approval of the Lieutenant-Governor in Council, outside of the province; and
- Manufacture, produce, distribute and sell energy related products and services.

Hydro may, in accordance with the priorities of the government of the province and with the approval of the Lieutenant-Governor in Council, engage in:

- The exploration for, development, production, refining, marketing and transportation of hydrocarbons and products from hydrocarbons; and
- Other activities that the Lieutenant-Governor in Council may approve.

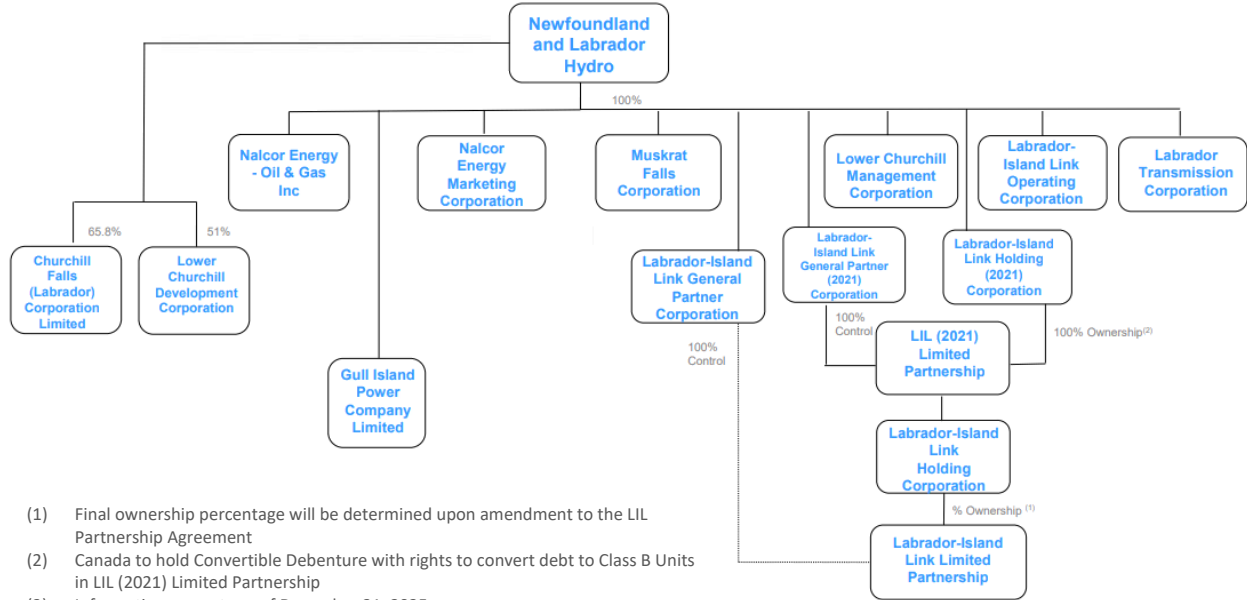
¹ **Hydro Corporation Act, 2024**, Section 14.

² Nalcor Energy and Newfoundland and Labrador Hydro were legislatively amalgamated and continued as a corporation under the name Newfoundland and Labrador Hydro effective January 1, 2025. In this report, "Hydro" and "the Organization" refer to the unified organization.

1.3 Legal Structure

Hydro's corporate structure as of December 31, 2025, included the entities listed in Table 1.

Table 1: Legal Structure



1.4 Lines of Business

Consistent with its mandate,³ Hydro's primary lines of business are:

- i. Developing and purchasing power;
- ii. Supplying power at rates consistent with sound financial administration; and
- iii. Producing, distributing, and selling energy-related products and services.

1.4.1 Developing and Purchasing Power

Hydro is the primary generator of electricity in Newfoundland and Labrador, operating and maintaining 13 hydroelectric plants, one oil-fired plant, four gas/combustion turbines, and 23 remote diesel plants.⁴ Hydro also enters into power purchase agreements with non-utility generators to supplement its generating capacity.

Hydro's transmission system includes over 10,000 km of transmission and distribution lines and dozens of high-voltage terminal stations and lower-voltage distribution stations. It

³ Prior to its amalgamation, Hydro reported its lines of business as regulated (primarily representing the previous Newfoundland and Labrador Hydro) and non-regulated (primarily representing the previous Nalcor). However, following amalgamation, Hydro is a regulated utility whose assets and operations are regulated by the Newfoundland and Labrador Board of Commissioners of Public Utilities unless there is a legislative exemption indicating otherwise.

⁴ Further detail on the generation facilities owned and/or operated by Hydro can be found at <https://nlhydro.com/about-us/our-electricity-system/our-generation-assets/>.

connects almost 40,000 utility, industrial, commercial, and residential customers province-wide to reliable hydro-generated and purchased power.

1.4.2 Supplying Power at Rates Consistent with Sound Financial Administration

To ensure the electrical system remains capable of reliably meeting increasing customer needs into the future, Hydro undertakes long-term system planning to identify any new infrastructure requirements and the most cost-effective resources to satisfy identified needs. This process is overseen by the province's electricity regulator, the Board of Commissioners of Public Utilities (Public Utilities Board).

Subject to approval of the Public Utilities Board,⁵ Hydro constructs the necessary new system resources and integrates them into the electrical grid and Hydro's day-to-day operations. The costs associated with these investments are funded through customer rates and through rate mitigation support provided by the Government of Newfoundland and Labrador.

For most of Hydro's customers,⁶ the Public Utilities Board typically⁷ establishes the rates Hydro charges through a General Rate Application (GRA) proceeding. This process tests Hydro's costs and operational practices to ensure that Hydro's business is operated in a manner that results in power being delivered at the lowest possible cost, in an environmentally responsible manner, consistent with reliable service.

1.4.3 Producing, Distributing, and Selling Energy-Related Products and Services

Hydro is responsible for obtaining fair value for energy products and services. This includes:

- i. Development of provincial resources for the benefit of the people of the province;
- ii. Entering commercial arrangements for the sale of electricity and renewable attributes (e.g., carbon credits);
- iii. Holding the provincial government's oil and gas interests; and
- iv. Executing short-term exports to neighbouring jurisdictions.

These activities not only support the provincial economy directly through generation of additional revenue but provide many indirect benefits. Development of provincial energy

⁵ Unless the project or assets have been excluded from regulation of the Public Utilities Board by the provincial government.

⁶ The rates charged to Labrador Industrial customers are not set by the Public Utilities Board; rather, they are calculated in accordance with the Labrador Industrial Rates Policy established by the provincial government.

⁷ In accordance with the Muskrat Falls Rate Mitigation Plan, Hydro's annual rate increase will be limited to 2.25 per cent from July 2024 through 2030.

resources provides meaningful employment, local procurement opportunities, and other spin-off benefits for Indigenous Peoples, businesses, and communities and across the province.

See Appendix A for Generation and Transmission Maps.

1.5 Number of Employees and Physical Location

Hydro's headquarters is located in St. John's, Newfoundland and Labrador. Appendix B provides an overview of Hydro's energy portfolio with assets located throughout the province.

As of December 31, 2025, Hydro had 1,645 employees, 61 per cent of whom were located in rural parts of the island and Labrador. In 2025, the gender composition of Hydro's employee group was 71 per cent male and 29 per cent female. Table 2 provides an overview of the composition of Hydro's employees as of December 31, 2025.⁸

Table 2: 2025 Employee Composition by Gender and Location

Gender	Rural	Urban	Total	Per cent
Female	190	295	485	29
Male	820	340	1,160	71
Total	1,010	635	1,645	
Per cent	61	39		

Hydro is advancing multi-year initiatives to support diversity and inclusion across Hydro. In addition to establishing targets for gender representation, Hydro continues to implement strategies aimed at attracting, recruiting, developing, and retaining members of designated groups, including Indigenous Peoples, persons with disabilities, and members of visible minorities. Hydro has also reviewed its recruitment and talent management practices through a diversity and inclusion lens. Collectively, these efforts have contributed to an increase in the proportion of female employees, from 22 per cent in 2011 to 29 per cent in 2025.

⁸ The 2025 employee count includes all individuals employed at Hydro as of December 31, 2025, including those on approved leave. Staffing increases between 2024 and 2025 are related to the inclusion of staff on approved leave, which were excluded from 2024 figures, as well as 3.9 per cent staffing increases driven by electrification, Major Projects, operations, and temporary maintenance support. The number of employees differs from Full Time Equivalents. Hydro had 1,569 Full Time Equivalents in 2025.

1.6 Board of Directors

Hydro’s Board of Directors is accountable to provide oversight to Hydro’s policies, plans, performance, risks, and ensuring consistency with Hydro’s mandate. Members of Hydro’s Board of Directors are appointed by government upon recommendation by the Independent Appointments Commission, which is an independent body established by the Provincial Government to provide merit-based recommendations for appointments.⁹ The composition of Hydro’s Board of Directors as of December 31, 2025, is shown in Table 3.

Table 3: Hydro’s Board Members as of December 31, 2025

John Green, K.C., Chair ¹⁰	Dr. Edna Turpin
Bob Barnes	Geoff Goodyear
Brian Walsh	Jennifer Williams
Chris Loomis	Jim Haynes
David Oake	John Mallam
Debbie Molloy	Trina Troke
Donna Brewer	

1.7 2025 Revenues and Expenses

1.7.1 Newfoundland and Labrador Hydro

In 2025, Hydro recorded consolidated profit of \$115 million. The December 31, 2025 Consolidated Audited Financial Statements for Hydro is provided as Appendix C, to this report. Hydro’s December 31, 2025 Management Discussion and Analysis, provided as Appendix D to this report, provides information surrounding its consolidated and segmented financial results, liquidity and capital resources and key business risks.

2.0 HIGHLIGHTS AND PARTNERSHIPS

Hydro works with a range of agencies, departments, and commissions to deliver its mandate. Throughout 2025, Hydro worked closely with these entities in support of the Provincial Government’s strategic directions related to the energy sector.

2.1 Department of Energy and Mines

Hydro worked closely with the Department of Energy and Mines on policy-related considerations for the energy sector and on advancing corporate strategic priorities identified in Hydro’s strategic plan.

⁹ <https://www.exec-abc.gov.nl.ca/public/agency/detail?id=711&>

¹⁰ John Green, K.C.’s role as Chair ended June 4, 2026.

Additional efforts included working with the Provincial Government to seek opportunities to support the renewable energy priorities and projects of Indigenous Governments and Organizations.

Acting on behalf of the Provincial Government, Hydro also administered rebates to residential customers in isolated diesel systems in Labrador through a monthly credit on their electricity bills. Hydro also provided expertise on electricity rate matters including updates on the implementation of the Network Additions Policy.

2.2 Department of Finance and Treasury Board

Hydro worked with the Department of Finance and Treasury Board to inform Government's annual budgetary processes, as well as to engage on various files, including amalgamation and rate mitigation.

2.3 Newfoundland and Labrador Board of Commissioners of Public Utilities

The Public Utilities Board is the province's independent quasi-judicial body responsible for the regulation of electricity utilities in the province to ensure that rates are just and reasonable, and that the service provided is safe and reliable. The role of the Public Utilities Board is detailed in the **Public Utilities Act** and the **Electrical Power Control Act, 1994**.

As the province's Crown utility, Hydro provided ongoing reporting to the Public Utilities Board. Hydro also submitted numerous formal applications for its review and approval, including items impacting cost recovery, reliability and resource adequacy, and capital investment. Through this process, Hydro received approval of cost recovery through adjustment to various electricity rates.^{11,12,13 14,15} In 2025, Hydro also continued to advance work with the Public Utilities Board to inform future decisions related to system reliability,¹⁶ including through submitting numerous studies.¹⁷ From a capital investment perspective, Hydro also submitted various applications for review and approval, including its annual Capital Budget Application, and applications related to Bay d'Espoir Unit 8, Avalon Combustion Turbine,^{18,19} and life extension of Bay d'Espoir Unit 7.²⁰

¹¹ Approved in Board Order No. P.U. 1(2025).

¹² Approved in Board Order No. P.U. 7(2025).

¹³ Approved in Board Order No. P.U.22(2025).

¹⁴ Approved in Board Order No. P.U. 28(2025).

¹⁵ Approved in Board Order No. P.U. 24(2025).

¹⁶ This regulatory proceeding, the Reliability and Resource Adequacy Review, will continue through 2026.

¹⁷ <http://www.pub.nl.ca/applications/NLH2018ReliabilityAdequacy/reports.php>

¹⁸ <http://www.pub.nl.ca/applications/NLH2025AvalonCombustionMarch/index.php>

¹⁹ <http://www.pub.nl.ca/applications/NLH2025AvalonCombustionDecember/index.php>

²⁰ <http://www.pub.nl.ca/applications/NLH2025LifeExtensionUnit7/index.php>

2.4 Other Departments/Public Bodies

As stewards of the environment, Hydro ensures it collaborates with and works with Provincial departments such as Environment, Conservation and Climate Change, as well as Forestry, Agriculture and Lands as it carries out its annual preventative and corrective maintenance plans, as well as undertakes construction of new development projects. In doing so, Hydro not only ensures it adheres to provincial legislation but also consults with experts within the departments for guidance and support.

Many of Hydro's operations and facilities are in remote, coastal Indigenous communities. Hydro works with and respects all Indigenous peoples of the Province, and is partners with Innu Nation on the Muskrat Falls Project. As Hydro undertakes its work in these communities, it not only strives for meaningful dialogue with Indigenous communities in which it operates but also ensure it consults with and collaborates with the Office of Indigenous Relations and Reconciliation to ensure Hydro engaged in alignment with the Province.

In [2025](#), Hydro continued its engagement with the Department of Environment, Conservation and Climate Change regarding compliance with the requirements for environmental assessment releases, as well as to support the Provincial Government's commitment to a low-carbon economy. Hydro also engaged provincial and federal departments to ensure all necessary approvals and permits are in place for new assets and ongoing operations.

Hydro administered several initiatives on behalf of the Provincial Government, including the Electric Vehicle (EV) Rebate Program, which offered rebates towards the purchase of EVs, and an expansion of the Public EV fast-charging network. These efforts contributed to record usage of Hydro's EV fast-charging network, with more than 20,600 charging sessions delivering approximately 564 megawatt hours (MWh) of energy—enough to power an average EV for more than 2.8 million kilometres. Hydro also administered the Oil to Electric Rebate Program with Newfoundland Power, which offered rebates towards the cost of transitioning oil-heated homes to electricity-based heat. Through these joint efforts, more than 2,070 homes were converted from oil to electric heating in 2025 and are now heating their home with electricity supplied by Hydro.

3.0 ISSUES

In Hydro's 2023-2025 Strategic Plan, the following issues were identified as strategic priorities:

- Issue 1: Serving Our Province;
- Issue 2: Working Together; and
- Issue 3: Enabling Sustainable Growth.

4.0 OUTCOMES

The 2023-2025 Strategic Plan for Hydro highlighted three strategic issues/themes around which goals and objectives were established. For each strategic issue, the information provided below is reflective of work completed in 2025, the final year of the three-year planning period in relation to these issues.

4.1 Serving Our Province

As the province's Crown utility and primary generator of electricity, Hydro provides an essential service to the people of the province and brings value to the provincial economy, powering homes and businesses in Newfoundland and Labrador with energy that is safe, reliable, cost-conscious, and environmentally responsible. As we continue implementation of our strategic plan, we will continue to prioritize our core function: serving the province as a Crown utility owned by, and operated for, the people of Newfoundland and Labrador. This includes making sound decisions that are aligned with good utility practice, being transparent in how we conduct our business and welcoming stakeholder feedback. Specifically, Hydro is prioritizing the following:

- **Revitalizing Hydro:** Hydro has undergone significant change in recent years and has unified to become Newfoundland and Labrador Hydro. We are working to instill a culture that is founded in a common understanding that Hydro is a Crown utility and, in both its regulated and non-regulated operations, we will continue to responsibly develop and deliver energy that the people of the province, and beyond, can count on.
- **Delivering Reliable Electricity to Customers at the Lowest Possible Cost:** Hydro uses good utility practice to plan, operate, and maintain the provincial electrical power systems and deliver reliable service – that is consistent with its environmental and legislative obligations – at the lowest possible cost.
- **Recognizing Indigenous History and Strengthening Indigenous Relationships:** As a Crown utility, Hydro has a vital role to play on the path towards Truth and Reconciliation. To build respectful, sincere, and meaningful relationships with Indigenous Peoples, Hydro is working to prioritize employee education, respect for Indigenous history, and engagement with Indigenous Governments, organizations, and communities.

Engaging the People and Entities that Hydro Serves: Hydro has proudly served the people of Newfoundland and Labrador for more than 60 years in more than 200 communities across the province, and now also generates renewable power consumed by customers in Atlantic Canada, Québec, Ontario, and the Northeastern United States. To ensure customer

service remains at the core of its operations, Hydro continues to prioritize proactive stakeholder engagement.

Issue 1: Serving Our Province	
<p>Goal 1</p> <p>By December 31, 2025, the Organization will have revitalized its role as a Crown utility and advanced material filings and proceedings that are fundamental to its utility operations (e.g., those related to system reliability and resource adequacy, customer rates, rate mitigation, corporate governance, etc.).</p>	
<p>Objective</p> <p>By December 31, 2025, the Organization will have revitalized its role as a Crown utility and advanced material filings and proceedings that are fundamental to its utility operations.</p>	
Indicators	2025 Accomplishments
<p>Progressed workplan initiatives necessary to support the negotiation of Definitive Agreements and complete development studies as outlined in the MOU for the New Energy Partnership between Hydro and Hydro-Québec.</p>	<ul style="list-style-type: none"> • Briefed the public and new government on the negotiations and supported the establishment of the Independent Review Committee. • Hydro and Hydro-Québec held joint Supplier Information Sessions with members of the Innu Nation, Labrador North Chamber of Commerce, and Labrador West Chamber of Commerce. The sessions included approximately 200 in-person or virtual members of the business community.
<p>Collectively achieved planned milestones related to Major Projects to advance our ability to meet future load growth and system renewal projects.</p>	<ul style="list-style-type: none"> • Filed an application with the Public Utilities Board to expand Bay d’Espoir by adding an eighth unit, and to build a new combustion turbine near the Holyrood Thermal Generating Station — assets that will continue to serve Island customers with safe, least-cost and reliable electricity (March). • Hosted employee information sessions, public open houses and media sessions and visits, sharing insight into the planning, application and development processes for the proposed Avalon Combustion Turbine and Bay d’Espoir Unit 8. • Participated in the Newfoundland and Labrador Construction Association Build 2025 Expo (May 7 and 8) to share information about potential future procurement opportunities with Hydro, particularly for Major Projects,

	<p>and to provide helpful instructions for navigating Hydro’s Bids and Tenders process.</p> <ul style="list-style-type: none"> • The Penstock 1 Replacement and Refurbishment Project at Bay d’Espoir was completed within budget. The work involved refurbishment of approximately 2,600 feet of the existing 17-foot diameter penstock, as well as excavation, removal, demolition, disposal and replacement of the other 1,100 feet.
<p>Commenced early execution of approved Major Projects.</p>	<ul style="list-style-type: none"> • The Avalon Combustion Turbine Project (having already received environmental approval) received the Public Utilities Board approval for capital expenditures in the amount of \$30.7 million for early execution work. • Bay d’Espoir Unit 8 Project received Environmental Assessment registration and approval, as well as the Public Utilities Board approval for capital expenditures in the amount of \$16.67 million for early execution work.
<p>Advanced analysis and understanding of supply options in support of the Reliability and Resource Adequacy Proceeding.</p>	<ul style="list-style-type: none"> • Submitted numerous studies including, but not limited to: effective load carrying capability; conservation and demand management () potential; the Avalon Remedial Action Scheme Feasibility Study, the Final Lower Churchill Operational (Stage 4F) Study, the Holyrood Thermal Generating Station Capital Plan Refresh, and a 2025 Island Interconnected System load forecast.²¹
<p>Monitored and progressed rate mitigation requirements.</p>	<ul style="list-style-type: none"> • Throughout 2025, Hydro progressed rate mitigation requirements by applying a total of \$704 million of rate mitigation funding in accordance with the Provincial Government’s Rate Mitigation Plan; \$554 million of which was from Hydro’s internal funds, and \$150 million of which was received by Hydro from the Government of Canada convertible debenture established for that purpose.

²¹ <http://www.pub.nl.ca/applications/NLH2018ReliabilityAdequacy/reports.php>

<p>Prepared a GRA reflective of Government rate mitigation plan, incorporating Muskrat Falls Project costs.</p>	<ul style="list-style-type: none"> • Progressed the necessary work to file a GRA in 2026, including actively working to advance necessary pre-work to ensure efficient GRA process, such as: <ul style="list-style-type: none"> ○ Filed the Public Utilities Board applications: General Expenses Capitalized (August), Cost of Service Methodology (August), Accounting Deviation for Rate Mitigation (October), Cloud Computing Deferral (October); ○ Held Cost of Service Methodology technical conference (October); and ○ Commenced settlement discussions to negotiate with intervenors to settle as much as possible in advance of its GRA filing.
<p>Achieved Net Income of \$132 million.</p>	<ul style="list-style-type: none"> • Net income of \$115 million. The decrease from budget was due to reduced global oil prices, increased costs related to the amendment to the Impact and Benefits Agreement and Churchill River negotiations costs, and higher rate mitigation expense. These decreases were partially offset by an increase in energy export prices and unbudgeted sales to Hydro-Québec as part of a short-term energy sales contract.
<p>Achieved Operating Costs of \$332 million.</p>	<ul style="list-style-type: none"> • Operating costs of \$356 million. The increase was due to unbudgeted Churchill River negotiations costs and an unbudgeted amendment to the Impacts and Benefits Agreement with Innu Nation, which occurred after the 2025 budget was finalized in Fall 2024.
<p>Executed Regulated Capital Program²² within -20 per cent and +10 per cent of \$230 million budget.</p>	<ul style="list-style-type: none"> • Executed the Regulated Capital Program at a cost of \$223.5 million, 5.5 per cent below budget. Key drivers of the variance being capital items carried over from the previous year, partially offset by higher execution costs.
<p>Executed Non-Regulated Capital Program²³ within -20 per cent and +10 per cent of \$171 million budget.</p>	<ul style="list-style-type: none"> • Executed the Non-Regulated Capital Program at a cost of \$179.2 million, 4.8 per cent above the original budget. Actual spend was higher than original budget due to adjustments across multiple projects, including:

²² “Regulated Capital Program” refers to the 2025 Capital Program administered by the regulated Engineering team, and is a subcomponent of the broader “Regulated Capital” category in the MD&A.

²³ “Non-Regulated Capital Program” refers to the 2025 Capital Program administered by the non-regulated Engineering & Operational Technology team, and costs related to Corporate Information Systems.

	<p>schedule improvements and deferrals on multi-year projects; 2024 carryover scope; and in-service failures and other scope adjustments.</p>
<p>Further advanced our IM governance and maturity.</p>	<ul style="list-style-type: none"> • Finalized a draft Records Retention and Disposal Schedule. • Developed a tactical Information Management plan for key business area.
<p>Implemented planned information system solutions.</p>	<ul style="list-style-type: none"> • Accounts Payable Automation Software designed. Due to vendor software upgrade, configuration is ongoing and software implementation is expected in 2026.
<p>Commenced implementation of adjustments to organizational processes related to potential Code of Conduct non-compliances.</p>	<ul style="list-style-type: none"> • Commenced amendment of policies and procedures related to review completed in 2024, including: <ul style="list-style-type: none"> ○ Triaged complaints upon receipt to align on investigation plans; ○ Implemented consolidated reporting templates for investigations; ○ Completed additional training for investigations; ○ Streamlined tracking and reporting for all code non-compliance via online portal, and ○ Updated conflict of interest disclosure, review and reporting process.
<p>Supported implementation associated with January 1, 2025 effective date. Identified and addressed any post-amalgamation issues.</p>	<ul style="list-style-type: none"> • Completed the first set of post-amalgamation Consolidated Financial Statements in the first quarter. • Finalized financial reporting implications of amalgamation for International Financial Reporting Standards.

Discussion of 2023-2025 Results

Over the three-year period, Hydro advanced major regulatory filings and proceedings, supported and implemented provincial rate mitigation policy and broader energy policy initiatives, completed the amalgamation of Hydro and Nalcor, enhanced corporate governance, information management, and compliance frameworks, and maintained strong financial performance and cost discipline. Collectively, these actions demonstrate that Hydro is operating as a more integrated and accountable, Crown utility.

Indicators	Accomplishments
<p>Operated in a cost-conscious and accountable manner.</p>	<ul style="list-style-type: none"> • Demonstrated positive net income over the time period, reflecting effective control of costs relative to revenues and disciplined financial management. • Over the last 3 years, Hydro has applied \$644 million of funds it generated towards rate mitigation, as well as \$445 million of funds through the federal convertible debt program. • Maintained ongoing oversight and transparency through regular applications and reporting to the Public Utilities Board, while also engaging with Provincial Government through pre-budget and regular finance discussions.
<p>Prepared for future system requirements through thorough analysis and prudent decision-making.</p>	<ul style="list-style-type: none"> • Advanced major regulatory filings and proceedings, including the: Reliability and Resource Adequacy process, applications related to the capital build of Bay d’Espoir 8 and the Avalon Combustion Turbine. • Submitted numerous studies to inform decision-making, including: effective load carrying capability; conservation and demand management potential; the Avalon Remedial Action Scheme Feasibility Study, the Final Lower Churchill Operational (Stage 4F) Study, the Holyrood Thermal Generating Station Capital Plan Refresh, and a 2025 Island Interconnected System load forecast. • Completed the Penstock 1 Replacement and Refurbishment Project at Bay d’Espoir within budget. • Progressed the necessary work to file a GRA in 2026.
<p>Informed and supported development and implementation of provincial power policy and legislation.</p>	<ul style="list-style-type: none"> • Supported Provincial Government in the development and implementation of its rate mitigation plan. • Informed and supported Provincial Government’s development of provincial renewable energy resources (e.g., technical input on the Crown Land Call for Bids for Wind Energy Projects, and system impact studies). • Amendments to the Hydro Corporation Act, 2024 to enable amalgamation of Hydro and Nalcor.

<p>Utilized sound regulatory and rate design principles and policies to encourage efficient use of the electrical system and resources.</p>	<ul style="list-style-type: none"> • Implemented Provincial Government’s Rate Mitigation Plan, limiting domestic rate increases (e.g., 2.25 per cent annually to 2030), to balance cost recovery and customer affordability. • Applied regulatory mechanisms to manage timing of cost recovery, including using deferral accounts (e.g., Supply Cost Variance Deferral Account). • Applied regulatory tools such Network Additions Policy to manage new load additions. • Using sound regulatory and rate design principles that meet industry standard to advance preparation for a General Rate Application (GRA).
<p>Applied corporate governance practices to ensure sufficient and effective oversight of the Organization.</p>	<ul style="list-style-type: none"> • Hydro took measures to ensure the effective planning, execution, and delivery of major projects, including through developing and implementing a governance framework that reflects lessons learned from past projects, industry standards and good utility practice. • Maintained active Board oversight of strategic decisions and major projects, aligned operations with its legislated mandate, and operated within a multi-layered oversight model that included independent regulatory review by the Public Utilities Board and ongoing engagement with Provincial Government.

<p>Issue 1: Serving Our Province</p>	
<p>Goal 2</p>	
<p>By December 31, 2025, the Organization will have continued to deliver reliable electricity to its customers at the lowest possible cost.</p>	
<p>Objective</p>	
<p>By December 31, 2025, Hydro will have used good utility practice to plan, operate, and maintain the provincial electrical systems and delivered reliable service at the lowest possible cost.</p>	
<p>Indicators</p>	<p>2025 Accomplishments</p>
<p>Continued to complete post-commissioning action items for the Lower Churchill assets.</p>	<ul style="list-style-type: none"> • Continued post-commissioning negotiations with Emera, regarding several commercial matters. • Completed engineering studies on reinforcement options of the Labrador-Island Link (LIL) Transmission Assets to

	sustain reliability. Completed evaluation of study options to determine best path forward.
Achieved project completion of 80 per cent for the 2025 Regulated Capital Program.	<ul style="list-style-type: none"> • Scope Completion of 68.6 per cent, reflecting 11.4 per cent below target due to resource scheduling issues, material delays, and pauses for scope, budget and justification reviews.
Achieved project completion of 80 per cent for the 2025 Non-Regulated Capital Program.	<ul style="list-style-type: none"> • Project completion of 77 per cent, just under the 80 per cent annual target. Key drivers for the deferral/extension of projects into 2026 included material supply delays, procurement/tendering delays, and outage/scheduling constraints.
Achieved a SAIDI of 2.56 hours of interruption per customer or less.	<ul style="list-style-type: none"> • System Average Interruption Duration Index (SAIDI) performance in 2025 was primarily impacted by severe weather events in some operating areas. The End Consumer SAIDI actual result was 3.16 hours. Key contributing factors were primarily related to supply to Hydro customers, including: <ul style="list-style-type: none"> ○ Planned work on the Northern Peninsula radial transmission line affecting multiple terminal stations, required to complete maintenance; ○ Unplanned outages due to severe weather in the Green Bay area; and ○ Unplanned outages affecting Labrador West.
Achieved a SAIFI of 1.25 interruptions per customer or less.	<ul style="list-style-type: none"> • Hydro effectively met target for End Consumer System Average Interruption Frequency Index (SAIFI) with 1.29 hours. The slight variance from target is related to a planned power outage, which contributed 0.13 to Hydro's overall SAIFI.
Achieved GWAC target of ≥94 per cent of maximum revenue at Churchill Falls.	<ul style="list-style-type: none"> • Guaranteed Winter Availability Contract (GWAC) performance at year-end was 81.5 per cent, which was below target primarily due to unexpected repairs identified during maintenance season, that were undertaken later in the year, reducing availability of a generating unit.

<p>Maintained our cybersecurity program with a focus on training and awareness, network segmentation, and incident response.</p>	<ul style="list-style-type: none"> • Updated and rebranded cybersecurity training material. • Developed a plan to address internal audit recommendations from Supply Chain Cybersecurity Audit. • Rolled out new Incident Response Plan. • Continued with Network Access Control Improvements, including completed phase one: identification of all Information Technology (IT) assets on Hydro’s network. • Reinforced Hydro’s cybersecurity culture by continuing to conduct phishing simulations, staff communication, and delivering focused training to improve breach and incident readiness. • Completed a series of incident response training and tabletop practice exercises.
<p>Strengthened cybersecurity protection in our operational technology systems.</p>	<ul style="list-style-type: none"> • Completed upgrade of Supervisory Control and Data Acquisition Wide Area Network, with creation of electronic security perimeter (firewall) at station level. • Executed development and automation of vulnerability management program. • Implemented Network Access Control of the critical networks in Churchill Falls. • Applied stronger controls at Operational Technology/Corporate network boundary. • Finalized segmentation of field remote terminal units.
<p>Conducted a review of regulated fleet's current Fleet Management approach.</p>	<ul style="list-style-type: none"> • With process input from the Provincial Government, Hydro signed a contract with a new fleet management service provider for fuel and maintenance. Implementation underway.
<p>Advanced our planning and scheduling function to achieve efficiencies and work prioritization.</p>	<ul style="list-style-type: none"> • Continued progress toward a five-year planned outage schedule, to strategically align with Hydro’s asset management strategy and optimize workforce and outage planning. • Advanced work on improving Hydro’s planning and reporting processes, including a focus on foundational planning improvements. Updated planning practices will be incorporated in 2026 work plans, supported by new

	reporting standards designed to ensure greater alignment and consistency across the company.
Delivered an updated Long-Term Asset Management Plan (LTAMP) for Churchill Falls that balances system reliability requirements and cost constraints.	<ul style="list-style-type: none"> • Commenced work to identify impacts of commercial Churchill Falls agreement on Churchill Falls LTAMP. • LTAMPs for Churchill Falls, LIL, Long-Term Assets and Muskrat Falls Assets were presented and approved by the Boards.
Enhanced utilization of existing maintenance management system to improve management of critical assets.	<ul style="list-style-type: none"> • Continued improvement in asset management program, including through improved data integrity, work prioritization and risk-based decision-making capabilities for key generation assets.

Discussion of 2023-2025 Results

Over the three-year period, Hydro continued to deliver reliable electricity to customers at the lowest possible cost through a coordinated focus on system integration, strengthened asset management, disciplined capital investment, and enhanced cybersecurity resilience. Progress reflects continued maturation of the provincial electrical system following Muskrat Falls commissioning, alongside improvements in planning, risk-based decision-making, and operational practices. Hydro advanced long-term reliability by progressing post-commissioning work on Lower Churchill assets, undertaking engineering and system reinforcement studies (including the Labrador Island Link), and strengthening outage planning and asset management practices. These actions support sustained reliability while optimizing lifecycle costs. Operational performance indicators (SAIDI, SAIFI, and GWAC) demonstrate that while reliability outcomes were influenced by external factors such as severe weather and planned maintenance activities, Hydro continued to manage system performance proactively and maintain overall system stability. In parallel, Hydro strengthened cybersecurity capabilities across both IT and operational technology environments, implementing network segmentation, incident response improvements, and enhanced training and awareness to safeguard critical infrastructure and ensure system resilience. Collectively, these efforts position Hydro to continue delivering reliable, increasingly renewable electricity while maintaining affordability for customers over the long term.

Indicators	Accomplishments
<p>Commissioned and integrated the remaining Muskrat Falls Project assets into the provincial electrical system.</p>	<ul style="list-style-type: none"> • Completed commissioning of the Muskrat Falls (Lower Churchill) Project, including the LIL. • Continued post-commissioning activities for Lower Churchill assets, including advancing commercial negotiations with partners and completing engineering studies on reinforcement options for the LIL to sustain long-term reliability.
<p>Improved asset management practices to ensure the Organization’s decision-making processes integrate a balance of risk, performance, and cost.</p>	<ul style="list-style-type: none"> • Hydro strengthened asset management by advancing planning and scheduling processes, implementing improved reporting standards, and progressing toward a five-year planned outage schedule. Enhancements to maintenance management systems improved data integrity, work prioritization, and risk-based decision-making for critical generation assets. • Hydro also delivered and advanced LTAMPs for Churchill Falls, Muskrat Falls, and other long-term assets, ensuring that decision-making balances reliability requirements with cost constraints. These actions are aligned with Hydro’s commitment to integrating risk, performance, and cost into lifecycle asset decisions
<p>Made measured and responsible capital investments.</p>	<ul style="list-style-type: none"> • Hydro executed both regulated and non-regulated capital programs near target levels, demonstrating continued discipline in capital delivery despite challenges such as resource scheduling pressures and material delays. • Capital investments were supported by broader planning initiatives, including resource adequacy planning and long-term system studies, ensuring investments are evidence-based and aligned with maintaining reliability at the lowest possible cost
<p>Strengthened cybersecurity capabilities to ensure resilience in the Organization’s technology systems.</p>	<ul style="list-style-type: none"> • Collectively strengthened Hydro’s ability to prevent, detect, and respond to cybersecurity threats, reinforcing system reliability and resilience through: <ul style="list-style-type: none"> ○ Completing upgrade of Supervisory Control and Data Acquisition Wide Area Network

	<ul style="list-style-type: none"> ○ Executing development and automation of vulnerability management program. ○ Implementing Network Access Control of the critical networks in Churchill Falls. ○ Applying stronger controls at Operational Technology/Corporate network boundary. and ○ Finalizing segmentation of field remote terminal units.
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Issue 1: Serving Our Province	
Goal 3	
By December 31, 2025, the Organization will have strengthened its recognition of Indigenous history and Indigenous relationships.	
Objective	
By December 31, 2025, the Organization will have strengthened relationships with Indigenous governments, organizations, and communities.	
Indicators	2025 Accomplishments
Advanced our engagement strategy with Indigenous governments and organizations.	<ul style="list-style-type: none"> • Continued engagement with Indigenous Governments and Organizations on engagement protocols, and ways in which Hydro can support Indigenous priorities (e.g., employment). • In September, President and CEO, and other Hydro representatives visited the annual Manishan Nui Gathering at Gull Island. • Hydro strengthened its relationship with Miawpukek First Nation through funding of a Community Liaison Officer, engagement with Miawpukek First Nation during the environmental assessment of the Bay d’Espoir Unit 8 project and support for the 2025 Annual Powwow. • Support for Nunatsiavut Government and, NunatuKavut Community Council and Mushuau Innu First Nation in the development and implementation of plans to increase energy security and displacement of diesel generation.
Fulfilled commitments within Indigenous Agreements.	<ul style="list-style-type: none"> • During 2025, Innu Nation member employment at Muskrat Falls reached a high of 16 per cent (an improvement over last year), and reduced to 11 per cent as of year-end,

	<p>lagging behind the 20 per cent commitment in the Impact and Benefits Agreement. Hydro continued its efforts to increase Innu Nation member employment at Muskrat Falls. For example, Hydro continues to visit high schools promoting the company as an employer of choice and offer post-secondary scholarships to Innu Nation members. Hydro is working with employment organizations such as Trades NL and Labrador Aboriginal Training Partnership to identify opportunities for Innu and Indigenous members.</p>
<p>Continued to educate our employees and promote respect for Indigenous culture, history, values, and traditional knowledge.</p>	<ul style="list-style-type: none"> • Honoured and recognized the National Day for Truth and Reconciliation by including the day as part of Hydro's 2025 day of observances and encouraging employees to take time on September 30 to reflect, learn, and honour the resilience of Indigenous Peoples.
<p>Continued to support opportunities for Indigenous procurement and employment opportunities within our organization.</p>	<ul style="list-style-type: none"> • Worked to develop and incorporate language into supply chain documents with Power Purchase Agreement guidelines. • Progressed development of Indigenous recruitment strategy, work will continue into 2026.

Discussion of 2023-2025 Results

Over the three-year period, Hydro continued to strengthen its recognition of Indigenous history and relationships through focused efforts to enhance engagement, honour commitments, and advance internal cultural awareness and capacity in support of reconciliation. Hydro maintained meaningful and ongoing engagement with Indigenous Governments and Organizations across the province, advancing relationship-building through participation in community events, support for Indigenous-led priorities, and collaboration on energy security and infrastructure initiatives. Hydro also progressed initiatives to embed respect for Indigenous history, culture, and reconciliation within the organization. In parallel, Hydro continued to fulfill commitments under Indigenous agreements, including efforts to increase employment and economic participation, though some targets remain in progress. Overall, Hydro demonstrated continued advancement toward strengthening Indigenous relationships and integrating reconciliation principles into both organizational practices and community engagement.

Indicators	Accomplishments
<p>Demonstrated commitment to building upon and strengthening relationships with Indigenous Peoples and communities across the province.</p>	<ul style="list-style-type: none"> • Hydro advanced its engagement strategy through ongoing collaboration with Indigenous Governments and Organizations on engagement protocols and community priorities, including employment and energy security initiatives. • Hydro also supported various Indigenous communities in advancing initiatives (e.g., solar projects) to reduce reliance on diesel generation.
<p>Developed and began implementation of policies and processes to cultivate an employee culture that embraces the Organization's role as public servants to support reconciliation within the workplace and within communities.</p>	<ul style="list-style-type: none"> • Starting in 2024, Hydro formally recognized the National Day for Truth and Reconciliation as part of its organizational observances, encouraging employees to reflect on and learn about the history and ongoing impacts of colonization and the resilience of Indigenous Peoples. • Hydro advanced work on Indigenous employment and supply chain opportunities.
<p>Strengthened the Organization's engagement process with Indigenous Peoples.</p>	<ul style="list-style-type: none"> • Hydro continued to enhance its engagement approach through more structured and collaborative processes with Indigenous partners, including ongoing work on engagement protocols and relationship frameworks. These efforts reflect a continued evolution of Hydro's engagement processes toward greater alignment with Indigenous priorities, enhanced consultation practices, and stronger long-term partnerships.

Issue 1: Serving Our Province

Goal 4

By December 31, 2025, the Organization will have proactively engaged those it serves.

Objective

By December 31, 2025, Hydro will have implemented certain new processes and programs to meet customer needs and continued ongoing customer and stakeholder engagement.

Indicators	2025 Accomplishments
<p>Conducted inclusive and collaborative engagement on future changes to our provincial electricity system.</p>	<ul style="list-style-type: none"> • Hydro participated in a number of activities to educate stakeholders on the province’s electricity system, including: <ul style="list-style-type: none"> ○ Held employee information sessions, public open houses and media visits to share insight into the proposed Bay d’Espoir Unit 8 and Avalon Combustion Turbine projects (March); ○ Hosted a media briefing for the 2025 Build Application (March); and ○ Responded to requests for information and requests for additional information, as well as submitted studies regarding the: Life Extension of Bay d’Espoir Unit 7 project, Reliability and Resource Adequacy Study Review, and Bay d’Espoir Unit 8 and Avalon Combustion Turbine project. • President and CEO spoke at various events including: <ul style="list-style-type: none"> ○ Participated with the VP of Transmission and Business Development, in a fireside chat with Labrador Chamber of Commerce (January); ○ Spoke at the St. John’s Board of Trade event, Navigating Disruption: Insights into Economic, Trade and Energy Shifts (April); ○ Spoke about the Churchill River negotiations and other opportunities at a luncheon hosted by the Rotary Club in St. John’s (April); ○ Participated on a panel at the International Women’s Forum Canada Connects Conference (June); ○ Joined CEO of Hydro-Québec for a fireside chat at Energy NL Conference (June);

	<ul style="list-style-type: none"> ○ Participated with an Executive team member for Board of Trade Roundtable event (July); and ○ Joined the former Premier at a speaking event hosted by the Labrador West Chamber of Commerce, and a second event hosted by the Corner Brook Board of Trade (August).
<p>Engaged in proactive and transparent communication with provincial government on financial projections and results.</p>	<ul style="list-style-type: none"> ● Held Hydro's annual general meeting on June 17, sharing the 2024 Annual Report, as well as highlighting financial updates and progress on strategic priorities in 2024. ● Provided regular updates to the Department of Energy and Mines, and Finance regarding financial projections and quarterly and annual results.
<p>Proactively coordinated and shared annual system plans (e.g., outages, investments, etc.) with affiliated partners, stakeholders, and impacted communities.</p>	<ul style="list-style-type: none"> ● Actively coordinated and communicated annual system plans—such as outages and capital investments—with partners, stakeholders, and impacted communities. This includes through social media, updates to Hydro's website and meetings with municipalities, stakeholders and partners.
<p>Improved Hydro's ability to respond to significant events due to Climate Change.</p>	<ul style="list-style-type: none"> ● Reviewed transmission and distribution emergency stock to ensure ability to respond to major events. ● Reviewed engineering standards to ensure future builds consider updated design loads. ● Completed draft standards for asset hardening and storm response, for distribution assets.
<p>Continued to proactively mitigate our risks related to climate change through advancement of our review of Hydro's Climate Change Mitigation and Adaptation Plan.</p>	<ul style="list-style-type: none"> ● Development of a Climate Change Adaptation Plan is ongoing, while the mitigation aspect will be documented and tracked through sustainability reporting.

Discussion of 2023-2025 Results

Over the three-year period, Hydro continued to proactively engage those it serves through transparent communication, active stakeholder participation, and strengthened collaboration with partners and communities, particularly in relation to system planning and climate resilience. Hydro maintained an open and proactive approach to engagement by communicating regularly with stakeholders, including the public, government, industry organizations, and community partners. This included sharing updates on major system developments, financial performance, and long-term planning initiatives through multiple forums such as public open houses, media briefings, and community events. These efforts are consistent with Hydro’s broader commitment to transparency and stakeholder engagement as demonstrated in prior reporting.

Indicators	Accomplishments
<p>Openly and regularly communicated with stakeholders regarding its operations.</p>	<ul style="list-style-type: none"> • Public open houses, employee information sessions, and media briefings related to major projects. • Regular responses to information requests and submission of supporting studies as part of regulatory processes (e.g., Reliability and Resource Adequacy Study, life extension initiatives). • Participation in industry events, conferences, and community forums to share updates and insights on Hydro’s operations and strategic direction. • Annual General Meeting and regular reporting to the Provincial Government on financial projections and results. • Proactively shared annual system plans (e.g., outages, capital investments) with partners, municipalities, and communities through meetings, digital channels, and direct engagement.
<p>Actively sought input from stakeholders and incorporated their feedback to improve customer service capabilities.</p>	<ul style="list-style-type: none"> • Public and stakeholder consultations related to proposed infrastructure investments and system changes. • Ongoing interactions with stakeholders through regulatory filings and responses to information requests. • Collaboration with industry and business organizations to better understand stakeholder perspectives on economic, energy, and system impacts. • Launched a province-wide digital engagement initiative.

<p>Collaborated and supported stakeholders, particularly regarding efforts to manage the impacts of climate change.</p>	<ul style="list-style-type: none"> • Enhanced emergency preparedness by reviewing transmission and distribution emergency stock levels to ensure readiness for major climate-related events. • Progress asset hardening and storm response standards. • Advance development of a Climate Change Adaptation Plan, alongside continued tracking of mitigation initiatives through sustainability reporting.
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4.2 Working Together

Whether in the field or in the office, all Hydro’s workforce are utility professionals who remain steadfast in their commitment to supporting the communities where they live and work and they operate with good utility practice.

As the energy industry evolves to support the transition from fossil fuels to clean, renewable energy, Hydro must proactively prepare its workforce and adapt to ensure Hydro can continue to reliably serve the people of the province into the future. Hydro will continue to foster a workforce that is proud to serve the province, and values keeping each other safe, diverse perspectives, listening to one another, supporting new ideas, and collaborating with respect. Specifically, Hydro is focusing on:

- **Continuing to Prioritize the Safety and Health of its Employees:** A safe and healthy work environment is critical. Hydro remains committed to preventing injury and illness and supporting the safety and overall health of its employees.
- **Foster Proud and Engaged Teams:** As Hydro continues to unify and the energy sector expands and transforms, it is paramount that Hydro supports a collaborative, inclusive, and engaged workforce of unionized and non- unionized employees who work together to meet the energy needs and opportunities within the province. As responsible corporate citizens, it is important for Hydro to contribute to local communities and support and encourage employees to be active members of their communities as well.
- **Anticipate and Develop Workforce Requirements:** Hydro is working to optimize its workforce with consideration to the changing labour market and changing energy sector. It is proactively assessing its current and future needs to ensure it has the right mix of skills and people to efficiently and effectively serve the province.

Issue 2: Working Together	
<p>Goal 5</p> <p>By December 31, 2025, the Organization will have demonstrated its continued commitment to the health and safety of its employees.</p>	
<p>Objective</p> <p>By December 31, 2025, the Organization will have strengthened and advanced its processes to support a strong safety culture.</p>	
Indicators	2025 Accomplishments
Achieved a TRIF of ≤ 1.25 .	<ul style="list-style-type: none"> Successfully achieved lower than target, through a Total Recordable Injury Frequency (TRIF) rate of 0.92.
Prioritized focus on electrical safety, incident prevention and safety accountability by executing on safety transformation work.	<ul style="list-style-type: none"> Held Hydro's third annual Safety Pause, updating staff on the action plan being created from the 2024 Safety Culture survey, reminding staff how they can build Hydro's safety culture, and launching the updated Hazard Recognition Evaluation and Control course. This was also followed by holding a session for managers, supervisors and lead hands focusing on Occupational Health and Safety legislation and the roles and responsibilities of a supervisor.
Identified and implemented solutions that support and prioritize safety in the field.	<ul style="list-style-type: none"> Continued work to expand and update critical safety and health training. For example, the Safe Work Observation Program training was released and is now available to employees online, improving accessibility and supporting consistent application of reporting practices.
Planned and executed occupational injury and illness prevention initiatives and communications.	<ul style="list-style-type: none"> Delivered a Safety and Health Good to Know session to provide employees with an overview of the workplace health and safety supports available to them.
Continued to advance health and wellness initiatives, and ensured support programs and resources are in place for employees.	<ul style="list-style-type: none"> Held Hydro's 18th Safety and Health Summit, which saw more than 150 people in person and hundreds more online intentionally think about safety and health and how they contribute to Hydro's safety culture. During Safety, Health and Environment Week (May 4-10), Hydro reaffirmed its commitment to safety through safety

	training, mental health sessions, school visits, safety trivia, memorial walks, pole-top rescue training, community clean ups, staff barbecues and much more.
Supported employees in Early and Safe Return to Work with disability case management support and attendance support.	<ul style="list-style-type: none"> Continued initiatives to equip supervisors and employees with the training, policy knowledge, and tools needed to support effective attendance management.

Discussion of 2023-2025 Results

Over the three-year period, Hydro demonstrated its continued commitment to the health and safety of its employees through a sustained focus on proactive risk management, strengthening safety leadership, promoting psychological safety, and supporting employee well-being. Hydro maintained a strong safety culture, supported by measurable improvements in safety performance and expanded programs to identify, monitor, and mitigate risks. Hydro also advanced its safety transformation efforts by enhancing leadership capabilities, expanding training programs, and reinforcing organizational expectations related to safety responsibilities.

Indicators	Accomplishments
Improved proactive identification and mitigation of safety risks, monitoring, and trending.	<ul style="list-style-type: none"> Expanded access to safety training, including rollout of the Safe Work Observation Program training to improve hazard identification, reporting consistency, and overall risk awareness. Continued implementation of safety transformation initiatives focused on electrical safety incident prevention and risk reduction.
Fostered a strengthened safety leadership culture.	<ul style="list-style-type: none"> Completed a Safety Culture Survey for employees and contractors. Results are informing future organizational safety and health priorities and support continual improvement of Hydro’s safety culture. Delivering targeted sessions for managers, supervisors, and lead hands focused on occupational health and safety legislation and leadership responsibilities. Hosted annual Safety and Health Summits, discussing safety performance, culture, and continuous improvement.

<p>Promoted a psychologically safe workplace.</p>	<ul style="list-style-type: none"> • Delivered organization-wide events and initiatives such as Safety, Health and Environment Week, which included mental health sessions, awareness activities, and community engagement. • Provided “Safety and Health Good to Know” sessions to increase employee awareness of available supports and resources. • Continued to integrate psychological safety and well-being into broader safety programming and communications
<p>Supported employees affected by injury or illness.</p>	<ul style="list-style-type: none"> • Continued early and safe return-to-work and disability case management programs to support employees recovering from injury or illness. • Continued initiatives to equip supervisors and employees with training, policy knowledge, and tools to effectively manage attendance and support employee needs. • Expanded and promoted health and wellness initiatives to ensure accessible supports are available across Hydro.

Issue 2: Working Together

Goal 6
By December 31, 2025, the Organization will have fostered a culture that encourages and supports proud and engaged teams.

Objective
By December 31, 2025, the Organization will have implemented certain programs, policies, and activities to nurture a collaborative, engaged workforce of proud employees and continued to advance others.

Indicators	2025 Accomplishments
<p>Commenced implementation of multi-year internal communication and engagement strategy to ensure employees are informed, consulted, and heard.</p>	<ul style="list-style-type: none"> • First year of a two-year Employee Engagement Strategy was executed. • Internal content strategy utilized the In the Know brand (Good to Know, Get to Know and In the Know). • New onboarding platform was launched company wide. • Piloted “Open Doors program” where employees in Hydro Place had the opportunity to visit operational areas like the Energy Control Centre, Holyrood and Soldiers Pond.

	<p>Additionally, the Good to Know series for 2025 was focused on Teams sharing their work. This was all in an effort to help increase understanding of other areas of the business.</p> <ul style="list-style-type: none"> • A mid-manager offsite was held. The aim is to increase interconnection between areas of the business and strengthen the knowledge and engagement of these mid-managers.
<p>Continued development of a Community Renewal Plan for Churchill Falls.</p>	<ul style="list-style-type: none"> • Completed the long-term plan for the revitalization of the Churchill Falls Town Center, incorporating input from the 2023 Consultant Study and Community Engagement work. • Selected the Legacy Project to commemorate the resiliency of the Community as they navigated through the 2024 Wildfire Emergency Evacuation. • Continued to advance/execute high priority items within the community accessibility improvement plan.
<p>Undertook proactive, coordinated and purposeful engagement with IBEW, and reviewed and refreshed Hydro's labour relations strategy.</p>	<ul style="list-style-type: none"> • Completed an action plan to optimize coordinated approach across the business on union engagement and relationship management. • Completed work to consider whether there were opportunities to streamline collective agreements. • Conducted Labour Management Committee Meetings.
<p>Continued to educate employees on the importance of Inclusion, Diversity, Equity and Accessibility (IDEA).</p>	<ul style="list-style-type: none"> • Rebranded to IDEA, from Diversity and Inclusion to incorporate and highlight the importance of inclusion and Hydro's accessibility work. • Held annual IDEA Day (formerly Diversity and Inclusion Day) for employees on February 13, hosting company-wide sessions on inclusivity, neurodiversity and equity in the workplace. • Launched IDEA Ambassadors, a network of volunteers across Hydro to enhance the IDEA portfolio throughout the business. • Hydro Place IDEA Ambassadors held a Multicultural Fair on July 23 in Hydro Place, to celebrate the many cultures that make up the Hydro team. • Churchill Falls IDEA Ambassadors held an inaugural Pride Walk in the community.

<p>Provided appropriate tools, resources and targets to promote inclusive work environments.</p>	<ul style="list-style-type: none"> • Executed tactics and activities as outlined in Equity, Diversity and Inclusion Strategy. • Hydro hosted various sessions through 2025 to help keep employees informed on relevant topics, such as Autism Awareness and Acceptance, • All Hydro employees have been given access to regular webinars through Hydro’s partnership with the Canadian Centre of Diversity and Inclusion.
<p>Continued to build awareness and understanding of Hydro’s refreshed vision and values.</p>	<ul style="list-style-type: none"> • Focused on rebranding of items held for amalgamation. • Ongoing communications with employees to foster an awareness and understanding of Hydro’s refreshed vision and values.
<p>Continued promotion of the Energy from the Heart community program to build awareness and engagement.</p>	<ul style="list-style-type: none"> • Promoted the Energy from the Heart program through events like Hydro’s annual Acts of Kindness Week, where employees engaged in various fundraising and volunteer activities to support organizations in communities across the province. This included Hydro’s 5th Annual Energy Breakfast in support of Kids Eat Smart. As part of this year’s event, Hydro and its employees proudly provided more than \$58,000 for school breakfast programs in 275 schools. • Team Building Committee at Soldiers Pond raised funds for the Janeway Telethon, Single Parents Association of NL, and other local organizations. • 9/11 Memorial Stair Climb at Muskrat Falls: The Muskrat Falls Volunteer Emergency Response Team partnered with the Happy Valley-Goose Bay Volunteer Fire Department to complete the symbolic 110-story climb at the Muskrat Falls Powerhouse. Collectively they raised a total of \$1,716 for local charities. • Joined Big Brothers Big Sisters of Eastern Newfoundland for their 12th annual Go Girls Golf Tournament as a corporate sponsor and participating team. The tournament supports the Go Girls! Healthy Bodies, Healthy Minds mentoring program – a diversity mentoring program designed to address the physical activity,

	<p>balanced eating and positive self-image needs of girls and those who identify as female and non-binary, ages 10-13.</p> <ul style="list-style-type: none"> • In August, employees at Hydro Place supported the Single Parent Association of NL's Back to School Program. • Sponsored the Canadian Mental Health Association Newfoundland-Labrador Tickle Swim which aims to raise awareness for mental health in the province. • Returned as presenting sponsor for the Ronald McDonald House Red Shoe Walk for Families. This is the largest fundraiser for the House, with walks held in dozens of communities around the province. In 2025, the walk raised more than \$310,000. • Through annual employee Cheer Challenge, Hydro donated \$10,000 to the Community Food Sharing Association. • Supported over 30 organizations where employees volunteer or fundraise with more than \$30,000 in employee matching donations. • Supported the future of Newfoundland and Labrador's workforce with scholarships, awards and bursaries in partnership with Memorial University, College of the North Atlantic and Women in Resource Development Corporation (now Equiforce).
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Discussion of 2023-2025 Results

Over the three-year period, Hydro continued to foster a culture that encourages and supports proud and engaged teams through strengthened internal communications, enhanced inclusion and belonging initiatives, improved labour relations, and expanded employee participation in community and organizational activities. Hydro advanced the first year of a multi-year Employee Engagement Strategy focused on ensuring employees are informed, connected, and empowered to contribute across the organization. Initiatives such as improved onboarding, cross-functional learning opportunities, and leadership engagement strengthened connections across teams. Hydro also continued to embed Inclusion, Diversity, Equity and Accessibility (IDEA) into its culture through employee engagement, education, and employee-led initiatives. In parallel, Hydro maintained a proactive and coordinated approach to labour relations, strengthening collaboration and trust with IBEW leadership through structured engagement and joint initiatives.

Indicators	Accomplishments
<p>Expanded its culture of inclusion to encourage belonging and provided opportunities for employees to reach their full potential.</p>	<ul style="list-style-type: none"> • Launched IDEA to expand Hydro’s focus on inclusion and accessibility, including hosting IDEA Day with company-wide sessions on inclusivity, neurodiversity, and equity. • Launched IDEA Ambassadors to promote inclusion across all areas of the business. • Supported employee-led initiatives such as multicultural events and Pride activities. • Provided employees with ongoing access to inclusion-focused training and resources.
<p>Revitalized its corporate culture to unify teams and further brought together the Organization.</p>	<ul style="list-style-type: none"> • Delivered year one of the Employee Engagement Strategy. • Implemented an internal communications approach to enhance awareness and connection. • Piloted cross-functional learning sessions to increase understanding of operations across business units. • Hosted a mid-manager offsite. • Continued communication efforts to build awareness of Hydro’s refreshed vision and values.
<p>Built trusted partnerships with union (IBEW) leaders.</p>	<ul style="list-style-type: none"> • Developed an action plan to enhance coordinated union engagement and relationship management. • Conducted Labour Management Committee meetings to support open communication and issue resolution.
<p>Improved engagement and the frequency and quality of communication with employees.</p>	<ul style="list-style-type: none"> • Implemented an Employee Engagement Strategy to ensure employees are informed, consulted, and heard. • Expanded internal communications through consistent branding and messaging frameworks (e.g., Good to Know, Get to Know).
<p>Strengthened employees’ connections to, and involvement in, the Organization’s social responsibility.</p>	<ul style="list-style-type: none"> • Supported employee participation in a wide range of fundraising, volunteer and community initiatives. • Supported numerous charities through sponsorships, donations, and employee matching programs.

Issue 2: Working Together

Goal 7

By December 31, 2025, the Organization will have developed and commenced implementation of a workforce planning strategy.

Objective

By December 31, 2025, the Organization will have commenced implementation of its workforce planning strategy to optimize its workforce with consideration to the changing labour market and the changing energy landscape.

Indicators	2025 Accomplishments
<p>Developed an Integrated Workforce Planning Framework and supported the development of workforce plans related to Hydro's core utility operations, Major Projects and new developments.</p>	<ul style="list-style-type: none"> • Met with Trades NL and reviewed their release of expected economic impacts of major projects on the Newfoundland and Labrador economy, to inform Hydro's recruitment and retention activities. • Developed recruitment marketing strategy and connection to employer brand (including social marketing, paid advertising and promotional materials). • Introduced integrated workforce planning framework. • Completed the Integrated Workforce Planning framework and furthered data analytics program in support of Senior Leadership. • Created a workforce planning dashboard. • Work progressed with Request for Proposals (RFP) to engage with a consultant to develop a training strategy.
<p>Focused on targeted recruitment and retention strategies to address most significant talent risks and build talent pipeline.</p>	<ul style="list-style-type: none"> • Continued tracking of attrition statistics to identify key trends in critical areas and roles. • Enhanced participation in Hydro's co-op education program, to foster recruitment and experience. • Participated in econext's Green Roots Program and the econext 2025 Conference, where the VP of People and Corporate Affairs participated as a panelist sharing experiences and views on addressing future workforce challenges including opportunities within Hydro's commitment to Inclusion, Diversity, Equity and Accessibility (October). • Connected with the Office of Immigration and Multiculturalism to understand virtual job fairs, to target

	<p>skilled labour in challenging recruitment/retention areas.</p> <ul style="list-style-type: none"> • President and CEO participated in a panel discussion at The Newfoundland and Labrador Construction Association event, “Blueprint for Success: The Women Building the Future” (November). • Enhanced participation of supervisors participating in the Leadership Fundamentals Program with the Gardiner Centre, to strengthen skills for managing work, projects and teams. • Continued research on the Electricity Now! initiative which aims to provide career information to Grade 9 and 10 science programs as part of the regular curriculum, including through ongoing collaboration with various partners (e.g., econext, Office to Advance Women Apprentices).
<p>Continued follow-on work related to compensation review.</p>	<ul style="list-style-type: none"> • Continued engagement with the Provincial Government on compensation matters and implement recommendations as appropriate. • Continued monitoring of the Provincial Government’s Pay Equity and Transparency Act to ensure compliance.
<p>Ongoing engagement to identify and implement practical supports to address front line supervisor concerns and reduce workload burden where possible.</p>	<ul style="list-style-type: none"> • Developed a strategy and action plan to address Front Line Supervisor feedback and support them in executing their roles and feeling more engaged and connected to the broader organization. • Piloted a Manager Mentorship Program, which included a one-week session for new managers to strengthen connections between operations and service departments, while also supporting a deeper understanding of corporate services. Incorporating feedback from participants and departmental representatives to inform future sessions. • Held two virtual Good to Know Series “Supervisor Edition” sessions: “Dealing with Difficult Conversations” and session “The Recruitment Process”. • Continued development of an in-person training session for supervisors on progressive discipline process and documentation. • Hosted a mid-manager development session to build

	<p>stronger connections within the team, improve knowledge of supportive information, processes and contacts, and enhance professional development opportunities.</p>
<p>Discussion of 2023-2025 Results</p>	
<p>Over the three-year period, Hydro introduced and operationalized an Integrated Workforce Planning Framework, to better identify critical skills, competencies, and workforce requirements across core operations, major projects, and emerging energy developments. These efforts reflect Hydro’s broader focus on ensuring a skilled, engaged workforce to support long-term system reliability and growth. Hydro also strengthened recruitment, retention, and talent development initiatives to address workforce risks and build a sustainable talent pipeline. In parallel, Hydro continued to enhance training, leadership development, and supervisor supports to ensure employees are equipped to work safely, effectively, and efficiently, while strengthening leadership capacity across the organization. Collectively, these actions demonstrate meaningful progress toward implementing a coordinated and forward-looking workforce planning approach aligned with Hydro’s evolving operational needs and strategic direction.</p>	
<p>Indicators</p>	<p>Accomplishments</p>
<p>Developed a framework to support the identification of critical skills, competencies and workforce requirements to support organizational priorities.</p>	<ul style="list-style-type: none"> • Completed an Integrated Workforce Planning Framework to support workforce decision making. • Developed a workforce planning dashboard and enhanced data analytics capabilities to support insights. • Supported the development of workforce plans across key business units. • Engaged key external stakeholders (e.g., Trades NL) to incorporate insights into planning assumptions.
<p>Further supported employees’ abilities to work safely, efficiently, and effectively for the current and future needs of the organization.</p>	<ul style="list-style-type: none"> • Hazard Recognition Evaluation and Control course was launched. This was also followed by holding a session for managers, supervisors and lead hands focusing on Occupational Health and Safety legislation and the roles and responsibilities of a supervisor. • Released Safe Work Observation Program training (including online), improving accessibility and supporting consistent application of reporting practices.
<p>Provided better support to its supervisors to effectively support and motivate their teams.</p>	<ul style="list-style-type: none"> • Developed and began implementing a strategy to address front-line supervisor feedback and reduce workload. • Expanded participation in leadership development programs.

	<ul style="list-style-type: none"> • Piloted a Manager Mentorship Program. • Delivering targeted training sessions on topics such as recruitment and managing difficult conversations. • Advancing development of in-person training to support progressive discipline processes and documentation.
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4.3 Enabling Sustainable Growth

The energy industry is working hard to transition away from fossil fuels to meet climate goals, including federal and provincial net-zero by 2050 targets, as well as the federal target of a net-zero electricity grid by 2035. Hydro is at the forefront of this energy transition and the Provincial Government is in an enviable position in this regard. In 2025, more than 90 per cent of the electricity supplied to customers in the province was from renewable sources. As operation of the Muskrat Falls project assets is further optimized, this amount will continue to increase. Throughout this transition, Hydro will continue to optimize its use of these assets to reduce generation from the Holyrood Thermal Generating Station in favour of clean, cost-conscious energy from renewable energy resources.

Creating a sustainable, greener tomorrow for future generations of Newfoundlanders and Labradorians continues to be an organizational priority. The province's rich energy resources provide tremendous opportunity for the people of the province. Hydro is committed to drawing on its experiences and leveraging the knowledge and expertise of its people, local communities and partners to make thoughtful, balanced decisions.

Specifically, Hydro is prioritizing:

- **Supporting Growth of Renewable Energy Supply:** Hydro is collaborating with the Provincial Government and industry stakeholders to evaluate and advance viable projects.
- **Advancing Electrification and Demand Management:** Hydro is advancing electrification in a prudent manner that benefits customers and the provincial electrical system and while working to minimize the impact on peak demand.
- **Optimizing the Value of Provincial Energy Resources:** Hydro is responsibly optimizing energy resources (i.e., extract the most value from excess energy) for the benefit of the province and continuing to ensure customers receive safe, reliable and cost-conscious energy.
- **Integrating Renewable Energy Resources in Local Communities:** Hydro is working with Indigenous communities and organizations to safely and responsibly integrate renewable energy resources in isolated diesel communities.

Issue 3: Enabling Sustainable Growth	
<p>Goal 8</p> <p>By December 31, 2025, the Organization will have demonstrated its commitment to optimizing provincial energy resources and supporting growth of renewable energy supply.</p>	
<p>Objective</p> <p>By December 31, 2025, the Organization will have supported the optimization of provincial energy resources to contribute to sustainable economic prosperity within Newfoundland and Labrador.</p>	
Indicators	2025 Accomplishments
<p>Supported Government and participated in industry engagement initiatives to explore the development of a policy for potentially integrating new renewable energy suppliers into our provincial electricity system.</p>	<ul style="list-style-type: none"> Completed the first round of wind-hydrogen system impact studies which are a key element in determining the feasibility of new energy opportunities. Hydro worked with two proponents to complete studies in 2025, assessing how the new energy projects may interact with the existing electricity system and identifying potential technical constraints, reliability considerations, and upgrade requirements early in their development process.
<p>Worked with existing and potential industrial customers to advance load additions within the province.</p>	<ul style="list-style-type: none"> Completed the Labrador West Regional Transmission Study Options Analysis work, designed to define necessary assets and estimate costs for required transmission upgrades to deliver firm capacity to new mining demands.
Discussion of 2023-2025 Results	
<p>Over the three-year period, Hydro demonstrated its commitment to optimizing provincial energy resources and supporting the growth of renewable energy supply through ongoing collaboration with Government, evaluation of emerging energy opportunities, and advancement of system planning initiatives to support future development. This included through contributing technical expertise and analysis to inform policy development and system planning. In addition, Hydro advanced analysis of system expansion requirements to enable new industrial load. These activities demonstrate Hydro’s ongoing role in enabling the responsible and strategic development of renewable energy while optimizing the use of provincial energy resources to support economic growth and long-term system sustainability.</p>	

Indicators	Accomplishments
Participated in evaluation of potential renewable development opportunities and proposals for integration into the provincial electrical system.	<ul style="list-style-type: none"> • Provided technical support in the evaluation of submissions under the Crown Land Call for Bids for Wind Energy Projects. • Completed the first round of wind-hydrogen system impact studies, working with project proponents to assess feasibility.
Partnered with the Province to support the responsible growth of the renewable energy industry.	<ul style="list-style-type: none"> • Engaged with the Provincial Government and industry stakeholders to explore policy approaches for integrating renewable energy suppliers into the provincial system, ensuring growth aligns with system capabilities, reliability standards, and long-term planning objectives. • Contributed technical expertise and system analysis to support evidence-based policy development.
Explored opportunities to maximize the potential value of existing generating assets.	<ul style="list-style-type: none"> • Supported Government in exploring opportunities to unlock more value from the Churchill River. • Explored opportunities to increase the value of the generating units at the Bay D’Espoir hydroelectric plant. This resulted in the Board of Commissioners approving early execution capital work for Bay d’Espoir 8 as it is an appropriate first step in addressing the requirement for additional capacity for the Island Interconnected system²⁴.

Issue 3: Enabling Sustainable Growth
<p>Goal 9</p> <p>By December 31, 2025, the Organization will have advanced electrification and demand management within Newfoundland and Labrador.</p>
<p>Objective</p> <p>By December 31, 2025, the Organization will have prudently advanced electrification and demand management programming in a manner that benefits customers and the provincial electrical system and minimizes the impact on peak demands.</p>

²⁴ NO. P.U. 17(2025).

Indicators	2025 Accomplishments
Completed a conservation and demand management plan, and integrated with resource planning.	<ul style="list-style-type: none"> • Completed a Conservation and Demand Management potential study in partnership with Newfoundland Power for the Island Interconnected System. This study identifies potential new programming to be implemented by the utilities over the next five years.
Supported transportation electrification while mitigating the impact on system peak.	<ul style="list-style-type: none"> • Collaborated with the Provincial Government to provide rebates towards EVs and Plug-in Hybrid EVs. Issued: <ul style="list-style-type: none"> ○ 346 Battery EV rebates; and ○ 261 Plug-in Hybrid EV rebates. • Worked with Newfoundland Power on the EV Demand Response Program.
Supported the expansion of the provincial DC fast-charging network.	<ul style="list-style-type: none"> • Hydro continued work towards the construction of the province’s first Ultra-Fast EV chargers, in partnership with the Provincial Government. As of the end of 2025, four stations were commissioned and the remaining will be online later in 2026.
Encouraged efficient heating systems for the interconnected systems, which limit the impact on system peak demand.	<ul style="list-style-type: none"> • Delivered Government’s Residential Oil to Electric Rebate program under takeCHARGE with Newfoundland Power, to help over 2,070 oil heating customers switch to electric space heating in 2025. • Continued to promote conversions to heat pumps rather than resistance heat, limiting the impact on the electrical system. Approximately 90 per cent of rebated installations were heat pumps, with the remaining being a mix of electric furnaces/boilers. It is estimated that every 1,000 installations only result in 6 MW of incremental demand on the grid (much less than if the conversions had been to resistance heat).
Continued to promote energy efficiency initiatives and peak demand management through the takeCHARGE! Program, a partnership with Newfoundland Power.	<ul style="list-style-type: none"> • Continued to achieve energy savings for electricity customers through Hydro's TakeCHARGE! Conservation and Demand Management initiatives totaling over 1,500 MWh in 2025. • The Government of Canada announced \$2.7 million in funding through Natural Resources Canada’s Green Industrial Facilities and Manufacturing Program to support Hydro’s TakeCHARGE! Isolated Communities Energy

	<p>Efficiency Program. Through the funding from the federal government and participating businesses, energy efficiency projects started at five fish plants in Southern Labrador.</p> <ul style="list-style-type: none"> Progressed work with Newfoundland Power on the development of a new five-year potential study for TakeCHARGE! programming on the Island Interconnected System. Supported work with Newfoundland Power on the final year of its EV Demand Response Pilot, which aims to encourage customers to charge their EV's during off-peak hours.
Encouraged efficient heating systems for the isolated systems, which limit the impact for system demand and energy requirements (e.g., wood heat pilot program).	<ul style="list-style-type: none"> Obtained \$450,000 in provincial funding (matched by Hydro), to purchase and install 70 woodstoves for homes in Labrador isolated communities. Eligibility will include oil-heated and electrically heated homes (half for each). Hydro is continuing to work with local communities on this project.
Undertook customer education for heating alternatives.	<ul style="list-style-type: none"> Provided information on electrification and demand management initiatives through Hydro's website, social and customer newsletter content.

Discussion of 2023-2025 Results

Over the three-year period, Hydro advanced electrification and demand management across through targeted programs, collaborative initiatives, and system planning efforts designed to support increased electricity use while mitigating impacts on system peak demand. Collectively, these actions demonstrate Hydro's commitment to enabling a balanced transition toward electrification—supporting increased electricity use while actively managing demand growth and optimizing system performance.

Indicators	Accomplishments
Supported electrification of transportation within the province to increase domestic energy sales while planning to minimize the impact on system peak.	<ul style="list-style-type: none"> Administered the EV Electric Rebate program on behalf of the Provincial Government, while considering the impact on system peak, issuing over 2,000 EV rebates (both fully electric and plug-in hybrid). Established a provincial charging network across Newfoundland and Labrador, with government funding. This includes commissioning of the first Ultra-Fast EV

	<p>charging stations, with additional infrastructure planned. This charging network has achieved over 48,000 EV fast charging sessions.</p> <ul style="list-style-type: none"> • Administered the multi-year Federal Commercial EV Charger Program (which finished in 2024), funding the installation of 117 chargers for businesses, not-for-profits and municipalities.
<p>Managed the early transition to low-carbon heating in residential and commercial buildings.</p>	<ul style="list-style-type: none"> • Delivered Government’s Oil to Electric program under TakeCHARGE! with Newfoundland Power, to jointly help over 5,300 oil heating customers switch to electric space heating.
<p>Managed the electrification of commercial industries within the province to mitigate impacts on system peak demand.</p>	<ul style="list-style-type: none"> • Managed commercial/industrial electrification growth, specifically on the generation and transmission constrained Labrador Interconnected System through: <ul style="list-style-type: none"> ○ Applying the Network Additions Policy to align load growth with system capability and cost responsibility; ○ Allowing incremental firm load only through PUB-approved exemptions²⁵; ○ Using non-firm service structures to accommodate demand without peak risk; and ○ Requiring study agreements before any large electrification connection.
<p>Developed and executed programs that promote efficient use of electricity.</p>	<ul style="list-style-type: none"> • Developed and executed various programs that promote the efficient use of electricity, including TakeCHARGE! with Newfoundland Power. Programming includes energy savings kits, which can save up to \$100 a year, as well as rebates for insulation, air sealing, heat recovery ventilators, and business.

²⁵ Order No. P.U. 14(2024).

Issue 3: Enabling Sustainable Growth

Goal 10

By December 31, 2025, the Organization will have demonstrated its efforts to optimize the value of provincial energy resources by maximizing the value from energy sales and other opportunities.

Objective

By December 31, 2025, the Organization will have identified, explored, and executed opportunities to maximize the value of its energy and supported industrial customer growth in a manner that is cost-conscious and consistent with environmental and legislative responsibilities.

Indicators	2025 Accomplishments
Maximized value of exports, transmission assets and use rights.	<ul style="list-style-type: none"> • Energy marketing continued to generate substantial value as a support function for many of Hydro’s commercial activities, including discussions with Hydro-Québec. Energy marketing achieved \$82 million in net income, an increase of \$32 million compared to 2024, primarily due to higher market prices.
Worked with affiliated companies to meet commitments under Muskrat Falls agreements and the Energy Access Agreement.	<ul style="list-style-type: none"> • Continued to deliver energy to Nova Scotia under the Energy and Capacity Agreement, prioritizing and scheduling to the extent that system conditions permit. • Continued to deliver energy to Nova Scotia under the Energy Access Agreement. Deliveries were influenced by hydrological conditions—including a drier-than-average hydrological year, native load requirements, as well as LIL and transmission derates and outages. While deliveries have been constrained for the current and previous contract years, long-term forecasts continue to demonstrate that the contractual commitment will be achieved over the full term of the agreement.
Maximized value of renewable energy attributes.	<ul style="list-style-type: none"> • Renewable generation (e.g., hydroelectricity) produces environmental attributes. Hydro unbundles and sells these attributes as Renewable Energy Credits into external markets to create incremental revenue on top of physical electricity sales, increasing the total value derived from Hydro’s renewable assets. Energy Marketing settled \$6.9 million USD in Renewable Energy Credit sales in 2025,

	<p>which contributed to its overall profit.</p> <ul style="list-style-type: none"> • Monitored evolving state and market conditions for any impacts effects on renewable energy credit pricing, in order to strategically capture better returns on Hydro's Renewable Energy Credits.
<p>Identified additional market opportunities for Renewable Energy Credits.</p>	<ul style="list-style-type: none"> • Maintained environmental attribute sales by actively identifying and developing new market opportunities for Renewable Energy Credits, including sourcing and engaging potential buyers, responding to solicitations, and negotiating and executing agreements to enable incremental Renewable Energy Credit transactions.

Discussion of 2023-2025 Results

Over the three-year period, Hydro demonstrated its efforts to optimize the value of provincial energy resources by maximizing returns from energy sales, leveraging transmission assets and market opportunities, and supporting growth for industrial customers. Hydro continued to enhance the value derived from its energy portfolio through strategic energy marketing, optimization of export opportunities, and monetization of renewable energy attributes. Hydro also supported industrial growth by advancing system planning and working with customers to enable new load development. Collectively, these efforts demonstrate Hydro's continued focus on maximizing the economic value of its energy resources while supporting reliability, contractual obligations, and provincial economic development.

Indicators	Accomplishments
<p>Extracted maximum value from the Organization's energy portfolio.</p>	<ul style="list-style-type: none"> • Optimized the use of exports and transmission rights to capture maximum value from external electricity markets. • Delivered energy under the Energy and Capacity Agreement and Energy Access Agreement, managing operational factors such as hydrology, system demand, and transmission constraints while maintaining long-term contractual commitments. • Generated incremental value from renewable generation by selling Renewable Energy Credits. • Actively monitored market conditions and identified new opportunities to enhance returns from Renewable Energy Credits through engagement with potential buyers and participation in market solicitations.

<p>Supported growth from industrial customers.</p>	<ul style="list-style-type: none"> • Worked closely with mining companies to define near-term and longer-term power requirements. • Completed the Labrador West Regional Transmission Study Options Analysis work, which aims to define necessary assets and estimate costs for required transmission upgrades to deliver firm capacity to new mining demands. • Completed commissioning of the interconnection of the new transmission line to Marathon Gold’s Valentine Lake mine site.
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<p>Issue 3: Enabling Sustainable Growth</p>	
<p>Goal 11 By December 31, 2025, the Organization will have demonstrated its commitment to supporting the integration of renewable energy resources in local communities.</p>	
<p>Objective By December 31, 2025, the Organization will have worked with stakeholders regarding the operations and development of renewable energy resources and provided environmental supports as required.</p>	
<p>Indicators</p>	<p>2025 Accomplishments</p>
<p>Supported development of renewables in isolated communities.</p>	<ul style="list-style-type: none"> • Completed the Public Utilities Board-approved sale of non-operational wind turbines in Ramea, facilitating third-party investment to restore them to service and help offset diesel-generated electricity in the community at a lower cost to customers. • Interconnected NunatuKavut Community Council 10 kilowatt solar project to Hydro’s electricity system in Cartwright. • Continued to support Indigenous partners in various stages of project development. This included providing support to Nunatsiavut Government in support of the Nain micro-grid project.
<p>Provided environmental oversight and regulatory compliance, in support of renewable energy</p>	<ul style="list-style-type: none"> • Achieved release of the 150 MW (Nominal) Bay d’Espoir Hydroelectric Generating Unit from environmental assessment under the Environmental Protection Act through:

<p>projects.</p>	<ul style="list-style-type: none"> ○ Demonstrated and planned commitments related to environmental oversight of the proposed 150 MW (Nominal) Bay d’Espoir Hydroelectric Generating Unit; and ○ Submission of an enhanced Environmental Assessment registration document and regulatory compliance with the Provincial Government’s Environmental Assessment process.
<p>Completed 95 per cent of Environmental Management System targets.</p>	<ul style="list-style-type: none"> ● Surpassed year-end-target, with a 97 per cent completion, reflecting Hydro’s commitment to environmental stewardship and compliance requirements across all areas of the business.
<p>Discussion of 2023-2025 Results</p>	
<p>Over the three-year period, Hydro advanced the development and integration of renewable energy solutions in isolated communities, with a particular focus on reducing reliance on diesel generation and enabling community-driven energy projects. These efforts included supporting renewable project development with Indigenous partners and facilitating opportunities for third-party investment to improve clean energy outcomes in remote regions. Hydro also maintained a strong commitment to environmental stewardship by ensuring that renewable energy development and operations are conducted in compliance with regulatory requirements and supported by appropriate mitigation, monitoring, and management practices. Collectively, these actions demonstrate Hydro’s continued progress in enabling community-level renewable energy integration while ensuring environmental protection and long-term system sustainability.</p>	
<p>Indicators</p>	<p>Accomplishments</p>
<p>Supported Indigenous governments, Indigenous organizations, and local communities with the development and integration of renewable energy into isolated diesel systems.</p>	<ul style="list-style-type: none"> ● Interconnected Indigenous-led solar projects to Hydro’s isolated electricity systems, supporting local renewable generation (e.g., Black Tickle, St. Lewis and Cartwright). ● Supporting Indigenous partners at various stages of project development, including providing assistance to the Nunatsiavut Government for the Nain micro-grid project. ● Entered into a Power Purchase Agreement with Nunacor to purchase energy from a 20 kW solar generation project in Port Hope Simpson.

<p>Ensured environmental protection in the development and operation of renewable energy resources, and develop mitigation measures and monitoring programs to address environmental impacts.</p>	<ul style="list-style-type: none"> • Advanced Bay d’Espoir’s Hydroelectric Generating Unit 8 through the Provincial Government’s Environmental Assessment process, including submission of an enhanced registration document, incorporation of environmental considerations into project design, and establishment of mitigation measures and monitoring programs in accordance with conditions of release and regulatory requirements. • Obtained release from Environmental Assessment for the Avalon Combustion Turbine project, reflecting the application of a phased and disciplined project development approach that ensured environmental compliance.
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5.0 OPPORTUNITIES AND CHALLENGES

5.1 Employee Safety, Health and Engagement

In 2025, Hydro continued to strengthen its safety performance, achieving a TRIF rate and a reduction in lost-time injuries. Safety remained a core organizational value, supported through ongoing efforts to foster a strong and proactive safety culture. This included updating and expanding critical safety training, holding the annual Safety and Health Summit, and continuing to improve processes that support safe work practices.

Attracting and retaining qualified employees remains an ongoing priority in a competitive labour market. Ensuring utility competitive compensation supports employee engagement, retention and recruitment, which further supports Hydro’s operational efficiency and a strong safety culture. Recognizing that engaged employees are fundamental to a strong safety culture, Hydro also placed continued emphasis on employee engagement throughout the year. These efforts reinforce the shared responsibility for safety across Hydro and reflect Hydro’s commitment to ensuring employees return home safely each day.

5.2 Provision of Sufficient Electricity

In 2025, demand for renewable electricity continued to grow, driven by increased electrification across the province, including the adoption of electric vehicles, the transition from oil-based space heating, and rising interest from existing and prospective commercial and industrial customers. These local trends are also seen across the country and beyond and underscore the urgent work needed to ensure a reliable, resilient, and cost-conscious electricity system. Investment into the electricity system is required to support the

wellbeing of the people of the province and to support the province's existing and future economy so that it is not hampered by lack of electricity supply.

Throughout the year, Hydro continued to advance planning, regulatory, and investment activities necessary to support future load growth while maintaining safe and reliable service for customers. This included progressing work related to system reliability, resource adequacy, and asset renewal. At the same time, Hydro operates within a framework of approvals, policies, and decisions that involve multiple parties beyond Hydro. The ability to translate planning and preparation into timely implementation depends on coordinated action across regulators, government, and other partners. Without sufficient certainty regarding project approvals, there is a growing risk that necessary investments may not proceed in time to meet customer demand or maintain system reliability. Prolonged uncertainty also affects market confidence and Hydro's ability to secure suppliers and contractors in an increasingly competitive environment.

Balancing near-term system needs with long-term growth, affordability, and sustainability remained a key focus for Hydro. Hydro is engaging and working with key partners to address these challenges and ensure the electricity system can respond effectively to rapid change. Timely decision making across all parties will be essential to ensuring the provision of sufficient, reliable electricity to meet the province's evolving needs.

5.3 Stakeholder Engagement

Stakeholder engagement remained a critical priority for Hydro throughout 2025. This included ongoing collaboration with employees, customers, communities and Indigenous partners. Hydro recognizes that it plays a key enabling role in facilitating provincial economic development, revenue generation and job creation. As such, it remained attentive to evolving provincial priorities, ensuring its work as a Crown utility reflected new strategic directions following the change in provincial leadership.

Hydro plays a key enabling role in provincial economic development, revenue generation and job creation. As a Crown utility, Hydro remained attentive to evolving provincial priorities, ensuring its planning, operations, and decision-making reflected new strategic directions following a change in provincial leadership. This approach supports Hydro's continued focus on delivering safe, reliable, and cost-conscious electricity while contributing to long-term benefits for the people of Newfoundland and Labrador.

Appendix A
Generation and Transmission Map





Generating Unit ^{26,27}	Maximum Continuous Unit Rating (MW) ²⁸
Bay d'Espoir 1	76.5
Bay d'Espoir 2	76.5
Bay d'Espoir 3	76.5
Bay d'Espoir 4	76.5
Bay d'Espoir 5	76.5
Bay d'Espoir 6	76.5
Bay d'Espoir 7	154.4
Cat Arm 1	67
Cat Arm 2	67
Hinds Lake	75
Upper Salmon	84
Granite Canal	40
Paradise River	8
All Hydraulic Units - Regulated	954.4
Churchill Falls ²⁹	5,428
Muskrat Falls 1	206
Muskrat Falls 2	206
Muskrat Falls 3	206
Muskrat Falls 4	206
All Hydraulic Units - Non-Regulated	6,252
Holyrood 1	170
Holyrood 2	170
Holyrood 3	150
All Thermal Units	490
Stephenville	50
Hardwoods	50
Happy Valley	25
Holyrood GT	123.5
All Gas Turbines	248.5

²⁶ Hydro also operates the 80 MW Exploits Generation System on behalf of Government, which includes three hydroelectric facilities on the Interconnected System (Star Lake, Grand Falls and Bishop's Falls). In addition, Hydro has a number of power purchase agreements in place, including for hydro, co-generation, wind (54 MW) and biogas (approximately 0.4 MW).

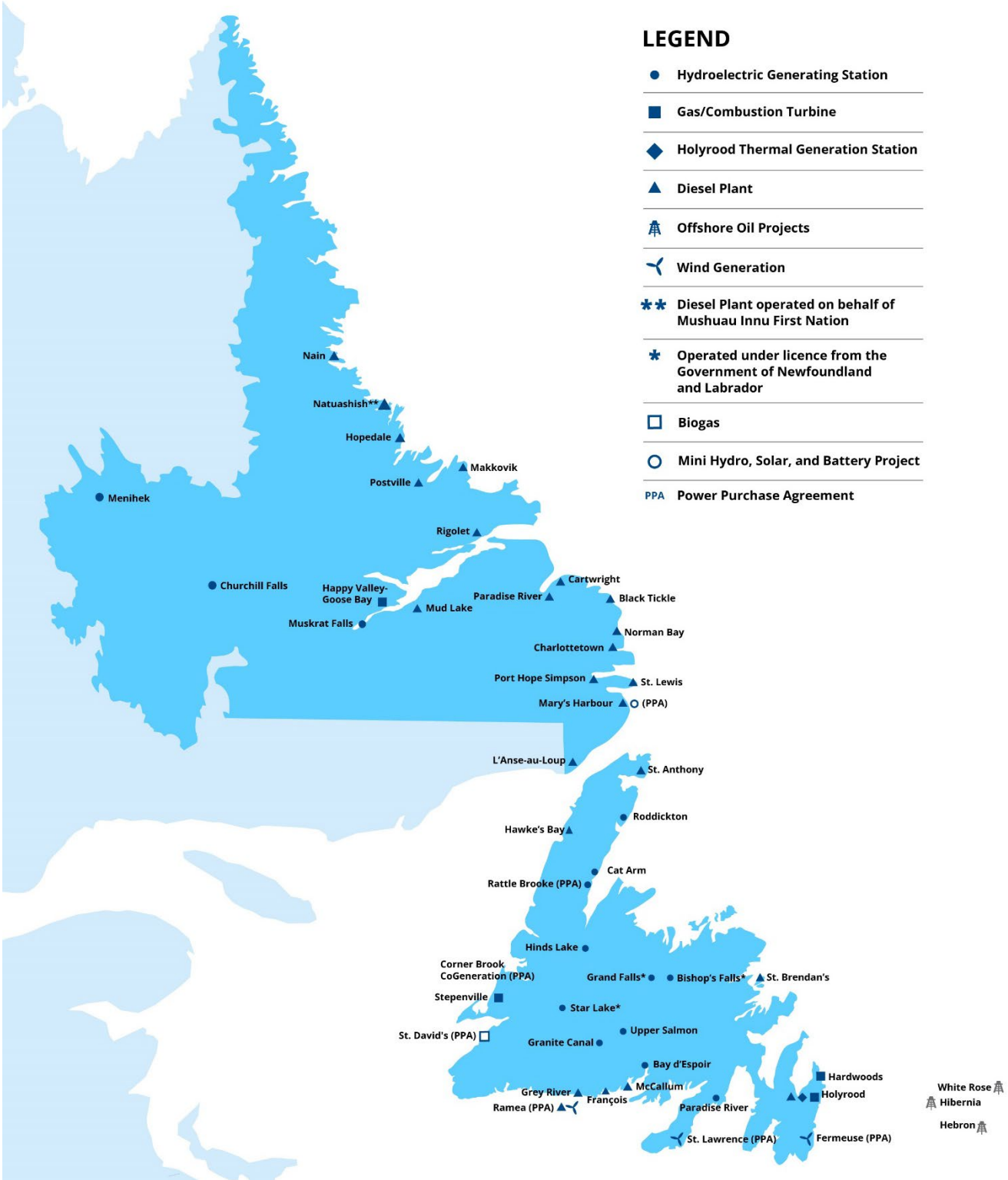
²⁷ Hydro also operates 23 remote diesel plants throughout the province, including two on the Interconnected System to provide backup power (totalling 14.7 MW), and 21 in isolated communities (five on the Island and 16 in Labrador, totalling 34 MW).

²⁸ A breakdown of the generation and purchases for each unit available in:

<http://www.pub.nl.ca/indexreports/20152019energysupply/From%20NLH%20-%20Energy%20Supply%20Monthly%20Report%20-%20December%202025%20-%202026-01-19.PDF>

²⁹ This includes 300 MW in recapture power from Churchill Falls, as well as 225 MW from Twin Falls.

Appendix B
Energy Portfolio



Appendix C
Newfoundland and Labrador Hydro Consolidated Financial Statements

**NEWFOUNDLAND AND LABRADOR HYDRO
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025**

Independent Auditor's Report

To the Lieutenant-Governor in Council,
Province of Newfoundland and Labrador

Opinion

We have audited the consolidated financial statements of Newfoundland and Labrador Hydro (formerly "Nalcor Energy") (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of profit and comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

NEWFOUNDLAND AND LABRADOR HYDRO
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>As at December 31 (millions of Canadian dollars)</i>	Notes	2025	2024
ASSETS			(Note 2.3)
Current assets			
Cash and cash equivalents	5	1,054	1,164
Restricted cash		1,352	1,326
Short-term investments	10	176	77
Trade and other receivables	6	288	259
Inventories	7	151	155
Prepayments		17	18
Total current assets		3,038	2,999
Non-current assets			
Property, plant and equipment	8	17,897	17,848
Intangible assets	9	59	65
Investments	10	277	417
Other long-term assets		5	5
Total assets		21,276	21,334
Regulatory deferrals	11	1,721	1,493
Total assets and regulatory deferrals		22,997	22,827
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings	14	250	590
Trade and other payables	12	400	356
Current portion of long-term debt	14	296	70
Current portion of Class B limited partnership units	15	95	95
Current portion of deferred credits	16	99	104
Other current liabilities	13	25	26
Total current liabilities		1,165	1,241
Non-current liabilities			
Long-term debt	14	11,015	10,865
Class B limited partnership units	15	873	885
Deferred credits	16	1,494	1,528
Decommissioning liabilities	17	122	104
Employee future benefits	18	126	125
Other long-term liabilities	19	90	89
Total liabilities		14,885	14,837
Shareholder's equity			
Share capital	21	123	123
Shareholder contributions		4,859	4,859
Reserves		(20)	(29)
Retained earnings		3,100	2,985
Total equity		8,062	7,938
Total liabilities and equity		22,947	22,775
Regulatory deferrals	11	50	52
Total liabilities, equity and regulatory deferrals		22,997	22,827


Commitments and contingencies (Note 32)

See accompanying notes

On behalf of the Board:



 DIRECTOR



 DIRECTOR

NEWFOUNDLAND AND LABRADOR HYDRO
CONSOLIDATED STATEMENT OF PROFIT AND COMPREHENSIVE INCOME

<i>For the year ended December 31 (millions of Canadian dollars)</i>	Notes	2025	2024
			(Note 2.3)
Energy sales	23	1,420	1,349
Other revenue	24	57	68
Revenue		1,477	1,417
Fuels		171	169
Power purchased		107	111
Operating costs	25	356	366
Production, marketing and transportation costs	26	31	39
Transmission rental		25	32
Depreciation, depletion, amortization and impairment		438	423
Net finance expense	27	417	367
Rate mitigation expense	28	704	240
Other expense	29	48	27
Expenses		2,297	1,774
Loss for the year before regulatory adjustments		(820)	(357)
Regulatory adjustments	11	(935)	(836)
Profit for the year		115	479
Other comprehensive income			
Total items that may or have been reclassified to profit or loss:			
Actuarial loss on employee future benefits regulatory adjustment	18	(2)	(1)
Actuarial gain (loss) on employee future benefits	18	5	(4)
Net fair value gain on reserve fund	10	2	2
Reclassification adjustments related to:			
Cash flow hedges recognized in profit		4	4
Other comprehensive income for the year		9	1
Total comprehensive income for the year		124	480

See accompanying notes

**NEWFOUNDLAND AND LABRADOR HYDRO
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

(millions of Canadian dollars)

	Share Capital	Shareholder Contributions	Fair Value Reserve	Employee Benefit Reserve	Retained Earnings	Total
Balance at January 1, 2025	123	4,859	(44)	15	2,985	7,938
Profit for the year	-	-	-	-	115	115
Other comprehensive income	-	-	6	3	-	9
Total comprehensive income for the year	-	-	6	3	115	124
Balance at December 31, 2025	123	4,859	(38)	18	3,100	8,062
Balance at January 1, 2024	123	4,859	(50)	20	2,506	7,458
Profit for the year	-	-	-	-	479	479
Other comprehensive income	-	-	6	(5)	-	1
Total comprehensive income for the year	-	-	6	(5)	479	480
Balance at December 31, 2024	123	4,859	(44)	15	2,985	7,938

See accompanying notes

NEWFOUNDLAND AND LABRADOR HYDRO CONSOLIDATED STATEMENT OF CASH FLOWS

<i>For the year ended December 31 (millions of Canadian dollars)</i>	Notes	2025	2024
Operating activities			
Profit for the year		115	479
Adjustments to reconcile profit to cash provided from operating activities:			
Depreciation, depletion, amortization and impairment		438	423
Amortization of deferred credits	16	(99)	(113)
Loss on disposal of assets	29	19	21
Maritime Link operating costs		20	22
Regulatory adjustments	11	(935)	(836)
Rate mitigation expense	11	704	240
Finance income	27	(101)	(137)
Finance expense	27	518	504
Other		7	2
		686	605
Changes in non-cash working capital balances	33	14	(44)
Interest received		90	125
Interest paid		(418)	(426)
Net cash provided from operating activities		372	260
Investing activities			
Additions to property, plant and equipment and intangible assets	34	(476)	(366)
Decrease in investments		41	22
Changes in non-cash working capital balances	33	4	15
Other		(1)	-
Net cash used in investing activities		(432)	(329)
Financing activities			
Proceeds from long-term debt	14	447	150
Repayment of long-term debt		(62)	(63)
Increase in restricted cash		(26)	(102)
Additions to deferred credits		32	22
Contributions of Class B limited partnership units	15	-	233
(Decrease) increase in short-term borrowings		(340)	360
Distribution of Class B limited partnership units	15	(96)	(77)
Other		(5)	16
Net cash (used in) provided from financing activities		(50)	539
Net (decrease) increase in cash and cash equivalents		(110)	470
Cash and cash equivalents, beginning of the year		1,164	694
Cash and cash equivalents, end of the year		1,054	1,164

See accompanying notes

NEWFOUNDLAND AND LABRADOR HYDRO

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Newfoundland and Labrador Hydro (Hydro or the Company) is a Crown corporation, formed through the amalgamation of the former Newfoundland and Labrador Hydro and Nalcor Energy legal entities effective January 1, 2025, under a special act of the Legislature of the Province of Newfoundland and Labrador (the Province). As of the effective date, the former operations of Nalcor Energy and former Newfoundland and Labrador Hydro continue under the name "Newfoundland and Labrador Hydro" and its business remains the development, generation, transmission and sale of electricity including energy trading; and the development, production and sale of oil and gas. Hydro's head office is located at 500 Columbus Drive in St. John's, Newfoundland and Labrador, A1B 0C9, Canada.

1.1 Subsidiaries

Pursuant to the amalgamation, effective January 1, 2025, Hydro held interests in the following subsidiaries:

A 100% interest in Nalcor Energy – Oil and Gas Inc. (Oil and Gas), which has a mandate to engage in the upstream and downstream sectors of the oil and gas industry. Upstream includes exploration, development and production activities, while downstream includes transportation and processing activities.

A 100% interest in Nalcor Energy Marketing Corporation (Energy Marketing), a subsidiary established to manage Hydro's participation in extra-provincial electricity markets.

A 100% interest in Muskrat Falls Corporation (Muskrat Falls), whose principal activity is to operate the Muskrat Falls hydroelectric generating facility (MF Plant) on the lower Churchill River.

A 100% interest in Labrador Transmission Corporation (Labrador Transco), whose principal activity is to operate and maintain the Labrador Transmission Assets, which includes transmission lines connecting the MF Plant with the Labrador-Island Link (LIL), the Churchill Falls hydroelectric generating facility and Hydro's Labrador transmission assets.

A 100% interest in Labrador-Island Link Operating Corporation (LIL Opco), created to operate and maintain the LIL.

A 100% interest in Lower Churchill Management Corporation (LCMC), created to carry out the project development and management functions of the Lower Churchill Project (LCP) including planning, engineering and design management, construction management, risk management, finance, procurement and supply chain management.

A 100% interest in Labrador-Island Link General Partner (2021) Corporation (LIL GP (2021)) and consolidated Labrador-Island Link Holding (2021) Corporation (LIL Holdco (2021)), created to control, manage and hold Hydro's interest in the LIL (2021) Limited Partnership (the 2021 Partnership or LIL (2021) LP)). The consolidated LIL Holdco (2021) includes the financial statements of LIL Holdco (2021) and its subsidiary companies LIL (2021) LP, LIL Holdco, and LIL LP.

A limited partnership interest in the LIL (2021) LP. The 2021 Partnership holds the common shares of Labrador-Island Link Holding Corporation (LIL Holdco) and is administering a Federal Government of Canada investment in the LIL that is a component of the Province's Rate Mitigation Plan.

A 100% interest in Labrador-Island Link General Partner Corporation (LIL GP) and LIL Holdco, created to control, manage and hold Hydro's interest in the Labrador-Island Link Limited Partnership (LIL LP or the Partnership).

A limited partnership interest in LIL LP, created to develop, construct and finance the assets and property constituting the LIL, a transmission link constructed between the MF Plant and the Newfoundland and Labrador Island Interconnected System. LIL Holdco holds 100% of the Class A and Class C limited partnership units. KKR Island Link Incorporated (KKR) holds 25 Class B units.

NEWFOUNDLAND AND LABRADOR HYDRO

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A 100% interest in Gull Island Power Company Limited (GIPCo) and a 51.0% interest in Lower Churchill Development Corporation Limited (LCDC), both of which are inactive.

1.2 Investment in Joint Arrangement

Hydro holds a 65.8% interest in Churchill Falls (Labrador) Corporation Limited (Churchill Falls). Churchill Falls is incorporated under the laws of Canada and owns and operates a hydroelectric generating plant and related transmission facilities situated in Labrador which has a rated capacity of 5,428 megawatts (MW).

1.3 Structured Entities

Hydro consolidates the results of structured entities in which it holds a financial interest and is the primary beneficiary. Hydro has determined that it is not the primary beneficiary of the Muskrat Falls/Labrador Transmission Assets (MF/LTA) Funding Trust or the Labrador-Island Link Funding Trust and therefore the operations of these trusts are not reflected in these annual audited consolidated financial statements.

2. MATERIAL ACCOUNTING POLICIES

2.1 Statement of Compliance and Basis of Measurement

These annual audited consolidated financial statements (financial statements) have been prepared in accordance with IFRS® Accounting Standards, as issued by the International Accounting Standards Board (IASB), consistent with those used in the preparation of the annual audited consolidated financial statements of the former Nalcor Energy for the year ended December 31, 2024.

These financial statements have been prepared on a historical cost basis, except for financial instruments at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVTOCI) which have been measured at fair value. The financial statements are presented in Canadian Dollars (CAD) and all values rounded to the nearest million, except when otherwise noted. The financial statements were approved by Hydro's Board of Directors (the Board) on March 13, 2026.

2.2 Basis of Consolidation

The financial statements include the financial statements of Hydro and its subsidiary companies and proportionate consolidation for those which are jointly owned with non-affiliated entities. Intercompany transactions and balances have been eliminated upon consolidation.

2.3 Business Combination

Effective January 1, 2025, Nalcor Energy and its wholly owned subsidiary Newfoundland and Labrador Hydro were legislatively amalgamated into Hydro, a new legal corporation that continues under the name "Newfoundland and Labrador Hydro". The amalgamated company ("Hydro") continues to be 100% controlled by the Province. Hydro holds the combined assets and liabilities of the former Newfoundland and Labrador Hydro and the former Nalcor Energy legal entities and is bound by any previously existing contracts and agreements from the former entities. As well, the security or guarantees provided by the Provincial Government to the former Hydro entity continues with Hydro after the amalgamation.

The Amalgamation was accounted for as a business combination under common control. The comparative figures for the December 31, 2025 consolidated financial statements of Hydro are those of the December 31, 2024 Nalcor Energy consolidated financial statements. The Consolidated Statement of Profit and Comprehensive Income was adjusted for a change in the classification of rate mitigation accounting, as noted below.

Common control business combinations fall outside the scope of IFRS 3 – Business Combinations and therefore management has determined the appropriate accounting policy by applying other relevant guidance and conceptual framework principles under IFRS® Accounting Standards to reflect the economic reality of the transaction. Hydro's accounting policy is to use predecessor or book value accounting and to record the assets and liabilities of the combined entities at the existing carrying values.

NEWFOUNDLAND AND LABRADOR HYDRO

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As a result of amalgamation, the rate mitigation expense incurred in 2024 has been adjusted to conform with the post-amalgamation accounting. The result is an income statement reclassification from Regulatory adjustments to Rate mitigation expense. The following table summarizes the adjustments from the previously issued December 31, 2024 financial statements to the current year:

Consolidated Statement of Profit and Comprehensive Income

<i>For the year ended December 31, 2024 (millions of Canadian dollars)</i>	As previously reported	Adjustment	Post-amalgamation
Rate mitigation expense	-	240	240
Regulatory adjustments	(596)	(240)	(836)

2.4 Cash and Cash Equivalents and Short-term Investments

Cash and cash equivalents consist of amounts on deposit with Schedule 1 Canadian Chartered banks, as well as highly liquid investments with maturities of three months or less. Investments with maturities greater than three months and less than twelve months are classified as short-term investments.

2.5 Restricted Cash

Restricted cash consists of cash held on deposit with Schedule 1 Canadian Chartered banks and administered by the Collateral Agent for the sole purpose of funding construction, financing, operating, maintenance and sustaining costs related to the LIL, LTA and MF Plant, including reserve accounts required under the Labrador-Island Link Project Finance Agreement (LIL PFA) and MF/LTA Project Finance Agreement (MF/LTA PFA). Restricted cash also includes funds held in trust by solicitors of the LCP companies.

2.5 Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes expenditures incurred in acquiring inventories and bringing them to their existing condition and location. The cost of crude oil is based on production costs and an estimated capital component based on depletion. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.6 Property, Plant and Equipment

Items of property, plant and equipment are recognized at cost less accumulated depreciation and accumulated impairment losses. Cost includes materials, labour, contracted services, professional fees and, for qualifying assets, borrowing costs capitalized in accordance with Hydro's accounting policy outlined in Note 2.8. Costs capitalized with the related asset include all those costs directly attributable to bringing the asset into operation.

When significant parts of property, plant and equipment, including petroleum and natural gas properties, are required to be replaced at intervals, Hydro recognizes such parts as individual assets with specific useful lives and depreciation rates. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the asset as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation commences when the assets are ready for their intended use. Residual values and useful lives are reviewed at the end of each year and adjusted prospectively, if appropriate. Depreciation is calculated on a straight-line basis over the estimated useful lives for all segments except Hydro, where depreciation is calculated based on the average group methodology. As per Board Order P.U. 30 (2019), Hydro was approved to recover gains and losses through accumulated amortization and to record removal costs through depreciation. To comply with International Accounting Standard (IAS) 16, the adjustments related to the recovery of gains and losses through accumulated amortization and removal depreciation are presented as a regulatory adjustment in Note 11. The depreciation lives used are as follows:

NEWFOUNDLAND AND LABRADOR HYDRO

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Generation plant	3 to 110 years
Transmission and distribution	10 to 75 years
Other assets	3 to 100 years

Generation plant is comprised of hydroelectric, thermal and diesel generation. Hydroelectric generation plant includes the powerhouse, turbines and generators, governors and exciters, and auxiliary systems, as well as water conveying and control structures, including dams, dikes, tailraces, surge chambers, spillways, penstocks, draft tube and intake structures. Thermal generation plant is comprised of the powerhouse, turbines and generators, boilers, oil storage tanks, stacks, and auxiliary systems. Diesel generation plant includes the buildings, engines, generators, switchgear, fuel storage and transfer systems, dikes and liners and cooling systems.

Transmission and distribution include transmission and distribution lines and terminal stations. Transmission lines and terminal stations include the support structures, foundations, conductors and insulators associated with lines at voltages from 69 to 735 kilovolt. Terminal station assets which are used to step up voltages of electricity for transmission and to step down voltages for distribution, provide switching and protection functions, and include HVDC Converters to convert between AC and DC voltages, synchronous condensers and auxiliary systems. Distribution system assets include poles, transformers, insulators, conductors, subsea cables, and electrode equipment.

Other assets include service facilities, roads, telecontrol, buildings, airport, aircraft, vehicles, heavy equipment, furniture, tools and equipment, and the Churchill Falls town site, including municipal water and sanitary sewer systems.

The carrying amount of a replaced asset is derecognized when replaced. Gains and losses on disposal of an item of property, plant and equipment, including petroleum and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recorded in Other (income) expense. Pursuant to Board Order P.U. 30 (2019), Hydro's gains and losses are deferred on retirement of property, plant and equipment. The deferral will be recovered through future depreciation expense.

Petroleum and Natural Gas Properties

Petroleum and natural gas development and production assets are carried at cost less accumulated depreciation, depletion and impairment losses or reversals. Development and production assets are grouped into cash-generating units (CGUs) for impairment testing.

Expenditures on the construction, installation or completion of infrastructure facilities such as processing facilities and the drilling of development wells, including unsuccessful development or delineation wells, are capitalized within property, plant and equipment, as long as it is technically feasible and economically viable to extract identified reserves.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning costs and, for qualifying assets, borrowing costs in accordance with Hydro's accounting policy in Note 2.8. The purchase price or constructed cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Capitalized petroleum and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis.

Costs incurred subsequent to the determination of technical feasibility and commercial viability are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost can be measured reliably.

NEWFOUNDLAND AND LABRADOR HYDRO

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Depletion

The net carrying value of development and production assets is depleted using the unit of production method by reference to the ratio of production in the year to the related proved and probable reserves, and considering estimated future development costs necessary to bring those reserves into production. Future development costs are estimated, taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers, at least annually.

Proved and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate, with a specified degree of certainty, to be recoverable in future years from known reservoirs and which are considered commercially viable. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

Such reserves are considered commercially producible when Management has the intention of developing and producing them and such intention is based upon:

- a reasonable assessment of the future economics of such production;
- a reasonable expectation that there is a market for all (or substantially all) of the expected petroleum and natural gas production; and
- evidence that the necessary production, transshipment and transportation facilities are available or can be made available.

2.7 Intangible Assets

Intangible assets that are expected to generate future economic benefit and are measurable, including computer software costs are capitalized as intangible assets in accordance with IAS 38.

Intangible assets with finite useful lives are carried at cost less accumulated amortization and impairment losses. The estimated useful life and amortization method are reviewed at the end of each year, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

Amortization is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Computer software	7 to 10 years
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2.8 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in the Consolidated Statement of Profit and Comprehensive Income in the period in which they are incurred.

2.9 Impairment of Non-Financial Assets

Property, plant and equipment and other non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where it is not possible to estimate the recoverable amount of an individual asset, Hydro estimates the recoverable amount of the CGU to which the asset belongs. The recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use is generally computed by reference to the present value of future cash flows expected to be derived from non-financial assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

NEWFOUNDLAND AND LABRADOR HYDRO

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount and an impairment loss is recognized immediately in the Consolidated Statement of Profit and Comprehensive Income.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in the Consolidated Statement of Profit and Comprehensive Income.

2.10 Investments in Joint Arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Control exists when Hydro has the power, directly or indirectly, to govern the financial and operating policies of another entity, so as to obtain benefits from its activities. A joint arrangement is either classified as a joint operation or a joint venture based on the rights of the parties involved.

Hydro holds interests in the Hebron, Hibernia South Extension and White Rose Extension projects. These projects are classified as joint operations as multiple parties hold joint control and stakeholders have rights to the project assets and obligations for its liabilities. Hydro accounts for its oil and gas investments by recognizing its share of assets, liabilities and profit or loss in relation to its interest in the joint operation.

Hydro accounts for its investment in Churchill Falls by recognizing its share of assets, liabilities and profit or loss in relation to its interest in the joint operation.

2.11 Employee Future Benefits

Pension Plan

Employees participate in the Province's Public Service Pension Plan, a multi-employer defined benefit plan. Contributions by Hydro to this plan are recognized as an expense when employees have rendered service entitling them to the contributions. Liabilities associated with this plan are held with the Province.

Other Benefits

Hydro provides group life insurance and health care benefits on a cost-shared basis to retired employees, in addition to a retirement allowance.

The cost of providing these benefits is determined using the projected unit credit method, with actuarial valuations being completed on an annual basis, based on service and Management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

Actuarial gains and losses on Hydro's defined benefit obligation are recognized in reserves in the period in which they occur. Past service costs are recognized in operating costs as incurred. Pursuant to Board Order No. P.U. 36 (2015), Hydro recognizes the amortization of Hydro's employee future benefit actuarial gains and losses in the Consolidated Statement of Profit and Comprehensive Income as a regulatory adjustment.

The retirement benefit obligation recognized in the Consolidated Statement of Financial Position represents the present value of the defined benefit obligation.

2.12 Provisions

A provision is a liability of uncertain timing or amount. A provision is recognized if Hydro has a present legal obligation or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. The provision is measured at the present value of the best estimate of the expenditures expected to be required to settle the obligation using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. Provisions are re-measured at each Consolidated Statement of Financial Position date using the current discount rate.

NEWFOUNDLAND AND LABRADOR HYDRO

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.13 Decommissioning, Restoration and Environmental Liabilities

Legal and constructive obligations associated with the retirement of property, plant and equipment are recorded as liabilities when those obligations are incurred and are measured as the present value of the expected costs to settle the liability, discounted at a rate specific to the liability. The liability is accreted up to the date the liability will be incurred with a corresponding charge to Net finance expense. The carrying amount of decommissioning, restoration and environmental liabilities is reviewed annually with changes in the estimates of timing or amount of cash flows added to or deducted from the cost of the related asset or expensed in the Consolidated Statement of Profit and Comprehensive Income if the liability is short-term in nature.

2.14 Revenue Recognition

Revenue from Contracts with Customers

Hydro recognizes revenue from contracts with customers related to the sale of electricity to regulated Provincial industrial, utility and direct customers in rural Newfoundland and Labrador and to non-regulated industrial, utility and external market customers.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Hydro recognizes revenue when it transfers control of a product or service to a customer.

Revenue from the sale of energy is recognized when Hydro satisfies its performance obligation by transferring energy to the customer. Sales within the Province are primarily at rates approved by the Newfoundland and Labrador Board of Commissioners of Public Utilities (PUB), whereas sales to certain other major industrial customers and export sales are either at rates under the terms of the applicable contracts, or at market rates. Hydro recognizes some revenue at the amount to which it has the right to invoice, which corresponds directly to the value to the customer of Hydro's performance to date. Hydro recognizes revenue from the sale of Renewable energy certificates at market value, when Hydro satisfies its performance obligation by transferring the Renewable energy certificates to the customer.

Revenue from Crude Oil Sales

Revenue from the sale of crude oil is recognized when the amount of revenue can be reasonably measured, the significant risks and rewards of ownership have passed to the buyer and collection is reasonably assured. This typically occurs when the oil has been produced and delivered to the buyer in accordance with contracted shipping terms.

Revenue from properties in which Hydro has an interest with other producers is recognized on the basis of Hydro's sales to customers. Under this method, when Hydro sells less crude oil production than its net working interest (under-lift), it has a right to future production of the joint operation and the under-lift portion is recognized as inventory that represents crude oil production not yet received. Similarly, an over-lift position is recognized as a liability that represents an accrual for crude oil production received but not yet paid, measured at cost.

2.15 Leasing

Lessee Accounting

Hydro assesses whether a contract is or contains a lease, at inception of a contract. Hydro recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, Hydro recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, Hydro uses its incremental borrowing rate.

NEWFOUNDLAND AND LABRADOR HYDRO

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Lease payments included in the measurement of the lease liability comprise:

- fixed (and in-substance) lease payments less any lease incentives;
- variable lease payments that depend on an index or rate; and
- payments expected under residual value guarantees and payments relating to purchase options and renewal option periods that are reasonably certain to be exercised (or periods subject to termination options that are not reasonably certain to be exercised).

The lease liability is subsequently measured at amortized cost using the effective interest rate method. Lease liabilities are remeasured, with a corresponding adjustment to the related right-of-use assets, when there is a change in variable lease payments arising from a change in an index or rate, or when Hydro changes its assessment of whether purchase, renewal or termination options will be exercised. Hydro did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever Hydro incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under *IAS 37 – Provisions, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that Hydro expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in operating costs in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. Hydro has elected to apply this practical expedient.

2.16 Foreign Currencies

Transactions in currencies other than Hydro's functional currency (foreign currencies) are recognized using the exchange rate in effect at the date of transaction, approximated by the prior month end close rate. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates of exchange in effect at the period end date. Foreign exchange gains and losses not included in regulatory deferrals are recorded in the Consolidated Statement of Profit and Comprehensive Income as Other expense (income).

2.17 Income Taxes

Hydro is exempt from paying income taxes under Paragraph 149(1)(d) of the Income Tax Act.

2.18 Financial Instruments

Classification and Initial Measurement

Financial assets and financial liabilities are recognized in the Consolidated Statement of Financial Position when Hydro becomes a party to the contractual provisions of the instrument and are initially measured at fair value.

Financial assets are classified at amortized cost, FVTOCI, FVTPL or as derivatives designated as hedging instruments in an effective hedge. Financial liabilities are classified at amortized cost, FVTPL or as derivatives designated as hedging instruments in an effective hedge. Transaction costs that are directly attributable to the acquisition or issue

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of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial Assets at Amortized Cost

Financial assets with contractual cash flows arising on specified dates, consisting solely of principal and interest, and that are held within a business model whose objective is to collect the contractual cash flows are subsequently measured at amortized cost using the effective interest rate method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Hydro's financial assets at amortized cost include cash and cash equivalents, restricted cash, short-term investments, trade and other receivables, sinking fund investments, long-term receivables and long-term investments with the exception of reserve fund investments.

Financial Assets at FVTOCI

Financial assets measured at FVTOCI are those that have contractual cash flows arising on specific dates, consisting solely of principal and interest, and that are held within a business model whose objective is to collect the contractual cash flows and to sell the financial asset. Any change in the carrying amount of these assets other than foreign exchange gains and losses, impairment gains and losses, and interest income are recognized in other comprehensive income accumulated in the fair value reserve. When these assets are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

Hydro's financial assets measured at FVTOCI include reserve fund investments.

Financial Assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

Hydro's financial assets measured at FVTPL include derivative instruments not part of a designated hedging relationship.

Financial Liabilities at Amortized Cost

Hydro subsequently measures all financial liabilities at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liability is derecognized.

Hydro's financial liabilities at amortized cost include trade and other payables, short-term borrowings, long-term debt, long-term payables, and Class B limited partnership units.

Financial Liabilities at FVTPL

Financial liabilities that do not meet the criteria for being measured at amortized cost are measured at FVTPL. Financial liabilities at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

Hydro's financial liabilities measured at FVTPL include derivative instruments not part of a designated hedging relationship.

Derecognition of Financial Instruments

Hydro derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. Hydro derecognizes financial liabilities when, and only when, its obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration

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paid and payable is recognized in profit or loss.

Impairment of Financial Assets

Hydro recognizes a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortized cost or at FVTOCI. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Hydro always recognizes lifetime ECL for trade and other receivables. The ECL on these financial assets are estimated based on Hydro's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Hydro also records the 12-month ECL for those financial assets which have low credit risk and where the low credit risk exemption has been applied. The classes of financial assets that have been identified to have low credit risk are cash and cash equivalents, restricted cash, short-term investments, long-term investments, sinking funds and the reserve fund.

For all other financial instruments, Hydro recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, Hydro measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, the 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Hedges

Hydro may choose to designate derivative instruments as hedges and apply hedge accounting if there is an economic relationship between the hedged item and the hedging instrument; the effect of credit risk does not dominate the value changes that result from that economic relationship; and the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that Hydro actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. Hydro formally documents all hedges and the related risk management objectives at the inception of the hedge. Derivative instruments that have been designated and qualify for hedge accounting are classified as either cash flow or fair value hedges.

The effective portion of the gain or loss on a cash flow hedging instrument is recognized directly in Other comprehensive income (loss), while any ineffective portion is recognized immediately in the Consolidated Statement of Profit and Comprehensive Income for the period in Other expense (income). Amounts recognized in other comprehensive income are transferred to the Consolidated Statement of Profit and Comprehensive Income for the period when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs.

2.19 Government Grants

Government grants are recognized when there is reasonable assurance that Hydro will comply with the associated conditions and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which Hydro recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that Hydro should purchase, construct or otherwise acquire non-current assets are recognized as deferred credits in the Consolidated Statement of Financial Position and transferred to the Consolidated Statement of Profit and Comprehensive Income on a systematic and rational basis over the useful lives of the related assets.

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Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to Hydro with no future related costs are recognized in the Consolidated Statement of Profit and Comprehensive Income in the period in which they become receivable.

2.20 Regulatory Deferrals

Hydro's revenues from its electrical sales to most customers within the Province are subject to rate regulation by the PUB. Hydro's borrowing and capital expenditure programs are also subject to review and approval by the PUB. Rates are set through periodic general rate applications utilizing a cost of service methodology. Hydro's rate of return on rate base approved in Board Order No. P.U. 30 (2019) is 5.45% in 2025 and 5.43% in 2024. Hydro applies various regulator approved accounting policies that differ from enterprises that do not operate in a rate regulated environment. Generally, these policies result in the deferral and amortization of costs or credits which are expected to be recovered or refunded in future rates. In the absence of rate regulation, these amounts would be included in the determination of profit or loss in the year the amounts are incurred. The effects of rate regulation on the financial statements are disclosed in Note 11.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements in conformity with IFRS® Accounting Standards requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ materially from these estimates, including changes as a result of future decisions made by the PUB. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is reviewed if the revision affects only that period or future periods.

3.1 Use of Judgments

(i) Asset Impairment and Reversals

Hydro applies judgment in evaluating impairment and impairment reversal indicators based on various internal and external factors.

The recoverable amount of a CGU or asset is determined based on the higher of fair value less costs of disposal and its value in use. For example, with respect to petroleum and natural gas properties, Management uses factors including expected future oil and gas prices, reserves from third party specialists and discount rates to determine the recoverable amount, as well as judgments regarding the occurrence of future events. Changes in these factors will affect the recoverable amount of CGUs and assets, which may result in a material adjustment to their carrying value and volatility in the Consolidated Statement of Profit and Comprehensive Income.

(ii) Property, Plant and Equipment

Hydro's accounting policy relating to property, plant and equipment is described in Note 2.6. In applying this policy, judgment is used in determining whether certain costs are additions to the carrying amount of the property, plant and equipment as opposed to repairs and maintenance. If an asset has been developed, judgment is required to identify the point at which the asset is capable of being used as intended and to identify the directly attributable borrowing costs to be included in the carrying value of the development asset. Judgment is also used in determining the appropriate componentization structure for Hydro's property, plant and equipment.

(iii) Revenue

Management exercises judgment in estimating the value of electricity consumed by retail customers in the period but billed subsequent to the end of the reporting period. Specifically, this involves an estimate of consumption for each retail customer, based on the customer's past consumption history.

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In addition, when recognizing deferrals and related amortization of costs or credits in Hydro Regulated, Management assumes that such costs or credits will be recovered or refunded through customer rates in future years. Recovery of some of these deferrals is subject to a future PUB order. As such, there is a risk that some or all of the regulatory deferrals will not be approved by the PUB which could have a material impact on Hydro Regulated's profit or loss in the year the order is received.

(iv) Functional Currency

Functional currency was determined by evaluating the primary economic environment in which Hydro operates. As Hydro enters into transactions in multiple currencies, judgment is used in determining the functional currency. Management considered factors regarding currency of sales, costs incurred, and operating and financing activities and determined the functional currency to be CAD.

(v) Determination of CGUs

Hydro's accounting policy relating to impairment of non-financial assets is described in Note 2.9. In applying this policy, Hydro groups assets into the smallest identifiable groups for which cash flows are largely independent of the cash flows from other assets or groups of assets. Judgment is used in determining the level at which cash flows are largely independent of other assets or groups of assets.

(vi) Discount Rates

Certain of Hydro's financial liabilities are discounted using discount rates that are subject to Management's judgment.

(vii) Consolidation

Management applies its judgment when determining whether to consolidate structured entities in accordance with the criteria outlined in IFRS 10 and when applying the criteria outlined in IFRS 11 to determine whether joint arrangements constitute joint ventures or joint operations.

(viii) Regulatory adjustments

Regulatory assets and liabilities recorded in Hydro arise due to the rate setting process for regulated utilities governed by the PUB. The amounts relate to costs or credits which Management believes will be recovered or settled through customer rates in future periods, pursuant to the proceedings and outcomes of future PUB orders. Certain estimates are necessary since the regulatory environment often requires amounts to be recognized at estimated values until these amounts are finalized pursuant to regulatory decisions or other regulatory proceedings. The final amounts approved by the PUB for deferral as regulatory assets and liabilities and the approved recovery or settlement periods may differ from those originally expected. Any resulting adjustments to original estimates could have a material impact and are recognized in profit or loss in the period in which they become known.

3.2 Use of Estimates

(i) Property, Plant and Equipment and Intangible Assets

Amounts recorded for depreciation and amortization are based on the useful lives of Hydro's assets. The useful lives of property, plant and equipment and intangible assets are determined by independent specialists and reviewed annually by Hydro. These useful lives are Management's best estimate of the service lives of these assets. Changes to these lives could materially affect the amount of depreciation and amortization recorded.

(ii) Oil and Natural Gas Reserves

Oil and natural gas reserves are evaluated by independent reserve engineers. Reserve estimates are used in calculating depletion, impairment and decommissioning liabilities. Estimates of recoverable reserves are based upon variable factors and assumptions regarding historical production, production rates, ultimate reserve recovery, marketability of petroleum and natural gas, and timing and amount of future cash expenditures. Changes to these amounts could materially affect these calculations.

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(iii) Decommissioning Liabilities

Hydro recognizes a liability for the fair value of the future expenditures required to settle obligations associated with the retirement of property, plant and equipment. Decommissioning liabilities are recorded as a liability at fair value, with a corresponding increase to property, plant and equipment. Accretion of decommissioning liabilities is included in the Consolidated Statement of Profit and Comprehensive Income through net finance expense. Differences between the recorded decommissioning liabilities and the actual decommissioning costs incurred are recorded as a gain or loss in the settlement period.

(iv) Employee Future Benefits

Hydro provides group life insurance and health care benefits on a cost-shared basis to retired employees, in addition to a severance payment upon retirement. The expected cost of providing these other employee benefits is accounted for on an accrual basis and has been actuarially determined using the projected unit credit method prorated on service, and Management's best estimate of salary escalation, retirement ages of employees, and expected health care costs.

4. CURRENT AND FUTURE CHANGES IN ACCOUNTING POLICIES

The following is a list of applicable standards/amendments that have been issued and are effective for accounting periods commencing on or after January 1, 2025, as specified.

- *Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosure - Amendments to the Classification and Measurement of Financial Instruments*¹
- *Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosure - Contracts Referencing Nature-dependent Electricity*¹
- *IFRS 18 – Presentation and Disclosures in Financial Statements*²

¹ Effective for annual periods beginning on or after January 1, 2026, with earlier application permitted.

² Effective for annual periods beginning on or after January 1, 2027, with earlier application permitted.

4.1 Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosure - Amendments to the Classification and Measurement of Financial Instruments

The IASB issued amendments to IFRS 9 and IFRS 7 to provide clarification and enhancement on classification and measurement of financial instruments. The amendments permit an entity to deem a financial liability or part of a financial liability that is settled using an electronic payment system to be discharged and derecognized before the settlement date if specified criteria are met. The amendments also provide guidance on how an entity should assess whether contractual cash flows of a financial asset are consistent with a basic lending arrangement, enhance the description of the term 'non-recourse', and clarify the characteristics of contractually linked instruments that distinguish them from other transactions. Furthermore, the amendments add new disclosure requirements for investments in equity instruments designated at FVTOCI and contractual terms that could change the timing or amount of contractual cash flows. The amendments are required to be applied retrospectively. The application of these amendments will not have a material impact on Hydro's financial statements.

4.2 Amendments to IFRS 9 - Financial Instruments and IFRS 7 - Financial Instruments: Disclosure - Contracts Referencing Nature-dependent Electricity

The IASB issued amendments to IFRS 9 and IFRS 7 to provide a reasonable basis for an entity to determine the required accounting for contracts referencing nature-dependent electricity which are often structured as power purchase agreements. The amendments include clarifying the application of the 'own-use' requirements, permitting hedge accounting if these contracts are used as hedging instruments, and adding new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows. The amendments are applied retrospectively upon adoption. The application of these amendments will not have a material impact on Hydro's financial statements.

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4.3 IFRS 18 – Presentation and Disclosures in Financial Statements

IFRS 18 replaces IAS 1, carrying forward many of the requirements of IAS 1 unchanged and introducing new requirements to present specified categories and defined subtotals in the statement of profit or loss. As well, entities will be required to provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation. In addition, some IAS 1 paragraphs have been moved to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors and IFRS 7. Furthermore, the IASB has made minor amendments to IAS 7 – Statement of Cash Flows.

An entity is required to apply IFRS 18 for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. The amendments to IAS 7, as well as the revised IAS 8 and IFRS 7, become effective when an entity applies IFRS 18. IFRS 18 requires retrospective application with specific transition provisions. Management is currently assessing the impact on Hydro's financial statements and expects adoption of the standard to result in significant changes to presentation and disclosure, especially as it relates to the presentation of the Consolidated Statement of Profit and Comprehensive Income.

5. CASH AND CASH EQUIVALENTS

As at December 31, 2025 and 2024, cash and cash equivalents consisted entirely of cash.

6. TRADE AND OTHER RECEIVABLES

<i>As at December 31 (millions of Canadian dollars)</i>	2025	2024
Trade receivables	265	234
Other receivables (a)	54	55
Loss allowance	(31)	(30)
	288	259

(a) Other receivables are comprised primarily of harmonized sales tax as well as bank interest and advances.

<i>As at December 31 (millions of Canadian dollars)</i>	2025	2024
0-60 days	286	256
60+ days	2	3
	288	259

<i>As at December 31 (millions of Canadian dollars)</i>	2025	2024
Loss allowance, beginning of the year	(30)	(29)
Change in balance during the year	(1)	(1)
Loss allowance, end of the year	(31)	(30)

7. INVENTORIES

<i>As at December 31 (millions of Canadian dollars)</i>	2025	2024
Materials and other	97	92
Fuel	49	59
Crude oil	5	4
	151	155

The amount of inventory recognized as an expense during the year was \$183.3 million (2024 - \$181.6 million) and is included in fuels, operating costs and other expense.

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8. PROPERTY, PLANT AND EQUIPMENT

<i>(millions of Canadian dollars)</i>	Generation Plant	Transmission and Distribution	Petroleum and Natural Gas Properties	Other	Assets Under Development	Total
Cost						
Balance as at January 1, 2024	8,659	9,359	1,650	650	197	20,515
Additions	1	-	92	-	276	369
Disposals	(21)	(16)	-	(10)	(1)	(48)
Transfers	132	93	-	50	(275)	-
Decommissioning liabilities and revisions	1	-	-	-	-	1
Other adjustments	(4)	-	-	-	2	(2)
Balance as at December 31, 2024	8,768	9,436	1,742	690	199	20,835
Additions	4	3	86	-	391	484
Disposals	(30)	(3)	-	(7)	-	(40)
Transfers	177	120	-	48	(346)	(1)
Decommissioning liabilities and revisions	6	-	8	-	-	14
Other adjustments	-	(1)	-	-	-	(1)
Balance as at December 31, 2025	8,925	9,555	1,836	731	244	21,291
Depreciation, depletion and impairment						
Balance as at January 1, 2024	857	532	907	243	55	2,594
Depreciation and depletion	131	179	53	18	-	381
Disposals	(13)	(1)	-	(9)	-	(23)
Other adjustments	-	-	14	-	-	14
Impairment expense	1	-	20	-	-	21
Balance as at December 31, 2024	976	710	994	252	55	2,987
Depreciation and depletion	137	182	72	17	-	408
Disposals	(15)	-	-	(6)	-	(21)
Impairment expense	-	-	20	-	-	20
Balance as at December 31, 2025	1,098	892	1,086	263	55	3,394
Carrying value						
Balance as at January 1, 2024	7,802	8,827	743	407	142	17,921
Balance as at December 31, 2024	7,792	8,726	748	438	144	17,848
Balance as at December 31, 2025	7,827	8,663	750	468	189	17,897

Capitalized interest for the year ended December 31, 2025 was \$3.4 million (2024 - \$2.0 million) related to Assets Under Development.

On a quarterly basis, the Company assesses its Cash Generating Units (CGUs) for indicators that events or changes in circumstances may have impacted the recoverable amount of the associated assets. The Company determines the recoverable amount of its CGUs using value in use, which is estimated using discounted future cash flows based on forecasted oil prices, forecasted remaining reserves, forecasted future operating and capital costs and a discount rate derived from post-tax weighted average cost of capital, adjusted to reflect specific risks to the CGUs. For the year ended December 31, 2025, the Company recognized an impairment expense of \$20.4 million (2024 - impairment expense of \$19.6 million). The impairment expense is related to the White Rose Extension due to the decrease in oil and gas price forecasts and revised cash flow estimates, updated for changes in market conditions and maturing of field lives and reserves.

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9. INTANGIBLE ASSETS

<i>(millions of Canadian dollars)</i>	Computer Software	Assets Under Development	Total
Cost			
Balance as at January 1, 2024	102	12	114
Additions	-	3	3
Transfers	4	(4)	-
Balance as at December 31, 2024	106	11	117
Additions	1	2	3
Disposals	(1)	-	(1)
Transfers	1	-	1
Balance as at December 31, 2025	107	13	120
Amortization			
Balance as at January 1, 2024	39	-	39
Amortization	9	1	10
Disposals	-	3	3
Balance as at December 31, 2024	48	4	52
Amortization	10	-	10
Disposals	(1)	-	(1)
Balance as at December 31, 2025	57	4	61
Carrying value			
Balance as at January 1, 2024	63	12	75
Balance as at December 31, 2024	58	7	65
Balance as at December 31, 2025	50	9	59

10. INVESTMENTS

<i>As at December 31 (millions of Canadian dollars)</i>		2025	2024
Investments	(a)	156	199
Sinking Funds	(b)	247	245
Reserve Fund	(c)	50	50
Total investments		453	494
Less: amounts maturing within the next year, classified as short-term		(176)	(77)
		277	417

<i>(a) As at December 31 (millions of Canadian dollars)</i>	Year of Maturity	2025	2024
Muskrat Falls/Labrador Transco			
Amortizing Fixed Rate Deposit Notes with interest paid at a rate of 3.75% per annum.	2026-2029	156	199
Less: redemptions to be received within the next year, classified as short-term		(44)	(43)
		112	156

On March 31, 2022, Muskrat Falls and Labrador Transco jointly purchased structured deposit notes using the proceeds from issued long-term debt. The investments are restricted in nature and subject to the provisions contained within the MF/LTA PFA.

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- (b) As at December 31, 2025, sinking funds include \$214.0 million (2024 - \$211.2 million) related to repayment of Hydro's long-term debt and \$32.6 million (2024 - \$33.5 million) related to funding of Hydro's long-term payable under the Upper Churchill Redress Agreement (UCRA). Sinking fund investments consist of bonds, debentures, short-term borrowings and coupons issued by, or guaranteed by, the Government of Canada, provincial governments or Schedule 1 banks, and have maturity dates ranging from 2026 to 2041.

Hydro debentures, which are intended to be held to maturity, are deducted from debt while all other sinking fund investments are shown separately on the Consolidated Statement of Financial Position as assets. Annual contributions to the various sinking funds are in accordance with bond indenture terms and are structured to ensure the availability of adequate funds at the time of expected bond redemption. Effective yields range from 1.42% to 6.25% (2024 - 1.42% to 6.82%).

LIL LP, Muskrat Falls and Labrador Transco are required to contribute to sinking funds as part of the federal loan guarantee on Tranche A, B and C debentures for LIL LP, and Tranche B, C and U debentures for Muskrat Falls and Labrador Transco. Sinking fund instalments commence in 2029 for Muskrat Falls and Labrador Transco.

The movements in sinking funds for the year are as follows:

<i>As at December 31 (millions of Canadian dollars)</i>	2025	2024
Sinking funds, beginning of the year	245	240
Contributions	7	7
Earnings	17	17
Disposals and maturities	(2)	(2)
Change in sinking fund investments in own debentures	(20)	(17)
Sinking funds, end of the year	247	245
Less: amounts classified as short-term	(115)	(22)
	132	223

Sinking fund instalments due over the next five years are as follows:

<i>(millions of Canadian dollars)</i>	2026	2027	2028	2029	3030
Sinking fund instalments	72	72	72	72	72

- (c) Under the Shareholders' Agreement, Churchill Falls is required to maintain a \$75.0 million segregated reserve fund to contribute towards the funding of capital expenditures related to Churchill Falls' existing facilities and their replacement.

This fund must remain in place until the end of the Shareholders' Agreement in 2041. Any amounts removed to fund capital expenditures must be replaced. Reserve fund holdings consist of securities issued by the Government of Canada, various provinces of Canada and Schedule 1 and 2 Canadian Chartered Banks.

The movement in Hydro's proportionate share of the reserve fund for the year is as follows:

<i>As at December 31 (millions of Canadian dollars)</i>	2025	2024
Reserve fund, beginning of the year	50	50
Investment income withdrawn	(2)	(2)
Mark-to-market adjustment	2	2
Reserve fund, end of the year	50	50
Less: amounts classified as short-term	(17)	(12)
	33	38

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11. REGULATORY DEFERRALS

<i>(millions of Canadian dollars)</i>		January 1 2025	Reclass & Disposition	Regulatory Activity	December 31 2025
Regulatory asset deferrals					
Power purchase expense recognition	(a)	726	-	422	1,148
Supply cost variance deferral account	(b)	532	(6)	(176)	350
Retirement asset pool	(c)	46	-	18	64
Muskrat Falls PPA monetization	(d)	74	-	(25)	49
Foreign exchange losses ¹	(e)	37	-	(2)	35
Muskrat Falls PPA sustaining capital	(f)	16	-	6	22
Business system transformation program	(g)	11	-	2	13
Rate stabilization plan (RSP)	(h)	31	6	(25)	12
Deferred energy conservation costs	(i)	8	-	1	9
Supply deferral	(j)	6	(6)	6	6
General expenses capitalized deferral account	(k)	-	-	6	6
Other		6	-	1	7
Rate mitigation funding revenue recognition	(l)	-	(704)	704	-
		1,493	(710)	938	1,721
Regulatory liability deferrals					
Removal provision	(m)	(27)	-	(4)	(31)
Holyrood thermal generating station (TGS) accelerated depreciation deferral account	(n)	(14)	-	-	(14)
Insurance amortization and proceeds	(o)	(4)	-	-	(4)
Other		(7)	6	-	(1)
		(52)	6	(4)	(50)

¹ Remaining recovery settlement period of 16.0 years.

11.1 Regulatory Adjustments Recorded in the Consolidated Statement of Profit and Comprehensive Income

<i>For the year ended December 31 (millions of Canadian dollars)</i>		2025	2024
Rate mitigation funding revenue recognition	(l)	(704)	(240)
Power purchase expense recognition	(a)	(422)	(286)
Supply cost variance deferral account	(b)	176	(261)
Muskrat Falls PPA monetization	(d)	25	(61)
RSP	(h)	25	28
Retirement asset pool	(c)	(18)	(6)
Muskrat Falls PPA sustaining capital	(f)	(6)	(11)
Supply deferral	(j)	(6)	(6)
General expenses capitalized deferral account	(k)	(6)	-
Removal provision	(m)	4	4
Holyrood TGS accelerated depreciation deferral account	(n)	-	4
Other	(e,g,i,o)	(3)	(1)
		(935)	(836)

The following section describes Hydro's regulatory assets and liabilities which will be, or are expected to be, reflected in customer rates in future periods and have been established through the rate setting process. In the absence of rate regulation, these amounts would be reflected in operating results in the year and profit for 2025 would have decreased by \$935.2 million (2024 - \$836.2 million).

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11.(a) Power Purchase Expense Recognition

In Board Order No's. P.U. 9 (2021) and P.U. 33 (2021), the PUB approved Hydro's proposal to deviate from IFRS to allow recognition of expenses related to the purchase of energy in accordance with the commercial terms of the Muskrat Falls Power Purchase Agreement and Labrador-Island Link Transmission Funding Agreement (TFA). For the year ended December 31, 2025, IFRS power purchase expenses were \$421.7 million (2024 - \$286.2 million) higher than commercial payments which resulted in a total regulatory asset of \$1.1 billion (2024 - \$726.5 million). Costs associated with the contract payments made under the Muskrat Falls PPA and Labrador-Island Link TFA for the year were \$772.7 million (2024 - \$710.6 million).

11.(b) Supply Cost Variance Deferral Account

In Board Order No's. P.U. 33 (2021) and P.U. 4 (2022), the PUB approved Hydro's proposal to establish an account to defer payments under the Muskrat Falls Project agreements, rate mitigation funding, project cost recovery from customers and supply cost variances.

On May 16, 2024, the Province announced the finalization of its Rate Mitigation Plan. The Plan ensures domestic rate increases, for customers subject to Island Interconnected System rates, attributable to Hydro's costs are targeted at 2.25% per year up to and including 2030. The Plan also requires that any additional rate mitigation funding required to mitigate Lower Churchill costs for the period up to and including 2030 to come from Hydro's own sources to the extent possible. The Province has also directed Hydro to retire the ending 2023 Supply Cost Variance Deferral Account (SCVDA) balance of \$271.3 million over the 2024-2026 period. As described in Note 28, Hydro Regulated applied \$704.4 million (2024 - \$240.3 million) of rate mitigation funding from internal sources to reduce the balance in the SCVDA.

In Board Order No. P.U. 21 (2025), the PUB approved the transfer of the \$5.7 million credit balance, as of December 31, 2023, in the Hydraulic Resources Optimization Deferral Account (included in "Other" in Regulatory liability deferrals) to the SCVDA. The transfer, along with the rate mitigation funding offset by normal activity of the SCVDA of \$528.8 million (2024 - \$500.8 million) resulted in a net decrease in the account of \$181.3 million (2024 - \$260.4 million increase). The total balance owing from customers at December 31, 2025 is \$350.4 million (2024 - \$531.7 million).

11.(c) Retirement Asset Pool

In Board Order No. P.U. 30 (2019), the Board approved Hydro's proposed depreciation methodology which includes the deferral of gains and losses on retirement of assets. The deferral will be recovered through future depreciation expense. In 2025, Hydro deferred \$17.5 million (2024 - \$5.8 million) of asset retirement activity resulting in a total balance of \$63.4 million (2024 - \$45.9 million).

11.(d) Muskrat Falls PPA Monetization

Under the Muskrat Falls PPA, 30 days following the calendar year end Hydro is able to monetize an amount of undelivered Schedule II energy at an Annual Average Sales Price of Muskrat Falls energy exports for the previous year. In Board Order No's. P.U. 33 (2021) and P.U. 4 (2022), the Board approved Hydro's proposal to recognize an estimate of the monetized energy in the year in which the energy was exported by Muskrat Falls, instead of waiting until Hydro can monetize in the following year. On December 31, 2025, Hydro recorded an estimate for monetization related to the 2025 undelivered Schedule II energy of \$48.8 million, resulting in a regulatory receivable. The December 31, 2024 monetization of \$73.8 million was reversed upon actual monetization in 2025 of \$73.8 million.

11.(e) Foreign Exchange Losses

In 2002, the PUB ordered Hydro to defer realized foreign exchange losses related to the issuance of Swiss Franc and Japanese Yen denominated debt and amortize the balance over a 40 year period. Accordingly, these costs were recognized as a regulatory asset. During 2025, amortization expense of \$2.2 million (2024 - \$2.2 million) was recorded.

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11.(f) Muskrat Falls PPA Sustaining Capital

In Board Order No. P.U. 33 (2021), the PUB approved Hydro's proposal to defer contributions required to be made by Hydro for sustaining capital investments pursuant to the Muskrat Falls PPA with recovery to be addressed in Hydro's next general rate application. In 2025, Hydro has deferred \$6.3 million (2024 - \$11.0 million) in contribution activity resulting in a total balance of \$22.2 million (2024 - \$15.9 million).

11.(g) Business System Transformation Program

In Board Order No.'s P.U. 23 (2019) and P.U. 30 (2019), the Board approved the deferral of business system transformation program costs. The recovery of the deferral is subject to a future Board order. In Board Order No. P.U. 27, (2022), the Board approved the recovery of a portion of the deferred costs up to the end of 2022, which totalled \$6.7 million, through customer rates to be established in Hydro's next general rate application. During the year, Hydro deferred \$1.5 million (2024 - \$1.5 million), resulting in a total deferral of \$12.2 million (2024 - \$10.7 million).

11.(h) RSP

In 1986, the PUB ordered Hydro to implement the RSP which primarily provides for the deferral of fuel expense variances resulting from changes in fuel prices, hydrology, load and associated interest. Adjustments required in utility rates to cover the amortization of the balance are implemented on July 1 of each year. Similar adjustments required in industrial rates are implemented on January 1 of each year.

Per Board Order No. P.U. 33 (2021) and Hydro's compliance filing, the RSP was discontinued for purposes of deferring variations in hydraulic production, No. 6 fuel and load as at October 31, 2021. The Board ordered that the RSP should be maintained to provide timely recovery of the remaining balance which results in the continuation of recovery and interest charges and, in 2025, Hydro recovered \$26.1 million (2024 - \$30.2 million) from customers and recorded \$1.2 million in interest for future recovery from customers (2024 - \$2.2 million). As well, Board Order No. P.U. 13 (2025) approved the recovery of the 2024 Isolated Systems Supply Cost Variance Deferral from the RSP Current Plan resulting in an increase to the RSP of \$6.5 million (2024 - \$11.6 million). This activity resulted in a remaining balance for future recovery from customers of \$12.6 million (2024 - \$31.0 million).

11.(i) Deferred Energy Conservation Costs

In 2025, Hydro deferred \$1.7 million (2024 - \$1.4 million) in Energy Conservation Costs associated with an electrical conservation demand management program for residential, industrial, and commercial sectors. As per Board Order No. P.U. 22 (2017) and Board Order No. P.U. 37 (2022), Hydro recovered \$1.1 million (2024 - \$0.9 million) of the balance through a rate rider which resulted in a total deferred balance of \$8.4 million (2024 - \$7.8 million).

11.(j) Supply Deferral

During 2025, Hydro deferred costs of \$6.3 million (2024 - \$5.6 million) and per Board order No. P.U. 13 (2025), recorded the disposal of the 2024 Isolated Systems Supply Cost Variance Deferral balance of \$6.7 million (2024 - \$11.6 million) with \$6.5 million recovered from the current RSP Plan. This activity resulted in a balance receivable from customers of \$6.3 million (2024 - \$6.7 million).

11.(k) General Expenses Capitalized Deferral Account (GEC)

In Board Order No. P.U. 32 (2025), the PUB approved Hydro's proposal to establish an account to defer the portion of labour expenses which are directly attributable to Hydro's capital program but cannot, based on their general nature, be assigned to a specific capital project. In 2025, Hydro deferred \$6.3 million as a regulatory asset relating to GEC costs incurred (2024 - \$nil).

11.(l) Rate Mitigation Funding Revenue Recognition

Upon amalgamation, as described in Note 2.3, rate mitigation funding from internally generated funds no longer qualifies as revenue for Hydro Regulated under IFRS Accounting Standards. In Board Order No. P.U. 34 (2025), effective January 1, 2025, the PUB approved Hydro Regulated's accounting of rate mitigation funding as revenue, consistent with the treatment prior to amalgamation. Accordingly, Hydro Regulated recognized \$704.4 million in rate mitigation funding received from Hydro Non-Regulated as revenue for regulatory purposes and deferred this

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in the SCVDA (2024 - \$240.3 million). Please refer to Note 11(b) for further information.

11.(m) Removal Provision

In Board Order No. P.U. 30 (2019), the Board approved Hydro's proposed depreciation methodology which includes the provision for removal costs. Hydro recorded a net increase to the provision relating to 2025 activity of \$3.8 million (2024 - \$4.1 million) resulting in a total balance of \$30.7 million (2024 - \$26.9 million). The increase was driven by removal depreciation of \$6.0 million (2024 - \$5.8 million) which was partially offset by removal costs of \$2.2 million (2024 - \$1.7 million).

11.(n) Holyrood TGS Accelerated Depreciation Deferral Account

In Board Order No's. P.U. 33 (2021) and P.U. 4 (2022), the PUB approved Hydro's proposal to establish an account to defer, for future recovery, any difference in excess of ±\$2.5 million, between the accelerated depreciation expense for Holyrood TGS in 2024 and 2025 and the accelerated depreciation expense included in the approved 2019 Test Year. For the year ended December 31, 2025, the Holyrood accelerated depreciation expense was within the ±\$2.5 million threshold (2024 - \$4.3 million) in comparison to the 2019 Test Year depreciation resulting in no change to the regulatory liability of \$14.1 million (2024 - \$14.1 million). The disposition of the balance of this account is subject to a future Board Order from the PUB.

11.(o) Insurance Amortization and Proceeds

Pursuant to Board Order No. P.U. 13 (2012), Hydro records net insurance proceeds against the capital costs and amortizes the balance over the life of the asset. Under IFRS, Hydro is required to recognize the insurance proceeds and corresponding amortization in regulatory liabilities. During 2025, Hydro recorded a net decrease of \$0.1 million (2024 - \$0.1 million) to the regulatory liability resulting in a balance of \$3.8 million (2024 - \$3.9 million). The decrease was driven by amortization of \$0.1 million (2024 - \$0.1 million).

12. TRADE AND OTHER PAYABLES

<i>As at December 31 (millions of Canadian dollars)</i>	2025	2024
Trade payables and accruals	250	222
Other payables	97	84
Accrued interest payable	53	50
	400	356

13. OTHER CURRENT LIABILITIES

<i>As at December 31 (millions of Canadian dollars)</i>	Notes	2025	2024
Current portion of long-term payables	19(b)	18	18
Current portion of decommissioning liabilities	17	1	2
Current portion of deferred contributions	19(a)	2	2
Other		4	4
		25	26

14. DEBT

14.1 Short-term Borrowings

Hydro maintains a \$740.0 million committed revolving term credit facility with its banker with a maturity date of July 31, 2026. As at December 31, 2025 there was no balance drawn on this facility (2024 - \$290.0 million CORRA advance with a maturity date of January 2, 2025 bearing interest at a rate of 4.09%). A total of \$6.1 million of the borrowing limit has been used to issue letters of credit (2024 - \$6.3 million CAD equivalent to issue letters of credit).

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Hydro utilized its \$300.0 million government guaranteed promissory note program to fulfil its short-term funding requirements. As of December 31, 2025, there was \$250.0 million of promissory notes outstanding with a maturity date of January 2, 2026, bearing interest at a rate of 2.26% (2024 - \$300.0 million outstanding with a maturity date of January 2, 2025 bearing interest at rates ranging from 3.31% to 3.36%). Upon maturity, the promissory notes were reissued.

As a result of amalgamation, effective January 1, 2025 the level of short-term borrowings permitted by Hydro was \$1.0 billion. Effective January 1, 2026, the level reduced to \$800.0 million.

Churchill Falls maintains a \$10.0 million CAD or USD equivalent unsecured demand operating credit facility with its banker. There were no amounts drawn on this facility as at December 31, 2025 (2024 - \$nil). Churchill Falls has issued irrevocable letters of credit totalling \$2.0 million (2024 - \$2.0 million), \$1.0 million of which does not impact the borrowing limit of the operating facility (2024- \$1.0 million).

Oil and Gas maintains a \$40.0 million CAD or USD equivalent unsecured credit facility with its banker. As at December 31, 2025, there were no amounts drawn on this facility (2024 - \$nil). A total of \$17.1 million of the borrowing limit has been used to issue irrevocable letters of credit (2024 - \$16.4 million to issue irrevocable letters of credit) to ensure compliance with service agreements and regulations relating to petroleum and natural gas exploration and production activities.

Energy Marketing maintains a \$20.0 million CAD or USD equivalent demand operating credit facility with its banker, and as at December 31, 2025, there were no amounts drawn on this facility (2024 - \$nil). This facility has an unconditional and irrevocable guarantee from Hydro. Borrowings in CAD may take the form of Prime Rate Advances, and letters of credit. Borrowings in USD may take the form of Base Rate Advances and letters of credit. However, \$3.5 million CAD equivalent of the limit is used to issue irrevocable letters of credit (2024 - \$3.7 million CAD equivalent for irrevocable letters of credit).

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14.2 Long-term Debt

<i>As at December 31 (millions of Canadian dollars)</i>	Face Value	Coupon Rate %	Year of Issue	Year of Maturity	2025	2024
Hydro						
Y*	300	8.40	1996	2026	300	299
AB*	300	6.65	2001	2031	303	303
AD*	125	5.70	2003	2033	124	124
AF	500	3.60	2014/2017	2045	484	483
1A	600	3.70	2017/2018	2048	634	636
2A	300	1.75	2021	2030	293	291
3A*	300	4.60	2025	2055	297	-
LIL LP						
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 10	-	1.75	2017	2025	-	11
Tranche 11-20	95	1.90-2.37	2017	2026-2030	95	105
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
Labrador Transco/Muskrat Falls						
Tranche A*	650	3.63	2013	2029	650	650
Tranche B*	675	3.83	2013	2037	675	675
Tranche C*	1,275	3.86	2013	2048	1,275	1,275
Tranche 10	-	1.75	2017	2025	-	21
Tranche 11-20	203	1.90-2.37	2017	2026-2030	203	224
Tranche 21-30	253	2.41-2.64	2017	2030-2035	253	253
Tranche 31-40	288	2.66-2.80	2017	2035-2040	288	289
Tranche 41-50	331	2.81-2.86	2017	2040-2045	331	331
Tranche 51-60	381	2.84-2.86	2017	2045-2050	382	382
Tranche 61-64	168	2.85	2017	2050-2052	168	168
Tranche A-T	500	3.35-3.39	2022	2037-2047	500	500
Tranche U	500	3.38	2022	2057	500	500
LIL (2021) LP						
Convertible debenture	445	3.03	2023	2071	463	302
Total					11,429	11,063
Less: sinking fund investments in own debentures					(148)	(128)
					11,311	10,935
Less: repayment of debt due within one year					(296)	(70)
					11,015	10,865

*Sinking funds are required to be established for these issues.

With the exception of Series 1A, 2A and 3A, Hydro's promissory notes and debentures are unsecured and unconditionally guaranteed as to principal and interest and, where applicable, sinking fund payments, by the Province. Series 1A, 2A and 3A bonds were issued by the Province and lent to Hydro on the same terms and

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conditions. The Province charges Hydro a guarantee fee of 25 basis points annually on the total debt (net of sinking funds) with a remaining term to maturity of less than or equal to 10 years and 50 basis points annually on total debt (net of sinking funds) with a remaining term to maturity greater than 10 years for debt outstanding as of December 31, 2010. For debt issued subsequent to December 31, 2010, the guarantee rate is 25 basis points annually on the total debt (net of sinking funds) with an original term to maturity of less than or equal to 10 years and 50 basis points annually on total debt (net of sinking funds) with an original term to maturity greater than 10 years. The guarantee fee recorded for the year ended December 31, 2025 was \$9.0 million (2024 - \$8.9 million).

On November 21, 2025, the Province issued long-term debt with a face value of \$300.0 million, specifically on Hydro's behalf. The debt matures on October 17, 2055, has a coupon rate of 4.60% paid semi-annually, and a sinking fund contribution requirement of 1.5% paid annually.

On February 27, 2026, Hydro's \$300.0 million long-term debt, Series Y, matured. Sinking fund disposals and coupon payments received subsequent to year end in the amount of \$184.4 million were used to repay the Series Y maturity.

In July 2023, LIL (2021) LP and the Government of Canada executed an agreement which allows LIL (2021) LP access to a \$1.0 billion unsecured convertible debenture with compounding interest at 3.03%, maturing on December 31, 2071, with payments of principal and accrued interest starting in 2042. Under the terms of the agreement, the debenture is convertible into Class B Limited partnership units of LIL (2021) LP at the option of the holder at the earlier of the date in which the debenture is fully drawn and December 31, 2041. LIL (2021) LP received a drawing on the convertible debenture in 2025 amounting to \$150.0 million (2024 - \$150.0 million). Cumulative accrued interest on the convertible debenture as at December 31, 2025 is \$17.8 million (2024 - \$7.3 million) and is included in the life to date balance.

The LIL LP, Labrador Transco/Muskrat Falls funding benefits from a direct, absolute, unconditional and irrevocable guarantee from the Government of Canada, and thereby carries its full faith and credit (AAA rating or equivalent).

15. CLASS B LIMITED PARTNERSHIP UNITS

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Class B limited partnership units represent KKR ownership interest in LIL LP. As described in the Labrador-Island Link Partnership Agreement (Partnership Agreement), these units have certain rights and obligations, including mandatory distributions, that indicate that the substance of the units represent a financial liability and are measured at amortized cost using the effective interest rate method.

<i>As at December 31 (millions of Canadian dollars)</i>	Units	2025	Units	2024
Class B limited partnership units, beginning of the year	25	980	25	757
Contributions (a)	-	-	-	233
Distributions	-	(96)	-	(77)
Accrued interest	-	84	-	67
Class B limited partnership units, end of the year	25	968	25	980
Less: Maturities within one year		(95)		(95)
		873		885

(a) On November 25, 2024, KKR provided a contribution of \$233.1 million to LIL LP in order to adjust its proportionate share of investment in LIL LP in accordance with the Newfoundland and Labrador Development Agreement.

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16. DEFERRED CREDITS

Deferred credits primarily consist of deferred energy sales to Emera Inc. (Emera), deferred revenue related to Menihek assets for the sale of energy to Hydro-Québec, deferrals related to telecommunications services to be provided by Churchill Falls to Hydro-Québec and contributions from customers to complete interconnection studies.

<i>As at December 31, 2025 (millions of Canadian dollars)</i>	Deferred Energy Sales	Deferred Lease Revenue	Other	Total
Deferred credits, beginning of the year	1,531	78	23	1,632
Additions	28	31	1	60
Amortization	(94)	(3)	(2)	(99)
Deferred credits, end of the year	1,465	106	22	1,593
Less: current portion	(88)	(4)	(7)	(99)
	1,377	102	15	1,494

Hydro has recorded deferred energy sales of \$1,465.1 million (2024 - \$1,530.8 million) which represents Hydro's obligation to deliver the Nova Scotia Block to Emera in exchange for construction and operation and maintenance of the Maritime Link. Hydro has determined that it controls the Maritime Link asset for financial reporting purposes, and as such, has recorded the costs of construction within property, plant and equipment.

Included in other are deferred credits relating to Churchill Falls' obligation to provide required telecommunications services to Hydro-Québec in exchange for significant upgrades to the microwave telecommunications equipment linking the Churchill Falls Generating Station to Hydro-Québec's transmission system.

17. DECOMMISSIONING LIABILITIES

Hydro has recognized liabilities associated with the retirement of portions of the Holyrood TGS, disposal of Polychlorinated Biphenyls (PCB) and decommissioning liabilities resulting from its net ownership interests in petroleum and natural gas properties and related well sites.

The reconciliation of the beginning and ending carrying amounts of decommissioning liabilities as at December 31, 2025 and 2024 are as follows:

<i>As at December 31 (millions of Canadian dollars)</i>	Note	2025	2024
Decommissioning liabilities, beginning of the year		106	102
Accretion		5	5
Liabilities settled		(2)	(1)
Revisions		14	-
Decommissioning liabilities, end of the year		123	106
Less: current portion	13	(1)	(2)
		122	104

The total estimated undiscounted cash flows required to settle the Holyrood TGS obligations at December 31, 2025 are \$39.8 million (2024 - \$34.9 million). Payments to settle the liability are expected to occur between 2026 and 2031. The fair value of the decommissioning liabilities was determined using the present value of future cash flows discounted at Hydro's credit adjusted risk free rate of 3.2% (2024 - 3.4%). Hydro has recorded \$33.8 million (2024 - \$28.5 million) related to Holyrood TGS obligations.

Oil and Gas' decommissioning liabilities result from net ownership interests in petroleum and natural gas

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properties and related well sites. The total undiscounted estimated cash flows required to settle the obligations, including a rate of inflation of 2%, at December 31, 2025 are \$169.4 million (2024 - \$162.7 million). Payments to settle the liabilities are expected to occur between 2038 and 2040. The fair value of the decommissioning liabilities was determined using the present value of future cash flows discounted at rates ranging from 4.9% to 5.0% (2024 - 4.7% to 5.1%). Oil and Gas has recorded \$88.7 million (2024 - \$77.1 million) related to HSE, Hebron and White Rose.

A significant number of Hydro's assets include generation plants, transmission assets and distribution systems. These assets can continue to run indefinitely with ongoing maintenance activities. As it is expected that Hydro's assets will be used for an indefinite period, no removal date can be determined and consequently, a reasonable estimate of the fair value of any related decommissioning liability cannot be determined at this time. If it becomes possible to estimate the fair value of the cost of removing assets that Hydro is required to remove, a decommissioning liability for those assets will be recognized at that time.

18. EMPLOYEE FUTURE BENEFITS

18.1 Pension Plan

Employees participate in the Province's Public Service Pension Plan, a multi-employer defined benefit plan. The employer's contributions for the year ended December 31, 2025 of \$15.5 million (2024 - \$14.5 million) are expensed as incurred.

18.2 Other Benefits

Hydro provides group life insurance and health care benefits on a cost shared basis to retired employees, and in certain cases, their surviving spouses, in addition to a retirement allowance. In 2025, cash payments to for its unfunded other employee future benefits were \$4.8 million (2024 - \$3.9 million). An actuarial valuation was performed as at December 31, 2025.

<i>As at December 31 (millions of Canadian dollars)</i>	2025	2024
Accrued benefit obligation, beginning of the year	125	116
Current service cost	4	4
Interest cost	6	5
Benefits paid	(4)	(4)
Actuarial (gain) loss	(5)	4
	(a)	
Accrued benefit obligation, end of the year	126	125

(a) In addition, pursuant to Board Order No. P.U. 36 (2015), Hydro recorded \$2.0 million (2024 - \$1.0 million) of employee future benefits losses as a regulatory adjustment to decrease other comprehensive income and recognize the amount in profit or loss.

<i>For the year ended December 31 (millions of Canadian dollars)</i>	2025	2024
Component of benefit cost		
Current service cost	4	4
Interest cost	6	5
Total benefit expense for the year	10	9

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The significant actuarial assumptions used in measuring the accrued benefit obligations and benefit expenses are as follows:

	2025	2024
Discount rate - benefit cost	4.70%	4.65%
Discount rate - accrued benefit obligation	4.95%	4.70%
Rate of compensation increase	3.50%	3.50%

Assumed healthcare trend rates:

	2025	2024
Initial health care expense trend rate	5.70%	5.85%
Cost trend decline to	3.60%	3.60%
Current rate 5.7%, reducing linearly to 3.6% in 2040 and thereafter.		

A 1% change in assumed health care trend rates would have had the following effects:

<i>Increase (millions of Canadian dollars)</i>	2025	2024
Current service and interest cost	1.6	1.4
Accrued benefit obligation	15.7	16.3
	2025	2024
<i>Decrease (millions of Canadian dollars)</i>		
Current service and interest cost	(1.2)	(1.1)
Accrued benefit obligation	(12.5)	(12.9)

19. OTHER LONG-TERM LIABILITIES

<i>As at December 31 (millions of Canadian dollars)</i>		2025	2024
Deferred contributions	(a)	49	47
Long-term payables	(b)	36	37
Non-current lease liabilities		5	5
		90	89

(a) Deferred contributions:

<i>As at December 31 (millions of Canadian dollars)</i>	Note	2025	2024
Deferred contributions, beginning of the year		49	44
Additions		4	6
Amortization		(2)	(1)
Deferred contributions, end of the year		51	49
Less: current portion	13	(2)	(2)
		49	47

Hydro has received contributions in aid of construction of property, plant and equipment. These contributions are deferred and amortized to Other revenue over the life of the related property, plant and equipment asset.

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(b) Long-term payables:

<i>As at (millions of Canadian dollars)</i>	Note	2025	2024
Long-term payables, beginning of the year		55	60
Additions		-	6
Settlements		(18)	(20)
Accretion		2	2
Revisions		15	7
Long-term payables, end of the year		54	55
Less: current portion	13	(18)	(18)
		36	37

As at December 31, 2025, current portion of long-term payables primarily relates to payments owing to the Innu Nation under the IBA Amendment. Long-term payables primarily consist of a payable to the Innu Nation under the UCRA. Under the UCRA, Hydro is required to pay to the Innu Nation \$2.0 million annually, escalating by 2.5% annually until 2041. At December 31, 2025, \$2.8 million (2024 - \$2.8 million) of the amount is current and is recorded in Other current liabilities. Hydro has sinking funds in the amount of \$32.6 million (2024 - \$33.5 million) to fund these future obligations. The present value of the remaining payments using a discount rate of 3.8% (2024 - 4.5%) is \$35.3 million (2024 - \$36.4 million).

20. LEASES

Amounts recognized in the Consolidated Statement of Profit and Comprehensive Income

<i>For the year ended December 31 (millions of Canadian dollars)</i>		2025	2024
Variable lease payments not included in the measurement of leases	(a)	25	28

(a) Variable lease payments not included in the measurement of leases include payments made to the Province for power generated from assets which are owned by the Province. These variable lease payments are included in power purchased in the Consolidated Statement of Profit and Comprehensive Income.

21. SHAREHOLDER'S EQUITY

21.1 Share Capital

<i>As at December 31 (millions of Canadian dollars)</i>	2025	2024
Common shares of par value \$1 each		
Authorized - unlimited		
Issued and outstanding - 122,500,000	123	123

22. CAPITAL MANAGEMENT

Hydro's principal business requires ongoing access to capital in order to maintain assets to ensure the continued delivery of safe and reliable service to its customers. The company's primary objective when managing capital is to ensure ready access to capital at a reasonable cost, to minimize its cost of capital within the confines of established risk parameters, and to safeguard its ability to continue as a going concern.

The capital managed by Hydro is comprised of debt (long-term debentures, promissory notes, bank credit facilities and Class B limited partnership units) and equity (share capital, shareholder contributions, reserves and retained earnings).

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A summary of the consolidated capital structure is outlined below:

<i>As at December 31 (millions of Canadian dollars)</i>	2025		2024	
Debt				
Sinking funds (Hydro portion only)	(214)		(211)	
Short-term borrowings	250		590	
Current portion of long-term debt	296		70	
Long-term debt	11,015		10,865	
Current portion of Class B limited partnership units	95		95	
Class B limited partnership units	873		885	
Lease liabilities	5		5	
	12,320	60%	12,299	61%
Equity				
Share capital	123		123	
Shareholder contributions	4,859		4,859	
Reserves	(20)		(29)	
Retained earnings	3,100		2,985	
	8,062	40%	7,938	39%
	20,382	100%	20,237	100%

Hydro's approach to capital management encompasses various factors including monitoring the percentage of floating rate debt in the total debt portfolio, the weighted average term to maturity of its overall debt portfolio, its percentage of debt to debt plus equity, and its interest coverage.

For the regulated portion of Hydro's operations, Management targets a capital structure comprised of 75% debt and 25% equity, a ratio which Management believes to be optimal with respect to its cost of capital. This capital structure is maintained by a combination of dividend policy, shareholder contributions and debt issuance. The issuance of any new debt with a term greater than one year requires prior approval of the PUB. Hydro's committed credit facility has a covenant requiring Hydro to ensure that its consolidated debt to total capitalization ratio does not exceed 70%. As at December 31, 2025 and December 31, 2024, Hydro was in compliance with this covenant.

Legislation stipulates that the total of the short-term loans issued by Hydro and outstanding at any time shall not exceed a limit as fixed by the Lieutenant-Governor in Council. Short-term loans are defined as those with a term not exceeding two years. On December 15, 2023, the Lieutenant-Governor in Council issued Order in Council OC2023-272, increasing the permitted level of short-term borrowings by Hydro to \$700.0 million until December 31, 2025. The limit decreased to \$500.0 million effective January 1, 2026. With the amalgamation of Hydro and Nalcor Energy, effective January 1, 2025, the level of short-term borrowings permitted by Hydro was set to \$1.0 billion (previously \$700.0 million for Hydro and \$300.0 million for Nalcor Energy) until December 31, 2025. The limit decreased to \$800.0 million, effective January 1, 2026. As at December 31, 2025, \$250.0 million of short-term debt was outstanding (2024 - \$590.0 million).

The Hydro Corporation Act, 2024 (the Act) limits Hydro's total borrowings outstanding at any point in time (excluding Churchill Falls and Lower Churchill debt), which includes both short-term borrowings and long-term debt to \$3.2 billion.

Historically, Hydro addressed longer-term capital funding requirements by issuing government guaranteed long-term debt in the domestic capital markets. Since 2017, the Province has instead issued debt in the domestic capital markets, on Hydro's behalf, and in turn loans the funds to Hydro on a cost recovery basis. Any additional funding to address long-term capital funding requirements requires approval from the PUB.

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23. ENERGY SALES

<i>For the year ended December 31 (millions of Canadian dollars)</i>	2025	2024
Electricity sales	1,190	1,134
Petroleum and natural gas sales	308	240
Royalty expense	(78)	(25)
Total energy sales	1,420	1,349

24. OTHER REVENUE

<i>For the year ended December 31 (millions of Canadian dollars)</i>	2025	2024
Greenhouse Gas performance credit sales	16	20
Renewable energy credits	10	20
Lease revenue	17	15
Other	14	13
Total other revenue	57	68

25. OPERATING COSTS

<i>For the year ended December 31 (millions of Canadian dollars)</i>	2025	2024
Salaries and benefits	182	168
Maintenance and materials	86	85
Professional services	49	46
Impacts and Benefits agreement and amendment	14	35
Insurance	14	15
Travel and transportation	10	11
Other operating costs	1	6
Total operating costs	356	366

26. PRODUCTION, MARKETING AND TRANSPORTATION COSTS

Production, marketing and transportation costs include costs incurred related to the operating, processing and transportation of oil.

<i>For the year ended December 31 (millions of Canadian dollars)</i>	2025	2024
Project operating costs	20	30
Transportation and transshipment	9	8
Processing and marketing	2	1
Total production, marketing and transportation costs	31	39

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27. NET FINANCE EXPENSE

<i>For the year ended December 31 (millions of Canadian dollars)</i>	2025	2024
Finance income		
Interest on restricted cash	50	69
Interest on investments	24	25
Other interest income	27	43
	101	137
Finance expense		
Interest on long-term debt	404	399
Interest on Class B limited partnership units	82	67
Debt guarantee fee	9	9
Accretion	10	8
Other	16	23
	521	506
Interest capitalized during construction	(3)	(2)
	518	504
Net finance expense	417	367

28. RATE MITIGATION EXPENSE

As part of the Province's Rate Mitigation Plan which was finalized in May 2024, Hydro is directed by the Province to apply internal funds towards mitigating customer rates in Hydro Regulated. In 2022, Hydro, the Province and the Government of Canada signed term sheets enabling access to a \$1.0 billion investment by the Government of Canada in the LIL in the form of convertible debenture, for use for rate mitigation. Hydro has the ability to draw up to \$150.0 million a year on the convertible debenture funding.

A summary of the rate mitigation funding applied is noted in the table below:

<i>For the year ended December 31 (millions of Canadian dollars)</i>	2025	2024
Government directed rate mitigation funding	554	90
Convertible debt funds used for rate mitigation	150	150
Total rate mitigation expense	704	240

29. OTHER EXPENSE

<i>For the year ended December 31 (millions of Canadian dollars)</i>	2025	2024
Loss on disposal of property, plant and equipment	19	21
Rental and royalty	19	21
HSE Redetermination adjustment	-	(23)
Other	10	8
Total other expense	48	27

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

30.1 Fair Value

The estimated fair values of financial instruments as at December 31, 2025 and, December 31, 2024 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 Hydro might receive or incur in actual market transactions.

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As a significant number of Hydro'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 Hydro 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, Hydro 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 during the years ended December 31, 2025 and 2024.

	Level	Carrying Value December 31, 2025	Fair Value December 31, 2025	Carrying Value December 31, 2024	Fair Value December 31, 2024
<i>As at (millions of Canadian dollars)</i>					
Financial assets					
Sinking funds - investments in Hydro debt issue	2	148	148	128	129
Sinking funds - other investments	2	247	253	245	253
Investments, including short-term	2	156	159	199	200
Reserve fund	2	50	50	50	50
Financial liabilities					
Long-term debt including amount due within one year (before sinking funds)	2	11,458	10,300	11,063	10,331
Class B limited partnership units including amount due within one year	3	968	968	980	980
Long-term payables including amount due within one year	2	54	54	55	55

The fair value of cash and cash equivalents, restricted cash, trade and other receivables, short-term borrowings and trade and other payables approximates 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 and long-term debt are determined using observable inputs other than unadjusted quoted prices, such as interest rate yield curves and currency rates.

Level 3 financial instruments include Class B limited partnership units.

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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 December 31, 2025 is 8.9% (2024 - 8.7%) 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 the Class B limited partnership units given a one percent change in the discount rate while holding other variables constant:

<i>(millions of Canadian dollars)</i>	1% Increase	1% Decrease
Class B limited partnership units	(77.4)	74.7

30.2 Risk Management

Hydro 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 Hydro's expected future cash flows.

Credit Risk

Hydro'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 cash and cash equivalents, restricted cash, short-term investments and long-term investments, as well as from the sale of electricity to customers, including the associated accounts receivable, is determined by the financial capacity and stability of those customers and counterparties. The maximum exposure to credit risk on these financial instruments is represented by their carrying values on the Consolidated Statement of Financial Position at the reporting date.

Credit risk on cash and cash equivalents is considered to be minimal, as Hydro's cash deposits are held by a Schedule 1 Canadian Chartered bank with a rating of A+ (Standard and Poor's). Credit risk on restricted cash is considered to be minimal, as Hydro's restricted cash deposits are held by Schedule 1 Canadian Chartered banks with ratings of A+ (Standard and Poor's). Restricted cash also includes funds held in trust by solicitors of the Company. Credit risk on short-term investments is minimized by limiting holdings to high-quality, investment grade securities issued by the Federal and Provincial governments, as well as demand deposits, term deposits, commercial paper or structured deposits noted in Schedule 1 Canadian Chartered banks. The Financial Risk Management Policy as approved by the Board, also restricts the aggregate principal amount of permitted investments issued by a single Canadian Schedule 1 or 2 bank exceeding 30% of the total principal amount of all investments on a consolidated basis.

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Credit exposure on Hydro's sinking funds is limited by restricting the holdings to long-term debt instruments issued by the Government of Canada or any province of Canada, Crown corporations and Schedule 1 Canadian Chartered banks. The following credit risk table provides information on credit exposures according to issuer type and credit rating for the remainder of the sinking fund's portfolio:

	Issuer Credit Rating	Fair Value of Portfolio (%)	Issuer Credit Rating	Fair Value of Portfolio (%)
	2025		2024	
Federal government	AAA	0.98%	AAA	-
Provincial governments	AA- to AAA	3.40%	AA-to AAA	18.75%
Provincial governments	A- to A+	31.50%	A- to A+	19.34%
Provincially owned utilities	AA- to AAA	-	AA- to AAA	25.76%
Provincially owned utilities	A- to A+	64.12%	A- to A+	36.15%
		100.00%		100.00%

Credit exposure on the reserve fund is mitigated by adhering to an investment policy which restricts the holdings to long-term debt instruments issued or guaranteed by the Government of Canada or any province of Canada. Investments in the long-term debt instruments of Canadian banks are also permitted, provided the bank is rated A or higher by Standard and Poor's. With the exception of the Government of Canada, holdings of any one issuer are limited to 10.0% of the total principal amount of the portfolio. The following credit risk table provides information on credit exposures according to issuer type and credit rating for the reserve fund:

	Issuer Credit Rating	Fair Value of Portfolio (%)	Issuer Credit Rating	Fair Value of Portfolio (%)
	2025		2024	
Provincial governments	AA- to AAA	19.76%	AA- to AAA	31.17%
Provincially owned utilities	AA- to AAA	-	AA- to AAA	7.49%
Provincial governments	A- to A+	47.17%	A- to A+	29.63%
Provincially owned utilities	A- to A+	7.66%	A- to A+	3.30%
Schedule 1 Canadian banks	AA- to AAA-	5.30%	AA- to AAA-	9.50%
Schedule 1 Canadian banks	A- to A+	20.11%	A- to A+	18.91%
		100.00%		100.00%

Credit exposure on Hydro's long-term investments is considered to be limited as the investments are held by Schedule 1 Canadian Chartered banks and Provincially owned utilities with investment grade ratings of A or higher (Standard and Poor's). The following credit risk table provides information on long-term and short-term investment credit exposures according to issuer type and credit rating:

	Issuer Credit Rating	Fair Value of Portfolio (%)	Issuer Credit Rating	Fair Value of Portfolio (%)
	2025		2024	
Provincially owned utilities	A- to A+	0.13%	A- to A+	0.10%
Schedule 1 Canadian Banks	A- to A+	99.87%	A- to A+	99.90%
		100.00%		100.00%

Credit exposure on derivative assets is limited by a Financial Risk Management Policy as approved by the Board, which restricts available counterparties for hedge transactions to Schedule 1 Canadian Chartered banks and Federally Chartered US banks.

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Hydro does not have any significant amounts that are past due and uncollectable, for which a provision has not been recognized as at December 31, 2025.

Liquidity Risk

Hydro is exposed to liquidity risk with respect to its contractual obligations and financial liabilities, including any derivative liabilities related to hedging activities. Liquidity risk management is aimed at ensuring cash is available to meet those obligations as they become due.

Short-term liquidity for Hydro and its subsidiaries is mainly provided through cash and cash equivalents on hand, funds from operations, operating credit facilities which Hydro and its subsidiaries maintain with its banker and shareholder contributions. Hydro and its subsidiaries maintain operating credit facilities as described in note 14.

Liquidity risk for Muskrat Falls, Labrador Transco, and LIL LP is considered to be minimal due to reserve accounts held as instructed in the MF/LTA PFA as well as their commercial arrangements with related parties, which ultimately require Hydro to make payments which are absolute, unconditional and irrevocable until the financing has been paid in full.

Long-term liquidity risk for Hydro is managed by the issuance of a portfolio of debentures with maturity dates ranging from 2026 to 2055. Sinking funds have been established for these issues, with the exception of the issues maturing in 2030, 2045 and 2048. Churchill Falls, long-term liquidity risk is managed by maintenance of the reserve fund in accordance with the Shareholders' Agreement and a dividend management policy that meets long-term liquidity requirements associated with Churchill Falls' capital expenditure program.

Long-term liquidity is further supported through funding from Canada in the form of a \$1.0 billion convertible debenture for rate mitigation.

The following are contractual maturities of Hydro's financial liabilities, including principal and interest as at December 31, 2025:

<i>(millions of Canadian dollars)</i>	<1 Year	1-3 Years	3-5 Years	>5 Years	Total
Trade and other payables	400	-	-	-	400
Short-term borrowings	250	-	-	-	250
Long-term debt (including sinking funds, interest and guarantee fees)	654	1,049	2,084	14,655	18,442
Class B limited partnership units (including interest)	95	186	182	2,692	3,155
Long-term payables	17	4	3	30	54
	1,416	1,239	2,269	17,377	22,301

Market Risk

In the course of carrying out its operating, financing and investing activities, Hydro 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 Hydro has significant exposure include those relating to prevailing interest rates, foreign exchange rates, most notably USD/CAD, and current commodity prices, most notably the spot prices for oil, No. 6 fuel, diesel fuel and electricity and any potential new or revised tariffs.

Interest Rates

The impact of interest rates on the expected future cash outflows related to short-term borrowings and long-term debt are managed through Hydro's debt portfolio. The impact of changes in interest rates on net income and other comprehensive income associated with cash and short-term debt was negligible throughout 2025 due to the short

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time period to maturity. Hydro is not exposed to interest rate risk on its long-term debt as all of its long-term debt has fixed interest rates.

Foreign Exchange and Commodity Exposure

Hydro's primary exposure to both foreign exchange and commodity price risk arises from its purchases of fuel used in electricity generation, USD denominated electricity sales, capital purchases and the sale of crude oil. For the purchases of fuel used in electricity generation, these risks are mitigated through the operation of regulatory mechanisms. For the year ended December 31, 2024, total energy and Renewable energy certificates sales denominated in USD were \$130.2 million (2024 - \$99.8 million).

Hydro does not have significant exposure to fluctuations in foreign exchange with respect to its trade and other receivables and trade and other payables.

During 2025, total oil sales denominated in USD were \$220.7 million (2024 - \$175.9 million). Historically, cash flow variability related to commodity price exposure on USD denominated oil sales was mitigated through the use of fixed price commodity swaps and foreign exchange exposure on sales was partially offset by USD denominated capital expenditures and foreign exchange forward contracts. The Company has not entered into any new commodity price swaps or foreign exchange forward contracts since 2022, and the last contract matured in January 2024.

31. RELATED PARTY TRANSACTIONS

Hydro enters into various transactions with its shareholder 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 Hydro transacts are as follows:

Related Party	Relationship
The Province	100% shareholder of Hydro
Churchill Falls	Joint arrangement of Hydro
Hydro-Québec	34.2% shareholder of Churchill Falls
Oil and Gas Corporation of Newfoundland and Labrador	Wholly-owned subsidiary of the Province
Bull Arm Fabrication Inc.	Wholly-owned subsidiary of Oil and Gas Corporation of Newfoundland and Labrador
KKR Island Link Incorporation	Limited Partner holding 25 Class B limited partnership units of LIL LP
Board of Commissioners of Public Utilities	Agency of the Province

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

<i>As at December 31 (millions of Canadian dollars)</i>	2025	2024
Trade and other receivables:		
Other related parties	33	24
The Province	1	2
Trade and other payables:		
The Province (a,b,c,e)	58	61
Other current liabilities		
Other related parties	4	4
Long-term debt (including current portion):		
The Province	1,224	927

<i>For the year ended December 31 (millions of Canadian dollars)</i>	2025	2024
Energy sales:		
Other related parties	88	144
The Province (d)	(72)	(22)
Other revenue:		
Other related parties	1	1
Power purchased:		
The Province (c)	25	28
Operating costs (recoveries):		
Other related parties	4	4
The Province (c)	(25)	(24)
Net finance expense:		
The Province	38	36
Other expense:		
The Province (a,b)	19	21

- (a) Churchill Falls is required to pay the Province an annual rental of 8% of the consolidated net profits before income taxes and an annual royalty of \$0.50 per horsepower year generated, which is payable on an annual basis before March 31 of the following fiscal year.
- (b) Muskrat Falls is required to pay the Province a water rental fee based on megawatt hours of energy generated, which is payable on an annual basis, in the first quarter of the following fiscal year.
- (c) Hydro, as the operator of the Exploits assets, has a net payable to the Province which is included in Trade and other payables. For the year ended December 31, 2025, Hydro has purchased \$24.9 million (2024 - \$28.4 million) of power generated from assets related to Exploits Generation, which are held by the Province. These assets are operated on behalf of the Province on a cost recovery basis, as disclosed in Note 20.
- (d) Primarily consists of amounts expensed to the Province for royalties associated with Oil and Gas, which are presented net of Energy sales in the Consolidated Statement of Profit and Comprehensive Income.
- (e) During 2025, Oil and Gas incurred \$77.8 million (2024 - \$25.3 million) in royalty expenses of which \$74.8 million (2024 - \$25.2 million) were paid to the Province and \$3.0 million paid to Federal Government (2024 - \$0.1 million). Royalties payable at the end of year were \$6.4 million (2024 - \$10.2 million) of which were fully owed to the Province.

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31.1 Key Management Personnel Compensation

Compensation for key management personnel, which Hydro defines as its executives who have the primary authority and responsibility in planning, directing and controlling the activities of the entity, includes compensation for senior executives. Salaries and employee benefits include costs such as base salaries and contributions to employee benefit plans. Post-employment benefits include contributions to the Province's Public Service Pension Plan.

<i>For the year ended December 31 (millions of Canadian dollars)</i>	2025	2024
Salaries and employee benefits	3	3

32. COMMITMENTS AND CONTINGENCIES

- (a) Hydro and its subsidiaries are subject to legal claims with respect to impact on land use, energy and capacity delivery, 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.
- (b) Outstanding commitments for capital projects, excluding those related to Oil and Gas, total approximately \$130.8 million as at December 31, 2025 (2024 - \$169.0 million).
- (c) Hydro and its subsidiaries have issued irrevocable letters of credit with a total value of \$28.9 million as per Note 14.1.
- (d) Oil and Gas has the following capital and operating commitments as a result of its joint arrangement partnerships:

<i>(millions of Canadian dollars)</i>	Total Commitments
2026	24.6
2027	6.5
2028	6.1
2029	5.2
2030	4.8
Thereafter	14.2

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(e) The Company has entered into a number of long-term power purchase agreements as follows:

Type	Rating	Effective Date	Term
Hydroelectric	6.5 MW	2021	24 years
Hydroelectric	4 MW	2023	3 years
Hydroelectric	300 MW	1998	43 years
Hydroelectric	225 MW	2015	25 years
Cogeneration	15 MW	2023	10 years
Wind	390 kW	2004	Continual
Wind	27 MW	2008	20 years
Wind	27 MW	2009	20 years
Hydroelectric, Solar, Battery	240 kW Hydro 189 kW Solar 334.5 kW Battery	2019	15 years
Solar	103 kW	2022	Continual
Biomass	450 kW	2025	2 years

Estimated payments due in each of the next five years are as follows:

<i>(millions of Canadian dollars)</i>	2026	2027	2028	2029	3030
Power purchases	72	49	49	42	34

(f) In 2023, Hydro entered into a new arrangement that updated the terms and conditions of the May 2021 amended Capacity Assistance Agreement with Corner Brook Pulp and Paper (CBPP) for the purchase of relief power during the winter period. Payment for services are made monthly at a rate of \$80 per kW, escalating by an annual consumer price index.

(g) Hydro holds firm transmission rights with Hydro-Québec TransÉnergie which conclude in 2029.

The transmission rental payments for the next five years are estimated to be as follows:

<i>(millions of Canadian dollars)</i>	2026	2027	2028	2029	2030
Transmission rental payments	21	21	21	5	-

(h) As part of the LIL PFA, the LIL LP has pledged its current and future assets as security to the Collateral Agent.

(i) As part of the MF/LTA PFA, Muskrat Falls and Labrador Transco have pledged its present and future assets as security to the Collateral Agent.

(j) LIL LP is required to make mandatory distributions as determined by LIL GP in accordance with the LIL LPA.

(k) Under the terms of the Newfoundland and Labrador Development Agreement (NLDA), LIL GP has certain responsibilities and provisions of duty with which it must comply in its role as the general partner. Any failure of LIL GP to comply with the NLDA will result in Hydro indemnifying the applicable counterparties NL for any losses sustained.

(l) In July 2012, Hydro entered into the Energy and Capacity Agreement with Emera NL providing for the sale and delivery of the Nova Scotia Block, being 0.986 TWh of energy annually for a term of 35 years. In October 2015 Hydro assigned this agreement to Muskrat Falls. As a result of this assignment, Hydro and Muskrat Falls are jointly liable for the delivery of the Nova Scotia Block to Emera.

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- (m) As at December 31, 2025, Hydro, on behalf of Energy Marketing, has issued unconditional guarantees and sales contracts in the amount of \$22.7 million CAD equivalent (2024 - \$23.0 million CAD), in order to guarantee amounts under power purchase and sale contracts with bilateral counterparties and sale of transmission rights.
- (n) In 2015, the Energy Access Agreement (EAA) was signed between Hydro and Emera as part of collective contracts associated with the LCP and future delivery of Muskrat Falls energy to Emera. The purpose of the EAA is to offer additional market priced available energy to Emera on an annual basis between 1.2 TWh to 1.8 TWh for each contract year following full operation.
- (o) On October 24, 2024, Hydro and the Innu Nation amended the Lower Churchill Innu Impacts and Benefits Agreement (IBA) to reflect an agreement on rate mitigation. Under this agreement, Hydro has committed with Muskrat Falls to pay the Innu Nation an annual amount of \$12 million escalating at CPI, for a term of 50 years, replacing all other IBA payments associated with Muskrat Falls.
- (p) In 2025, Hydro entered into two PPA's with CBPP for energy generated from CBPP's existing power generation facilities. The first PPA covered the period October 1, 2025 to March 31, 2026, where Hydro will purchase up to 80,000 MWh of energy at \$275/MWh. The second PPA commenced in January 2026, immediately upon Hydro's receipt of 80,000 MWh under the October 2025 PPA. The second PPA covers the period up to June 30, 2026 for Hydro's purchase up to 140,000 MWh of energy at \$187/MWh.

33. SUPPLEMENTARY CASH FLOW INFORMATION

<i>For the year ended December 31 (millions of Canadian dollars)</i>	2025	2024
Trade and other receivables	(31)	(77)
Prepayments	1	4
Inventories	4	(10)
Trade and other payables	44	54
<u>Changes in non-cash working capital balances</u>	18	(29)
Related to:		
Operating activities	14	(44)
Investing activities	4	15
	18	(29)

34. SEGMENT INFORMATION

The following summary provides a brief overview of the nature of operations included in each of the Company's operating segments as at December 31, 2025.

Hydro Regulated activities encompass sales of electricity to customers within the Province that are regulated by the PUB.

Muskrat Falls includes the operation of the 824 MW hydroelectric generating facility in Labrador on the Lower Churchill River.

LC Transmission includes the operation of the LIL and the LTA, which consist of transmission lines connecting the Muskrat Falls Generating Station, the Churchill Falls Generating Station and certain portions of the transmission system in Labrador to the island of Newfoundland.

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Churchill Falls owns and operates a 5,428 MW hydroelectric generating facility, which sells electricity to Hydro-Québec and Hydro.

Energy Trading includes energy trading and commercial activities related to maximizing the value of the Province's surplus power and transmission interconnections with external electricity markets.

Other Electric includes revenues and expenditures associated with the delivery of the Nova Scotia Block of energy to Emera, expenditures associated with the Maritime Link (which is owned and managed by Emera, but consolidated by Hydro), Hydro's sales of electricity to mining operations in Labrador West, rate mitigation transactions and revenues and costs recovered from Hydro-Québec associated with the operation of the Menihek Generating Station. The segment also includes costs associated with shared services functions and community and business development that are not included in the Company's other operating segments.

Oil and Gas includes the Company's share in the development, production, transportation and processing of oil and gas from the Hebron, White Rose and HSE fields .

NEWFOUNDLAND AND LABRADOR HYDRO

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Hydro		Muskrat		LC		Energy		Oil and		Inter-	
	Regulated	Falls	Transmission	Falls	Churchill	Other	Trading	Electric	Gas	Segment	Total	
<i>(millions of Canadian dollars)</i>												
For the year ended December 31, 2025												
Energy sales	853	739	115	113	154	186	154	230	(970)	1,420		
Other revenue	42	-	459	5	17	10	-	(476)	57			
Revenue	895	739	574	118	171	196	230	(1,446)	1,477			
Fuels	171	-	-	-	-	-	-	-	171			
Power purchased	1,280	-	-	-	64	79	-	(1,315)	107			
Operating costs	164	40	38	49	57	5	4	(1)	356			
Production, marketing and transportation	-	-	-	-	-	-	31	-	31			
Transmission rental	-	115	-	-	-	42	-	(132)	25			
Depreciation, depletion, amortization and impairment	89	90	110	18	39	-	93	(1)	438			
Net finance expense (income)	102	119	214	(3)	(17)	(1)	2	-	417			
Rate mitigation expense	-	-	-	-	704	-	-	-	704			
Other expense (income)	18	16	-	6	2	4	2	-	48			
Preferred dividends	-	-	-	(3)	-	-	-	-	3			
Expenses	1,824	380	362	67	864	114	132	(1,446)	2,297			
(Loss) profit for the year before regulatory adjustments	(929)	359	212	51	(693)	82	98	-	(820)			
Regulatory adjustments	(936)	-	-	-	-	-	-	1	(935)			
Profit (loss) for the year	7	359	212	51	(693)	82	98	(1)	115			
Capital expenditures*	247	3	23	91	37	-	86	-	487			
Total assets	4,728	8,268	7,164	917	9,304	165	847	(8,397)	22,997			
Total debt**	2,326	4,359	5,635	-	-	-	-	-	12,320			

*Capital expenditures (inclusive of property, plant and equipment and intangible assets) include non-cash contributions of \$7.7 million of non-cash additions and \$3.4 million of interest capitalized during construction.

**Total debt includes short-term borrowings, long-term debt including current portion less Hydro's sinking funds of \$246.7 million, Class B limited partnership units, and lease liabilities of \$5.2 million.

NEWFOUNDLAND AND LABRADOR HYDRO

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	<i>(millions of Canadian dollars)</i>									
	Hydro Regulated	Muskkrat Falls	Transmission	LC	Churchill Falls	Energy Trading	Other Electric	Oil and Gas	Inter-Segment	Total
	For the year ended December 31, 2024									
Energy sales	740	630	114	108	118	167	215	(743)		1,349
Other revenue	45	-	458	15	20	15	-	(485)		68
Revenue	785	630	572	123	138	182	215	(1,228)		1,417
Fuels	169	-	-	-	-	-	-	-	-	169
Power purchased	1,083	-	-	-	41	86	-	(1,099)		111
Operating costs	150	61	41	47	5	58	4	-		366
Production, marketing and transportation costs	-	-	-	-	-	-	39	-		39
Transmission rental	-	114	-	-	50	-	-	(132)		32
Depreciation, depletion, amortization and impairment	80	90	110	22	-	42	81	(2)		423
Net finance expense (income)	110	105	188	(6)	(2)	(30)	2	-		367
Rate mitigation expense	-	-	-	-	-	240	-	-		240
Other expense (income)	10	21	11	8	(6)	11	(27)	(1)		27
Preferred dividends	-	-	-	(4)	-	-	-	4		-
Expenses	1,602	391	350	67	88	407	99	(1,230)		1,774
Profit (loss) for the year before regulatory adjustments	(817)	239	222	56	50	(225)	116	2		(357)
Regulatory adjustments	(837)	-	-	-	-	-	-	1		(836)
Profit (loss) for the year	20	239	222	56	50	(225)	116	1		479
Capital expenditures*	163	3	30	58	-	26	92	-		372
Total assets	4,342	7,977	7,147	871	133	3,536	840	(2,019)		22,827
Total debt**	2,390	4,395	5,514	-	-	-	-	-		12,299

*Capital expenditures (inclusive of property, plant and equipment and intangible assets) include non-cash additions of \$4.0 million and \$2.0 million of interest capitalized during construction.

**Total debt includes short-term borrowings, long-term debt including current portion less Hydro's sinking funds of \$211.2 million, Class B limited partnership units, and lease liabilities of \$5.2 million.

Appendix D
Management Discussion and Analysis

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MANAGEMENT DISCUSSION & ANALYSIS

This Management Discussion and Analysis (MD&A) should be read in conjunction with the annual audited consolidated financial statements (financial statements) of Newfoundland and Labrador Hydro (Hydro) for the year ended December 31, 2025, and the annual audited consolidated financial statements (annual financial statements) and MD&A (annual MD&A) of Nalcor Energy (Nalcor) for the year ended December 31, 2024. Effective January 1, 2025, Newfoundland and Labrador Hydro and Nalcor Energy were legislatively amalgamated into a new corporation that continues under the name "Newfoundland and Labrador Hydro". Unless otherwise noted, all financial information has been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board and reported in Canadian dollars (CAD).

The following discussion and analysis include results as of December 31, 2025, with subsequent events and outlook information updated to March 13, 2026. The MD&A is the responsibility of Management, and the Board of Directors carries out its responsibility for review of this disclosure principally through its Audit Committee. This MD&A was reviewed by the Audit Committee and subsequently approved by the Board of Directors on March 13, 2026.

Certain statements in this MD&A contain forward-looking information and reflect Management's expectations regarding future growth, results of operations and performance. By their nature, forward-looking statements require Management to make assumptions and are subject to important unknown risks and uncertainties, which may cause actual results in future periods to differ materially from forecasted results. While Management considers these assumptions reasonable and appropriate based on information currently available, there is a risk that they may not be accurate.

OUR COMPANY

The Newfoundland and Labrador Hydro Group of Companies (the Company or Hydro) is a provincial crown Corporation, providing safe, cost-conscious, reliable electricity while harnessing sustainable energy opportunities to benefit the people of Newfoundland and Labrador (the Province). Our business includes the development, generation, transmission and sale of electricity including energy trading; and the development, production and sale of oil and gas.

Hydro consists of both regulated and unregulated operations across the Province with major power generation assets in Churchill Falls, Muskrat Falls, Bay d'Espoir and Holyrood. In addition, our transmission system spans thousands of kilometers and connects our power generation facilities in Labrador to Québec and to the island of Newfoundland (the Island) through the Labrador-Island Link (LIL) and the Labrador Transmission Assets (LTA). Hydro's generation and transmission assets are also connected to Atlantic Canada and North American markets through the Maritime Link.

We are the people's crown utility. For more than 50 years Hydro has provided safe, cost-effective electricity to customers in over 200 communities throughout the Province. In our time serving the people of our province, we've seen a world of change, including the focus on creating a safe and sustainable environment. We deliver more than 90 per cent renewable energy to the people of Newfoundland and Labrador. We are a proud, diverse energy company whose people are committed to continuing to harness energy opportunities to benefit the people of the Province.

Hydro's profitability can be impacted by seasonal weather patterns and events along with the timing of application and approval of regulatory deferrals and rate orders. In addition, Hydro has experienced variability in earnings as a result of the commissioning of the Lower Churchill Project (LCP) assets and the implementation of rate mitigation strategies also impact financial results. Profitability is also impacted by oil price and sales volumes, along with electricity export price and volumes.

Throughout this MD&A, "Company" and "Hydro" refer to the Newfoundland and Labrador Hydro Group of Companies (formerly Nalcor).

MANAGEMENT DISCUSSION & ANALYSIS

AT A GLANCE

<i>For the periods ended December 31 (millions of Canadian dollars)</i>	Three months ended		Twelve months ended	
	2025	2024	2025	2024
Profit	53	143	115	479
Operating profit ¹	40	147	135	499
Revenue	402	388	1,477	1,417
Operating costs	92	91	356	366
Cash (used in) provided from operations	(93)	(114)	372	260
Capital expenditures	152	126	487	372
Electricity sales (GWh)	9,155	9,527	35,150	40,090
Oil sales volume (thousands of bbls)	736	642	3,235	2,261
Realized oil price (CAD/bbl)	88	101	95	106

¹ Operating profit is a non-GAAP financial measure that encompasses profit excluding infrequent items that are not indicative of Hydro's future financial performance.

Profit

Hydro's profit for the year ended December 31, 2025 was \$115 million, a decrease of \$364 million compared to the same period in 2024. The primary driver of the reduced profit is due to higher planned rate mitigation expense in 2025, as well as variances in the volumes of energy deliveries related to a short-term energy sales contract with Hydro-Québec ("HQ"). The decrease in net income was partially offset by an increase in regulatory deferrals and higher export electricity prices.

Hydro's profit for the three months ended December 31, 2025 was \$53 million, a decrease of \$90 million compared to the same period in 2024. The decrease was driven by higher rate mitigation expense in Q4 2025 in line with the Province's Rate Mitigation Plan.

RECENT DEVELOPMENTS

HYDRO REGULATED

Rate Mitigation, the Recovery of LCP Costs

The Province's Rate Mitigation Plan ensures domestic residential rate increases, for customers subject to Island Interconnected System rates, attributable to Hydro's costs are targeted at 2.25% annually up to and including 2030. The plan also requires that any additional rate mitigation funding required come from Hydro's own sources, to the extent possible, and for Hydro to retire the 2023 ending Deferral Account balance of \$271.3 million over the 2024–2026 period.

Throughout 2025, Hydro applied a total of \$704.4 million of rate mitigation funding against the Supply Cost Variance Deferral Account ("the Deferral Account") in accordance with the Province's Rate Mitigation Plan (2024 - \$240.3 million); \$554.4 million of which was from Hydro's internal funds, and \$150 million of which was received by Hydro from the Government of Canada convertible debenture established for that purpose.

As of December 31, 2025 the total balance in the Deferral Account is \$350.4 million (2024 - \$531.7 million) which includes \$90 million of the remaining 2023 ending balance.

MANAGEMENT DISCUSSION & ANALYSIS

Customer Rate Changes

The Public Utilities Board (“PUB”) approved Hydro Regulated’s utility rate increase to Newfoundland Power and its Rural Rates application resulting in a utility rate increase of 3.3% which resulted in a retail rate impact of approximately 2.25% to domestic consumers effective July 1, 2025 in line with the Province’s Rate Mitigation Plan. The July 1, 2025 increase to Hydro Regulated’s rural customer rates mirrors Newfoundland Power’s PUB approved rate increase to customers of 7.0%, which includes the 2.25% associated with Hydro’s costs.

The PUB also approved Hydro Regulated’s application for Island Industrial Customer Rate Adjustments effective July 1, 2025 resulting in a 3.3% overall rate increase in accordance with the Province’s Rate Mitigation Plan.

As is normal process on an annual basis, rates to recover the generation costs from Labrador Industrial customers were updated using a formula-based methodology that has been in effect since 2015. Effective January 1, 2026, the customer rate impact was an increase of approximately 4.4%.

General Rate Application (GRA) – 2026

Hydro Regulated anticipates filing its next GRA by April 2026, The GRA will allow for the transparent exploration of Hydro’s operating costs, reinforce operation in line with good utility practice and have a long-term view to sustainability of electricity rates. Island customer rates are expected to follow the Province’s Rate Mitigation Plan.

Hydro is progressing the necessary work required and promoting regulatory efficiency by actively working to reduce the scope of the GRA, including the advance filing of its Cost of Service Methodology in August 2025 and other relevant applications. Hydro has received feedback on its proposed Cost of Service Methodology settlement agreement and is negotiating with intervenors in an effort to align on key issues and settle as much as possible in advance of its GRA filing.

2025 Capital Budget and Supplemental Applications

During 2025, Hydro continued to advance capital budget proposals associated with both ensuring adequate resources are available to respond to increasing customer electricity demand as well as ensuring that our existing infrastructure continues to permit reliable operations.

In March 2025, Hydro Regulated filed its 2025 Build Application that included proposals for a budget totaling \$1.97 billion for Bay d’Espoir Unit 8 and the Avalon Combustion Turbine (the “Avalon CT”). These two system additions are in line with Hydro’s Expansion Plan, as recommended in its 2024 Reliability and Resource Adequacy (“RRA”) Plan filed with the PUB. In February 2026, the PUB’s consultant issued its final report and a schedule for the proceeding is expected to follow in the coming weeks. Hydro Regulated continues to provide additional information, studies and clarification of evidence as requested by the PUB, and its expert consultant.

In April 2025, Hydro filed, and the PUB approved a \$47 million Early Execution budget associated with the Build Application to ensure that the projects continue to advance at the pace needed to have the assets in service, when needed, in 2030/2031. As a result of the regulatory proceeding on the 2025 Build Application extending into 2026, Hydro filed a \$35 million Additional Early Execution Application on December 12, 2025 for approval of an increase in scope, schedule and cost for Additional Early Execution activities, bringing the total budget of all early execution scope to \$82 million, to enable project continuity through the second quarter of 2026. The regulatory proceeding for this application is ongoing with settlement discussions for the Avalon CT portion of the application scheduled for February 2026 and a schedule for Bay d’Espoir Unit 8 portion of the application expected to follow in the coming weeks.

On December 19, 2025, Hydro also provided an update on the cost of the Combustion Turbine package for the Avalon CT which had increased from initial estimates as a result of market conditions. Hydro is confident that the Avalon CT and Bay d’Espoir Unit 8 remain the least-cost, reliable and environmentally responsible supply solutions for customers.

MANAGEMENT DISCUSSION & ANALYSIS

On June 20, 2025, Hydro Regulated submitted a supplemental capital application for the Life Extension of Bay d'Espoir Unit 7, proposing an authorized budget of \$85.0 million with planned completion in 2028, and has responded to requests from the PUB for additional information. Hydro is awaiting next steps from the PUB.

In March 2025, after a lengthy regulatory proceeding, the PUB declined Hydro Regulated's application for the Southern Labrador supply plan budgeted at \$110.9 million. Hydro believes that it provided substantial and sufficient evidence to demonstrate that its application met its mandate under the amended Public Utilities Act and the Electrical Power Control Act, 1994 and filed an appeal of the PUB's decision with the Provincial Court of Appeal in April 2025. In addition, Hydro Regulated submitted a request for reconsideration to the PUB, noting the conclusions upon which the PUB's decision was made were based on certain factual inaccuracies and misinterpretations of the evidence presented, however the PUB denied the request for reconsideration. Hydro Regulated's appeal to the Provincial Court of Appeal is ongoing. In the interim, Hydro is reviewing, studying and implementing ways to ensure the communities of the southern region of Labrador receive safe, reliable service now, and long-term. This work is underway and is intended to supplement the information Hydro Regulated has previously developed for its application.

Hydro Regulated's annual 2026 Capital Budget Application was filed on July 15, 2025. This application excludes supplemental capital expenditures as well as Major Projects exceeding \$50 million that are noted above. Two-thirds of the budget is dedicated to the renewal of aging infrastructure, and aligns with Hydro's ongoing commitment to ensuring the reliability of the system at least-cost. On January 30, 2026 the PUB issued its order approving \$130.3 million of capital expenditures.

LOWER CHURCHILL

Since commissioning in April 2023, the LIL has been in service and successfully providing power to both the provincial grid and Nova Scotia. In 2025, the LIL demonstrated reliable performance with an Equivalent Forced Outage Rate (EqFOR) of 0.96% (based on a power transfer limit of 700 MW imposed by the system operator), an improvement over the EqFOR of 3.37% in 2024 and well within Hydro's expected reliability range for early operation of the LIL, which is between 1% to 10%.

The LIL typically transfers power up to its current operating limit of 700 MW. During the January 2026 system emergency, special permission was granted to operate above 700 MW, and there were instances where it operated up to 785 MW.

Although LIL software functionality required for operation up to 900 MW was proven prior to commissioning in April 2023. Hydro committed to completing controlled high-power testing when system conditions allow. The purpose of this test is to ensure that all systems and equipment function as designed when the LIL is operating at full power. The test will be performed in a planned and controlled manner, providing assurance that we can operate reliably in an unplanned outage situation. This testing is dependent on multiple system conditions being met across this province and in neighbouring jurisdictions. Hydro is continuing its efforts to complete testing in the coming weeks.

The Muskrat Falls plant has also continued to perform better than the Canadian average, ending 2025 with a 1.35% forced unavailability compared against a Canadian average of 5.27% unavailability.

MANAGEMENT DISCUSSION & ANALYSIS

CONSOLIDATED FINANCIAL RESULTS

Consolidated financial results of the Company are outlined below along with explanations for significant variances in categories of revenue and expenditures.

CONSOLIDATED STATEMENT OF PROFIT HIGHLIGHTS

<i>For the periods ended December 31 (millions of Canadian dollars)</i>	Three months ended			Twelve months ended		
	2025	2024	Variance	2025	2024	Variance
Revenue	402	388	14	1,477	1,417	60
Fuels	64	62	2	171	169	2
Power purchased	36	31	5	107	111	(4)
Operating costs	92	91	1	356	366	(10)
Production, marketing and transportation costs	9	11	(2)	31	39	(8)
Transmission rental	6	6	-	25	32	(7)
Depreciation, depletion, amortization and impairment	92	122	(30)	438	423	15
Net finance expense	107	95	12	417	367	50
Rate mitigation expense	113	-	113	704	240	464
Other expense	26	14	12	48	27	21
Loss for the period before regulatory adjustments	(143)	(44)	(99)	(820)	(357)	(463)
Regulatory adjustments	(196)	(187)	(9)	(935)	(836)	(99)
Profit for the period	53	143	(90)	115	479	(364)

Non-GAAP Operating Profit Disclosure

Reconciliation of the Company's profit to operating profit for the three months and year ended December 31, 2025 and 2024 is as follows:

<i>For the periods ended December 31 (millions of Canadian dollars)</i>	Three months ended			Twelve months ended		
	2025	2024	Variance	2025	2024	Variance
Profit for the period	53	143	(90)	115	479	(364)
Net impairment (reversal) expense	(13)	4	(17)	20	20	-
Operating profit for the period	40	147	(107)	135	499	(364)

Revenue

<i>For the periods ended December 31 (millions of Canadian dollars)</i>	Three months ended			Twelve months ended		
	2025	2024	Variance	2025	2024	Variance
Electricity sales	326	303	23	1,190	1,134	56
Petroleum and natural gas sales, net of royalty expense	50	51	(1)	230	215	15
Other revenue	26	34	(8)	57	68	(11)
Total revenue	402	388	14	1,477	1,417	60

Electricity sales

Electricity sales for the three months ended December 31, 2025 were \$326 million, an increase of \$23 million compared to the same period in 2024. Electricity sales for the year ended December 31, 2025 were \$1,190 million, an increase of \$56 million compared to the same period in 2024. The increases were primarily due to higher export prices and higher revenue

MANAGEMENT DISCUSSION & ANALYSIS

from regulated customers. The increases were partially offset by timing of energy deliveries related to a short-term energy contract with HQ. Certain variances in revenue are offset in the regulatory adjustments line.

Electricity sales volume is summarized in the table below:

<i>For the periods ended December 31 (GWh)</i>	Three months ended		Twelve months ended	
	2025	2024	2025	2024
Regulated	2,052	1,963	7,529	7,286
Hydro-Québec	5,888	6,171	22,226	27,063
Emera - NS Block	374	478	1,226	1,486
Other export	404	412	2,330	2,391
Other domestic	437	503	1,839	1,864
	9,155	9,527	35,150	40,090

Prices for Other export electricity sales are summarized in the table below:

<i>For the periods ended December 31</i>	Three months ended		Twelve months ended	
	2025	2024	2025	2024
Average Export Electricity Price (USD/MWh) ¹	75	49	57	36
Realized Export Electricity Price (USD/MWh) ²	75	49	57	36
Realized Export Electricity Price (CAD/MWh) ³	104	69	80	49

¹The Average Export Electricity Price reflects actual market prices achieved for all Other exports.

²The Realized Export Electricity Price (USD) includes the impact of financial transmission rights for all periods.

³The Realized Export Electricity Price (CAD) includes the impact of financial transmission rights for all periods and foreign exchange.

Average and realized USD export electricity prices for the three months and year ended December 31, 2025 were higher compared to the same periods in 2024 as a result of reduced Canadian hydro energy supply, rising natural gas prices and colder winter temperatures.

Petroleum and natural gas sales, net of royalty expense

Petroleum and natural gas sales, net of royalty expense for the three months ended December 31, 2025 were comparable to the same period in 2024. Petroleum and natural gas sales, net of royalty expense for the year ended December 31, 2025 was \$230 million, an increase of \$15 million compared to the same period in 2024. The increase in revenue, net of royalties, is primarily due to higher volumes sold for Hebron and Hibernia South Extension (HSE) offset by reduced oil prices.

Oil price and sales volumes are summarized in the table below:

<i>For the periods ended December 31</i>	Three months ended		Twelve months ended	
	2025	2024	2025	2024
Average Dated Brent Price (USD/bbl) ¹	63	73	68	78
Realized Price (CAD/bbl) ²	88	101	95	106
Oil Sales Volume (thousands of bbls)	736	642	3,235	2,261

¹The Average Dated Brent Price reflects prices available in the market adjusted for any premium or discount.

²The Realized Price (CAD) includes the impact of foreign exchange hedges.

Other revenue

Other revenue for the three months ended December 31, 2025 was \$26 million, a decrease of \$8 million compared to the same period in 2024. Other revenue for the year ended December 31, 2025 was \$57 million, a decrease of \$11 million compared to the same period in 2024. The decrease was driven by reduced sales of renewable energy credits.

MANAGEMENT DISCUSSION & ANALYSIS

Fuels

Fuel costs for the three months and year ended December 31, 2025 were comparable to the same periods in 2024.

Power purchased

Power Purchased for the three months and year ended December 31, 2025 was comparable to the same periods in 2024.

Operating costs

<i>For the periods ended December 31 (millions of Canadian dollars)</i>	Three months ended			Twelve months ended		
	2025	2024	Variance	2025	2024	Variance
Salaries and benefits	47	40	7	182	168	14
Maintenance and materials	21	20	1	86	85	1
Professional services	14	21	(7)	49	46	3
Impacts and Benefits agreement and amendment	4	3	1	14	35	(21)
Insurance	3	3	-	14	15	(1)
Travel and transportation	3	3	-	10	11	(1)
Other operating costs	-	1	(1)	1	6	(5)
Total operating costs	92	91	1	356	366	(10)

Operating costs for the three months ended December 31, 2025 were comparable to the same period in 2024. Operating costs for the year ended December 31, 2025 were \$356 million, a decrease of \$10 million compared to the same period in 2024. The decrease was primarily due to an amendment to the Impacts and Benefits Agreement with Innu Nation in 2024 resulting in a retroactive payment, partially offset by higher salaries and benefits costs.

Production, marketing and transportation costs

Production, marketing and transportation costs for the three months and year ended December 31, 2025 were comparable to the same periods in 2024.

Transmission rental

Transmission rental for the three months and year ended December 31, 2025 was comparable to the same periods in 2024.

Depreciation, depletion, amortization and impairment

Depreciation, depletion, amortization and impairment for the three months ended December 31, 2025 was \$92 million, a decrease of \$30 million compared to same period in 2024. The decrease for the quarter was due to variations in oil and gas impairment and reversals related to White Rose. Depreciation, depletion, amortization and impairment for the year ended December 31, 2025 was \$438 million, an increase of \$15 million compared to the same period in 2024. The increase was due to higher depletion expense as a result of increased oil and gas production.

Rate mitigation expense

Rate mitigation for the three months ended December 31, 2025 was \$113 million, an increase of \$113 million compared to the same period in 2024. Rate mitigation for the year ended December 31, 2025 was \$704 million, an increase of \$464 million compared to the same period in 2024. The increase was mainly due to variations in the timing and amount of government directed rate mitigation.

Net finance expense

Net finance expense for the three months ended December 31, 2025 was \$107 million, an increase of \$12 million compared to the same period in 2024. Net finance expense for the year ended December 31, 2025 was \$417 million, an increase of \$50 million compared to the same period in 2024. The increase was primarily due to lower interest income due to reduced interest rates and an increase in Class B partnership units due to KKR's increased ownership buy-in in the LIL, in 2024, in line with the Newfoundland & Labrador Development Agreement.

MANAGEMENT DISCUSSION & ANALYSIS

Other expense

<i>For the periods ended December 31 (millions of Canadian dollars)</i>	Three months ended			Twelve months ended		
	2025	2024	Variance	2025	2024	Variance
Loss on disposal of assets	14	7	7	19	21	(2)
Rental and royalty	6	5	1	19	21	(2)
HSE Redetermination adjustment	-	-	-	-	(23)	23
Other	6	2	4	10	8	2
Total other expense	26	14	12	48	27	21

Other expense for the three months ended December 31, 2025 was \$26 million, an increase of \$12 million compared to the same period in 2024. The increase for the quarter was primarily caused by higher loss on disposal of assets in Hydro Regulated related to overhauls and refurbishments. This variance is offset through regulatory mechanisms in the regulatory adjustments line. Other expense for the year ended December 31, 2025 was \$48 million, an increase of \$21 million compared to the same period in 2024. The increase for the year ended was due to the settlement of the HSE Redetermination in Q2 2024.

Regulatory adjustments

Regulatory recoveries for the three months ended December 31, 2025 were comparable to the same period in 2024. Regulatory recoveries for the year ended December 31, 2025 were \$935 million, an increase of \$99 million compared to the same period in 2024. The increases were due to higher deferrals related to increased power purchase costs under the Muskrat Falls PPA (MF PPA) partially offset by higher cost recovery riders.

MANAGEMENT DISCUSSION & ANALYSIS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

Significant changes in the Consolidated Statement of Financial Position between December 31, 2025 and December 31, 2024 include:

ASSETS <i>(millions of Canadian dollars)</i>	Increase (Decrease)	Explanation
Cash and cash equivalents	(110)	See Liquidity and Capital Resources for additional details on movement in cash during the period ended December 31, 2025.
Short-term investments	99	Increase is due to reclassification of sinking funds related to debt maturing in one year.
Property, plant and equipment	49	Increase due to capital additions in Hydro Regulated and Churchill Falls.
Investments	(140)	Decrease is primarily due to reclassification of sinking funds related to debt which matures within one year and maturity of Muskrat Falls deposit notes.
Regulatory assets, net of regulatory liabilities	230	Increase mainly due to deferral of costs associated with Muskrat Falls and LC Transmission, partially offset by rate mitigation funding.
LIABILITIES AND EQUITY <i>(millions of Canadian dollars)</i>		
Short-term borrowings	(340)	Decrease is due to repayment of short-term borrowings by Hydro Regulated during the period, facilitated largely by the application of rate mitigation funding. The balance of short term-borrowings will fluctuate depending on the timing of cash inflows and outflows.
Trade and other payables	44	Increase due to capital accruals related to increased capital spend and variances in HST payables due to higher utility and industrial sales.
Deferred Credits	(34)	Decrease is primarily due to revenue recognized relating to delivery of the NS block partially offset by additions related to Menihek and Maritime Link.
Current portion of long-term debt	226	Increase is due to debt maturing within one year.
Long-term debt	150	Increase due to drawing of federal convertible debt for rate mitigation.
Retained earnings	115	Increase due to profit recorded for the year.

MANAGEMENT DISCUSSION & ANALYSIS

SEGMENTED RESULTS

The following presents an overview of the Company's profit or loss for the three months and year ended December 31, 2025, by operating segment, in comparison to the three months and year ended December 31, 2024. This discussion should be read in conjunction with Note 34 of the consolidated financial statements.

<i>For the periods ended December 31 (millions of Canadian dollars)</i>	Three months ended			Twelve months ended		
	2025	2024	Variance	2025	2024	Variance
Hydro Regulated	(11)	(4)	(7)	7	20	(13)
Muskrat Falls	57	46	11	359	239	120
LC Transmission	52	57	(5)	212	222	(10)
Churchill Falls	16	19	(3)	51	56	(5)
Energy Trading	22	18	4	82	50	32
Other Electric	(118)	(4)	(114)	(693)	(225)	(468)
Oil and Gas	36	11	25	98	116	(18)
Inter-segment	(1)	-	(1)	(1)	1	(2)
Profit for the period	53	143	(90)	115	479	(364)

HYDRO REGULATED

The operations of Hydro Regulated are influenced by many external factors including regulation, performance of the domestic economy and weather patterns. The demand for electricity is met through a combination of hydroelectric generation, thermal generation and power purchases, including wind generation. Hydro Regulated is entitled to the opportunity to recover, through customer rates, all reasonable and prudent costs incurred in providing electricity service to its customers, in addition to a just and reasonable return on rate base. Hydro Regulated uses regulatory mechanisms, as directed by the PUB, to adjust customer rates, both to smooth rate impacts for customers and to protect Hydro Regulated's profit from the majority of variations in certain supply costs. Adjustments related to these regulatory mechanisms flow through the regulatory adjustments line in the financial results.

Financial Highlights

<i>For the periods ended December 31 (millions of Canadian dollars)</i>	Three months ended			Twelve months ended		
	2025	2024	Variance	2025	2024	Variance
Revenue	238	216	22	895	785	110
Expenses	445	407	38	1,824	1,602	222
Loss for the period before regulatory adjustments	(207)	(191)	(16)	(929)	(817)	(112)
Regulatory adjustments	(196)	(187)	(9)	(936)	(837)	(99)
(Loss) profit for the period	(11)	(4)	(7)	7	20	(13)

Hydro Regulated's loss for the three months ended December 31, 2025 was \$11 million, which was comparable to the same period in 2024. The profit for the year ended December 31, 2025 was \$7 million, which was \$13 million lower than the same period in 2024. The decrease was due to higher operating costs, higher depreciation expense due to growth in asset base, and lower interest recoveries.

MANAGEMENT DISCUSSION & ANALYSIS

Regulated energy sales and supply are summarized below:

	Three months ended		Twelve months ended	
<i>For the periods ended December 31 (GWh)</i>	2025	2024	2025	2024
Customer Energy Sales:				
Utility	1,586	1,512	5,829	5,702
Rural	328	327	1,193	1,135
Industrial	138	124	507	449
Energy Sales	2,052	1,963	7,529	7,286
Generation:				
Hydraulic generation ¹	905	984	4,160	4,401
Holyrood generation	290	282	728	666
Standby generation ²	-	(3)	1	(1)
Thermal diesel generation	12	14	50	50
Purchases:				
Domestic ³	461	492	1,768	1,822
Off-Island ⁴	517	278	1,299	745
Gross generation	2,185	2,047	8,006	7,683
Losses	133	84	477	397
Net generation	2,052	1,963	7,529	7,286

¹ Includes NL Hydro owned generation only.

² Includes gas turbine and diesel generation.

³ Domestic purchases include energy purchased from Churchill Falls and Muskrat Falls for use in Labrador and generation from Exploits, wind and other sources for use on the Island Interconnected System.

⁴ Off-Island purchases include energy imported over the LIL (including from Muskrat Falls) and external market purchases imported over the Maritime Link for use on the Island Interconnected System.

MUSKRAT FALLS

Muskrat Falls includes the operation of the 824 MW hydroelectric generating facility in Labrador on the Lower Churchill River. Profit for Muskrat Falls is largely driven by revenue earned from Hydro Regulated for the delivery of energy and provision of capacity under the MF PPA. This revenue fluctuates based on the amount of energy delivered and contractually earned in a given period.

Muskrat Falls' profit for the three months ended December 31, 2025 was \$57 million, an increase of \$11 million compared to the same period in 2024. Profit for the year ended December 31, 2025 was \$359 million, an increase of \$120 million compared to the same period in 2024. The increase is due to higher energy sales revenue from Hydro Regulated under the MF PPA mainly due to the higher volume of accumulated deferred energy recognized in 2025.

LC TRANSMISSION

LC Transmission includes the operation of the LIL and LTA, which connects the Muskrat Falls Generating Station, the Churchill Falls Generating Station, and portions of the transmission system in Labrador to the Island. Profit for LC Transmission is driven by revenue earned from Hydro Regulated associated with the LIL under the Transmission Funding Agreement (TFA) and from Muskrat Falls for interconnection services provided by the LTA under the Generator Interconnection Agreement.

LC Transmission's profit for the three months and year ended December 31, 2025 was comparable to the same period in 2024.

MANAGEMENT DISCUSSION & ANALYSIS

CHURCHILL FALLS

Churchill Falls is the operator of the Churchill Falls Generating Station, with a rated capacity of 5,428 MW. Various power sales contracts are in place with Hydro-Québec for the majority of the energy and capacity from this facility. In addition, two power purchase agreements provide for the sale of electricity to NL Hydro for use domestically and for resale in export markets.

The profit of Churchill Falls is reasonably stable given the take or pay clause of the main energy contract with Hydro-Québec, however, additional sales agreements, seasonal weather patterns and equipment outages can also affect results of operations.

Churchill Falls' profit for the three months and year ended December 31, 2025 was comparable to the same periods in 2024.

ENERGY TRADING

Energy Trading includes energy trading and commercial activities related to maximizing the value of the Province's surplus power and transmission interconnections with external electricity markets.

The revenue in this segment is generated from export energy sales. Energy sales are primarily derived from the sale of available Recapture, the block of 300 MW of Churchill Falls capacity and related firm energy, and Muskrat Falls Residual block energy. Recapture energy not used by NL Hydro is exported by Energy Trading in accordance with the power purchase agreement between Energy Marketing and NL Hydro, which was established in 2015. As well, Energy Trading and Muskrat Falls operate under a service agreement where Energy Trading purchases excess Muskrat Falls Residual Block energy for re-sale to external markets.

Energy Trading's profit is driven by the availability of export volumes for sale to external parties along with export market prices. Nearly all revenue generated by Energy Trading is denominated in USD and therefore its profitability is impacted by exchange rate fluctuations.

Profit for the three months ended December 31, 2025 was comparable to the same period in 2024. Profit for the year ended December 31, 2025 was \$82 million, an increase of \$32 million compared to the same period in 2024. The increase was primarily due to higher market prices in the northeastern United States as a result of reduced Canadian hydro energy supply, rising natural gas prices and colder winter temperatures.

OTHER ELECTRIC

Other Electric includes non-cash revenues and expenditures associated with the delivery of the NS Block energy to Emera, expenditures associated with the Maritime Link, cash revenues and expenses associated with NL Hydro's unregulated operations, rate mitigation transactions and costs recovered from Hydro-Québec for the operation of the Menihek Generating Station. The segment also includes costs associated with shared services functions and community and business development that are not included in the Company's other operating segments.

Other Electric's loss for the three months ended December 31, 2025 was \$118 million, an increased loss of \$114 million compared to the same period in 2024. Other Electric's loss for the year ended December 31, 2025 was \$693 million, an increased loss of \$468 million compared to the same period in 2024. The variance for both the quarter and the year is attributable to higher rate mitigation expenses incurred in line with the Province's Rate Mitigation Plan.

MANAGEMENT DISCUSSION & ANALYSIS

OIL AND GAS

Oil and Gas includes the Company's share of development, production, transportation and processing of its oil and gas investments. Oil and Gas has a joint arrangement working interest in three developments in the Newfoundland and Labrador offshore. It owns a 4.9% working interest in the Hebron oil field, a 5.0% working interest in White Rose and an 8.7% working interest in HSE.

Profit of Oil and Gas is primarily driven by global market oil prices and the volume of entitled production. Nearly all revenue generated by Oil and Gas is denominated in USD and therefore profitability is also impacted by exchange rate fluctuations.

Due to the nature of the industry, Oil and Gas may incur impairment expenses and reversal of such expenses as a result of changes in discounted projected future cash flows when compared to the carrying values of related assets. Any expense or reversal of such expense is not uncommon and can lead to large fluctuations in profit or loss between financial reporting periods.

Non-GAAP Operating Profit Disclosure

Reconciliation of Oil and Gas profit to operating profit for the three months and year ended December 31, 2025 and 2024 is as follows:

<i>For the periods ended December 31 (millions of Canadian dollars)</i>	Three months ended			Twelve months ended		
	2025	2024	Variance	2025	2024	Variance
Profit for the period	36	11	25	98	116	(18)
Net impairment (reversal) expense	(13)	4	(17)	20	20	-
Operating profit for the period	23	15	8	118	136	(18)

Oil and Gas's profit for the three months ended December 31, 2025 was \$36 million, an increase of \$25 million compared to the same period in 2024. The increase was primarily due to variations in oil and gas impairment and reversals related to White Rose. The profit for the year ended December 31, 2025 was \$98 million, a decrease of \$18 million compared to the same period in 2024. The decrease was driven by settlement of the HSE redetermination in the prior year partially offset by the net impact of increased oil production.

Reserves

Oil and Gas contracts independent reserve evaluators to prepare reports on remaining oil reserves related to its working interest in offshore developments. Gross reserves represent Oil and Gas' working interest in remaining reserves, while net reserves represent remaining reserves less royalties. Remaining reserve data for both proved and probable reserves to be recovered as at December 31, 2025 with 2024 comparatives are summarized in the table below:

<i>As at December 31 (thousands of bbls)</i>	2025		2024	
	Light and Medium Oil Gross	Net	Light and Medium Oil Gross	Net
Developed ¹	11,224	8,227	11,266	8,121
Undeveloped ²	6,897	5,343	11,140	8,176
Total Proved ³	18,121	13,570	22,406	16,297
Probable ⁴	22,307	16,448	21,558	15,607
Total Proved Plus Probable	40,428	30,018	43,964	31,904

¹Barrels that are expected to be produced from existing wells and installed facilities.

²Barrels that are expected to be produced from known accumulations of oil and gas, requiring additional wells or infrastructure in order to extract.

³Barrels that can be estimated with a high degree of certainty to be recoverable.

⁴Barrels that are less certain to be recovered than proved reserves.

MANAGEMENT DISCUSSION & ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW HIGHLIGHTS

<i>For the period ended December 31 (millions of Canadian dollars)</i>	Twelve months ended			Explanation
	2025	2024	Variance	
Cash and cash equivalents, beginning of the year	1,164	694	470	
Net cash provided from operating activities	372	260	112	Increase was driven by higher energy sales in Hydro Regulated and Energy Marketing.
Net cash used in investing activities	(432)	(329)	(103)	Increase driven by planned increases in capital additions in Hydro Regulated and Churchill Falls.
Net cash (used in) provided from financing activities	(50)	539	(589)	Decrease due to rate mitigation funding from internal sources used to repay short-term borrowings.
Cash and cash equivalents, end of the year	1,054	1,164	(110)	

CAPITAL RESOURCES

Hydro's capital resources consist primarily of cash, restricted cash, investments, proceeds from debt issuances and equity from the Province. These capital resources are used to fund the Company's consolidated capital resource requirements, which include working capital needs, capital expenditures, and the servicing and repayment of debt.

Cash from operations is a primary source of funding and depends on a number of factors including electricity demand, regulatory outcomes and commodity price and volume. The Company monitors cash from operations, and where necessary, additional sources of liquidity are put in place. Hydro also has access to long-term debt financing and equity from the Province. Hydro has not requested or received equity contributions from the Province since 2021.

Short-term and long-term borrowings are restricted by legislation that currently limits Hydro and its subsidiaries short-term borrowings to \$1.0 billion and total borrowings to \$3.2 billion (excluding CF and LCP entities). Commencing January 1, 2026, the short-term borrowing limit reduced to \$800 million.

Outstanding commitments for capital projects, excluding those related to Oil and Gas, total approximately \$130.8 million as at December 31, 2025 (2024 - \$169.0 million). The Company has the available capital resources to sufficiently fund these requirements.

On November 21, 2025 the Province issued long-term debt with a face value of \$300.0 million, specifically on Hydro's behalf. The debt matures on October 17, 2055, has a coupon rate of 4.60% paid semi-annually, and a sinking fund contribution requirement of 1.5% paid annually.

MANAGEMENT DISCUSSION & ANALYSIS

As at December 31, 2025, the Company's short-term credit facilities are as follows:

<i>(millions of Canadian dollars)</i>	Limit	Drawn	Letters of Credit	Available Limit
Revolving Term Facilities:				
Hydro ¹	740	-	6	734
Demand Operating Facilities:				
Churchill Falls	10	-	2	8
Energy Trading	20	-	4	16
Oil and Gas	40	-	17	23
Promissory Notes:				
Hydro Regulated	300	250	-	50
Total credit facilities²	1,110	250	29	831

¹On July 31, 2025, the maturity of these credit facilities was extended to July 31, 2026.

²Per Provincial Legislation, Hydro's outstanding short term credit balance, excluding CF and LCP entities, may not exceed \$800 million at any time as of January 1st, 2026.

CAPITAL STRUCTURE

The Company's consolidated capital structure and debt to capital ratio are shown in the table below:

<i>As at (millions of Canadian dollars)</i>	December 31 2025	December 31 2024
Short-term borrowings	250	590
Long-term debt (net of sinking funds) ¹	11,097	10,724
Class B limited partnership units ¹	968	980
Lease liabilities ¹	5	5
Total debt	12,320	12,299
Total shareholder's equity	8,062	7,938
Debt to capital	60%	61%

¹Includes current portion.

CAPITAL EXPENDITURES

<i>For the periods ended December 31 (millions of Canadian dollars)</i>	Twelve months ended		
	2025	2024	Variance
Hydro Regulated	247	163	84
Muskrat Falls	3	3	-
LC Transmission	23	30	(7)
Churchill Falls	91	58	33
Other Electric	37	26	11
Oil and Gas	86	92	(6)
Total capital expenditures	487	372	115

Capital expenditures for the year ended December 31, 2025 were \$487 million, an increase of \$115 million compared to the same period in 2024. The increase was primarily due to additions in Hydro Regulated and Churchill Falls. The increase in Hydro Regulated relates to the PUB approved refurbishment of Hydro Regulated's Bay d'Espoir Penstock #1, as well as early works for the planned system expansion in Bay d'Espoir and the Avalon CT. The increase in Churchill Falls relates to planned upgrades to existing assets.

MANAGEMENT DISCUSSION & ANALYSIS

KEY BUSINESS RISKS

Top risks are managed through Hydro's Enterprise Risk Management Framework which employs Risk Working Groups and Management Risk Committees that identify and assess top risks and develop and implement mitigations to reduce residual risks to an acceptable level. These top risks are reported semi-annually to the Governance Committee of the Board of Directors.

The following information describes the top risks inherent to the Company's activities. This section does not describe all applicable risks and is intended to be a summary of risks that could materially affect the business, results of operations and financial position or cash flows. Other risks may arise or risks not currently considered material may become material in the future. Certain risks could result in material impacts on the results of operations and financial position or cashflows of the Company.

Strategic Risks

Evolution of the Energy Industry and System Expansion

Hydro continues to plan and forecast for load growth driven by increasing customer demand. Changes in provincial economic forecasts, federal and provincial energy policy, customer usage patterns (including demand management) and industrial developments can be expected to impact how energy is utilized in the province and beyond.

A strategic priority for Hydro is to advance its Reliability and Resource Adequacy (RRA) study which aims to provide an in-depth analysis of how much electricity our customers will need over the next ten years and the best resource options to satisfy those growing needs. Hydro continues to advance studies and analysis of all viable supply options that can be used to serve this increased customer demand through the PUB. In 2025, Hydro submitted 'New Build' Applications for both Bay d'Espoir 8 ("BDE8") and the Avalon CT to the PUB with an anticipated total spend of \$1.97 billion. These projects will increase capacity, peaking generation and specifically BDE8 will add operational flexibility to aid long-term maintenance. These files continue to be advanced with the PUB.

As Hydro continues to analyze and meet the future needs of the province, we will ensure that customers, Indigenous Peoples, communities, industry, the PUB, Intervenors, and Government will continually be engaged to ensure we can positively contribute to the sustainable, economically bright future of Newfoundland and Labrador.

Human Resource Management

Hydro's future success is linked to its ability to grow and adapt in response to the rapidly evolving energy landscape, including decarbonization, electrification, and new infrastructure and operational requirements. Delivering on Hydro's corporate priorities depends on a workforce that is appropriately sized, skilled, and engaged. The ability to attract, develop, and retain qualified employees—while managing retirements, voluntary turnover, and emerging skill requirements—represents a key human resource management risk. Hydro relies on workforce planning to anticipate future talent and capability needs, align staffing with long-term system and asset plans, and ensure continuity in critical roles. Effective attraction and retention of employees in a highly competitive labour market is essential to maintaining safe, reliable, and cost-conscious electricity service while advancing sustainable energy opportunities for the people of Newfoundland and Labrador. Hydro is managing its overall workforce cognizant of the balance of labour costs with prudent utility oversight and management.

Adaptation to Climate Change

The future effects of climate change globally and locally create risk for the organization. The province is experiencing increased dry and hot weather resulting in wildfires, changing precipitation patterns that impact hydrology, and changes in ice loading and patterns impacting transmission lines and generation facilities. Inadequate preparation for the effects

MANAGEMENT DISCUSSION & ANALYSIS

of climate change could potentially expose the organization to safety, environmental, financial and reliability risks through major impacts to our assets and infrastructure.

Climate change mitigation and adaptation priorities help us proactively prepare. Our mitigation efforts are reflected in the priorities of our corporate strategic plan. Hydro is focusing its adaptation priorities through the development of a Climate Change Adaptation Plan. This framework will define Hydro's approach to mitigate its risk to climate change. Hydro continues to monitor environmental research available on vulnerabilities and proactively set mitigating measures in place to address climate change.

Sustainability of Electricity Rates

In 2024, the Province announced the finalization of the Rate Mitigation Plan with Hydro, resulting in mitigated rates. The plan came into effect on July 1, 2024, and will ensure domestic residential rate increases attributable to Hydro's costs, including the Muskrat Falls Project, are targeted at 2.25% annually, until 2030. Future investment in electricity system generation has potential to impact customer rates and is being managed through a transparent RRA process with the PUB.

Hydro plans to file its next GRA in 2026. While rates have been set for Hydro's regulated operations through 2030, the GRA allows for transparent exploration of Hydro's operating costs, ensuring Hydro operates in line with good utility practice and has a long-term view to sustainability of electricity rates.

Operational Risks

Safety & Health

Hydro's operations have material inherent safety risks and regulatory and legislative requirements. In particular, with respect to the provincial Occupational Health and Safety Act and Regulations, which have potential associated fines and penalties for non-compliance. Notably within utility operations, this includes risks related to working around energized equipment and operating dams and dykes. There are additional unique hazards associated with certain facilities such as the underground powerhouse at Churchill Falls, the thermal generating station at Holyrood and worksites related to various capital projects. Based on the industry and the nature of work performed, there are many hazards and risks that could result in serious injury or death to employees, contractors or members of the public. The Company has implemented a safety management system that is based on ISO 45001 Occupational Health and Safety.

Cyber Security Risk

The Company develops, maintains and manages complex Information Technology ("IT") systems that support critical business processes and Operational Technology ("OT") systems that operate the transmission grid and generation facilities. Key systems are subject to cyber security threats, which could lead to loss of data or system availability resulting in: financial loss, impacted service levels, reputational damage, physical or psychological distress or trauma, legal action, delays in issuing accurate internal or external reporting, including information required to maintain contractual and regulatory compliance or delays in issuing vendor payments, processing payroll, or providing customer billings. Disruptions in service for any reason could result in the loss of control of physical assets where critical systems that generate, monitor, maintain and transmit power to the power grid are affected. This may result in additional impacts such as unplanned power outages, damage to physical assets and the inability to meet contracts. It could create unsafe working conditions in plants that cannot be safely controlled or shutdown, which could result in loss of life.

The Company has been and continues to be diligent in advancing cyber security programs and investing in the following areas: network segmentation between Admin and OT environments; network access controls; intrusion detection; incident response; penetration testing; software patching; backups; and training and awareness.

MANAGEMENT DISCUSSION & ANALYSIS

Supply Chain

Supply chain globally has been impacted by lack of raw materials, work force capacity, logistical issues, rising costs and longer shipping and delivery times. Canada-US government relations, geo-political and macroeconomic events may also have a material impact on supply chains.

Hydro is communicating with suppliers and sharing information with the business as global supply chains continue to be subject to volatility. Hydro has taken a number of mitigating measures including, proactively engaging suppliers on delays, budgeting for inflationary pressures and working to enable effective and timely execution of projects.

Asset Condition & Maintenance

Hydro's operations are subject to risks inherent to operating generation and transmission assets. As assets approach the end of their service lives they become more costly to maintain and less reliable. Hydro maintains long-term asset management plans as well as integrated annual work plans that consolidate and monitor the activities within operating, capital, winter readiness and preventative and corrective maintenance programs. Utility assets are maintained and replaced in a manner that accounts for the age of the infrastructure and for the extreme weather conditions that are inherent to our climate.

The Company maintains a comprehensive corporate insurance program, typical for companies operating in similar industries. Insurance is subject to coverage limits and exclusions, as well as, time-sensitive claims discovery and reporting provisions, and may not be available for all of the risks and hazards to which the Company is exposed. In addition, no certainty can be given that insurance will adequately cover all of the Company's liabilities or will be generally available in the future, or if available, that premiums will be commercially justifiable.

Regulatory Risk

Hydro Regulated is subject to the normal uncertainties facing entities that operate under cost-of-service rate regulation, including approvals of regulatory applications and customer rates by the PUB. Hydro Regulated is entitled to recover prudently incurred costs of providing electrical service, including a fair rate of return. Hydro Regulated's capital budget is approved by the PUB in advance of executing its capital program; however, there is a delay in recovering the associated costs until the capital investments are reflected in rates resulting from a GRA.

There is no assurance that Hydro Regulated will receive approval of regulatory applications for deferral or recovery of costs from customers in advance of incurring those costs. There is also no assurance that rate orders issued by the PUB will result in Hydro Regulated recovering all costs incurred in providing electricity service.

Hydro Regulated works to provide timely, complete and justified filings and adopts a collaborative approach to regulatory matters including technical conferences and settlement negotiations, where appropriate. Management is also focused on ensuring that operational plans are achieved and Hydro Regulated complies with its regulatory obligations.

Financial Risks

Commodity Price and Foreign Exchange

Commodity price risk arises wherever a change in the market price for a particular commodity would cause a corresponding change to expected profit, cash flow and/or the fair value of assets or liabilities. Foreign exchange rate risk arises when a financial transaction is denominated in a currency other than the Company's base currency, the Canadian dollar. The Company's primary exposure to commodity price and foreign exchange risk is through the sale of crude oil, electricity exports and the purchase of No. 6 fuel for Hydro Regulated's generation facilities, all of which are transacted in U.S. Dollars.

MANAGEMENT DISCUSSION & ANALYSIS

The market price for electricity exports is impacted by a number of factors including emerging technologies, seasonality and changes in weather patterns and fluctuations in supply and demand. The market price for oil is also impacted by a number of factors such as supply and demand, geopolitical events, and severe weather.

Hydro's exposure to commodity price and foreign exchange fluctuations in the purchase of No. 6 fuel is mitigated by regulatory mechanisms that transfer the impact of commodity price risk and foreign exchange to customers. While regulatory mechanisms mitigate the impact of commodity price and foreign exchange volatility on profit, risk remains on the timing of cash flows, which is managed by ensuring sufficient short-term liquidity is available to address capital requirements.

There is potential for risk as geopolitical challenges evolve between Canada and the U.S. which may result in negative impacts to the utility industry. Hydro continues to work with the Province, industry peers and internally to understand these risks and develop potential risk treatments, and will continue to do so as the political landscape evolves.

Liquidity

Liquidity risk is the risk that Hydro will not be able to meet its financial obligations as they become due. The Company is exposed to liquidity risk with respect to its short-term contractual obligations and financial liabilities. Short-term liquidity is provided by cash and cash equivalents, funds from operations and maintenance of borrowing facilities sufficient to cover both anticipated and unexpected fluctuations within operations. Cash flows are monitored continuously, and the Company maintains committed revolving term credit facilities, demand operating credit facilities and a government guaranteed promissory note program to ensure additional liquidity is available. Short-term and total borrowings are restricted by legislated caps.

Hydro Regulated addresses longer-term capital funding through a process whereby the Province issues debt specifically on Hydro's behalf and lends the proceeds to Hydro on a cost recovery basis. The funding obligations associated with a portion of Hydro Regulated's long-term debt are managed through a sinking fund investment program.

Continued long-term liquidity depends on access to capital markets through the Province and on the Province's ability to provide loans or equity contributions, if required. Diminished liquidity may result in constraints on executing capital plans and carrying out planned investments and cash flow shortages could adversely affect the Company's ability to operate.

MANAGEMENT DISCUSSION & ANALYSIS

MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGMENTS AND ESTIMATES

The Company's material accounting policies are described in Note 2 of the financial statements.

CURRENT AND FUTURE CHANGES IN ACCOUNTING POLICIES

The following is a list of applicable standards/amendments that have been issued and are effective for accounting periods commencing on or after January 1, 2025, as specified.

- *Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosure - Amendments to the Classification and Measurement of Financial Instruments*¹
- *Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosure - Contracts Referencing Nature-dependent Electricity*¹
- *IFRS 18 – Presentation and Disclosures in Financial Statements*²

¹ Effective for annual periods beginning on or after January 1, 2026, with earlier application permitted.

² Effective for annual periods beginning on or after January 1, 2027, with earlier application permitted.

Further information on the impact of current and future changes in accounting policies is disclosed in Note 4 to the financial statements.

SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Preparing the financial statements in accordance with IFRS® Accounting Standards requires management to make significant accounting judgments and estimates that impact reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting periods. Significant accounting judgments and estimates are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances. Due to changes in facts and circumstances, and the inherent uncertainty involved in making estimates, actual results may differ materially from current estimates. The estimates used are reviewed on an on-going basis by Management and, as adjustments become necessary, are recognized in profit or loss in the period in which they become known. A summary of the Company's significant accounting judgments and estimates are described in Note 3 of the financial statements.

RELATED PARTY TRANSACTIONS

The Company enters into various transactions with its shareholder and other related parties. Refer to Note 31 in the financial statements for further information regarding transactions with 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.

MANAGEMENT DISCUSSION & ANALYSIS

OUTLOOK

As Newfoundland and Labrador's Crown utility, Hydro remains committed to serving our customers and supporting a sustainable future for generations to come. As Hydro advances its vision and supports the transformation of our industry, we will continue to proactively navigate global, national, and provincial economic conditions, including the evolving geopolitical landscape, supply chain dynamics, and a competitive labour market. We will continue to approach opportunities and challenges with a solution-focused mindset, driving outcomes that benefit the people of our province.

Building on the foundation of our 2023-2025 Strategic Plan, a new strategic plan has been developed for 2026-2030. As we look to 2030, we aspire to be a more harmonized, trusted utility that generates sustainable value in Newfoundland and Labrador. To achieve this, Hydro will prioritize:

1. Safety, Health & Engagement

Hydro is focused on a holistic approach to safety, health and engagement as these mutually reinforcing priorities are central to a strong organizational culture. When employees feel safe, supported, valued, and recognized, they are better able to maintain focus, reduce distractions, and apply safe work practices consistently. This, in turn, improves both safety and operational outcomes.

2. Reliability & Readiness

During a period of transformation in the electricity sector, Hydro will prioritize reliability today while preparing its people and electrical system for the future. Given the long planning horizons of electric utilities, this dual focus supports dependable service that withstands and recovers from disruptions and positions Hydro to meet future system requirements and capitalize on opportunities for the province.

3. Sustainable Value Generation

Hydro has a responsibility to manage provincial electrical assets in a way that serves customers and delivers broad value to the people of Newfoundland and Labrador. Working with the provincial government, Hydro enables economic development through the provision of electricity, contributes to sincere and meaningful relationships with Indigenous Peoples, and supports long-term socio-economic benefits.

Through delivery of essential electricity service, Hydro will continue to play a key role in supporting economic development in the province while safely and reliably meeting increasing demand. By aligning our processes, operating transparently, remaining accountable, and operating with good utility practice, we will optimize our provincial resources, manage costs, and maintain customer and stakeholder confidence.