The Manitoba Hydro-Electric Board

QUARTERLY REPORT

(for the six months ended September 30, 2024)

Manitoba Hydro
energy for life

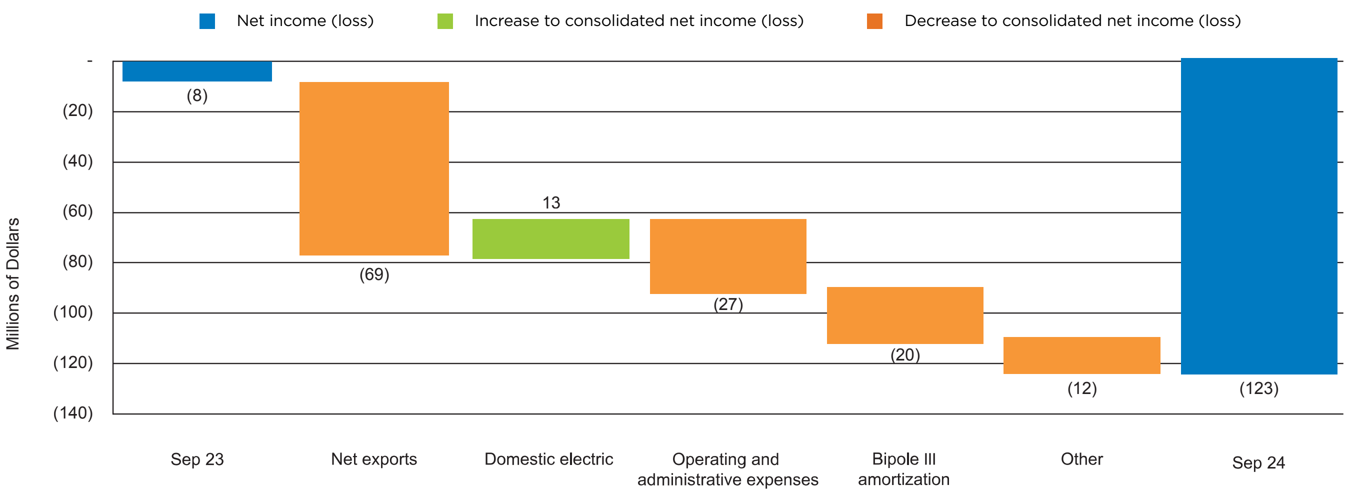
REPORT FROM **THE CHAIR OF THE BOARD** AND BY **THE PRESIDENT AND CHIEF EXECUTIVE OFFICER**

Financial Overview

Consolidated net loss attributable to Manitoba Hydro was $123 million for the first six months of 2024-25 compared to a net loss of $8 million for the same period last year.

The main driver of the increase in net loss is lower net exports, due to below normal precipitation through the summer months combined with low water levels to start the fiscal year. The decrease in net income from the prior year was also impacted by increased operating and administrative costs, and the completion of the Bipole III deferral amortization in July 2023, partially offset by an increase in domestic electric revenue.

CONSOLIDATED NET LOSS ATTRIBUTABLE TO MANITOBA HYDRO WAS $123 MILLION FOR THE FIRST SIX MONTHS OF 2024-25



Net Exports - The $69 million decrease in net export revenue from the same period last year was primarily due to a reduction in opportunity revenues and an increase in fuel and power purchases, driven by low water levels at the beginning of the current year, below normal precipitation levels throughout the summer, and the decision to conserve water to ensure reliable operations through the remainder of this fiscal year.

Domestic Electric Revenue - Increased customer usage, customer growth, and the impact of 1% general rate increases effective September 1, 2023 and April 1, 2024 resulted in an increase in domestic electric revenues compared to the prior year. The increase was partially offset by unfavourable weather impacts.

Operating and Administrative Expenses - The increase of $27 million in operating and administrative expenses was largely due to higher wages and salaries and employee benefits related to an increase in the workforce and as a result of wage increases.

Completion of Bipole III Regulatory Deferral Amortization - Manitoba Hydro had a regulatory deferral in place from July 2018 associated with amounts collected from customers during the construction of Bipole III. These historical rate increases, previously set aside in the Bipole III regulatory deferral account to mitigate rate increases when Bipole III came into service, were fully recognized in net income in July 2023.

Consolidated net loss was comprised of $89 million net loss in the electric segment, $42 million net loss in the natural gas segment, and $8 million net income in the other segment.

MANITOBA HYDRO EXPERIENCED AN IMPROVEMENT OF $10 MILLION IN THE CASH DEFICIT FROM OPERATIONS WHEN COMPARED TO THE SAME PERIOD LAST YEAR

Manitoba Hydro's primary sources of liquidity and capital are cash generated from operations and debt financed through the Province of Manitoba. The consolidated cash balance at September 30, 2024 totaled $901 million. Cash provided by operating activities of $202 million for the first six months of 2024-25 primarily reflects the impacts of cash-adjusted earnings partially offset by net interest paid. Manitoba Hydro's investing activities used $345 million in the first six months of 2024-25, a decrease in cash outflows of $164 million over the same period last year, largely related to the purchase of long-term investments in the prior year for the purpose of hedging the foreign exchange impact of a long-term obligation as well as an increase in contributions received in the current year.

Cash flow summary for the six month period ended September 30

(in millions of dollars)	**2024**	2023	Inc/(Dec) over prior year
Cash and cash equivalents, beginning of year	**780**	1 089	(309)
Cash provided by operating activities	**202**	356	(154)
Cash used for investing activities	**(345)**	(509)	164
Cash surplus/(deficit) from operations	**(143)**	(153)	10
Cash provided by (used for) financing activities	**264**	(582)	846
Cash and cash equivalents, end of period	**901**	354	547

The corporation reported a net deficit of $143 million when comparing cash flows provided by operating activities net of cash flows for investing activities. This was an improvement of $10 million when compared to the same period last year.

Cash provided from financing activities totaled $264 million compared to a cash outflow of $582 million over the same period last year. The change in cash flows from financing activities is largely as a result of a reduction in long-term debt maturities compared to the prior year as well as an increase in long- and short-term debt issuances in the current year. It is the corporation's intention to remain prefunded at levels that protect against liquidity risk with a cash balance of approximately $400 million - $600 million.

CONSOLIDATED NET LOSS OF $123 MILLION ATTRIBUTABLE TO MANITOBA HYDRO WAS $56 MILLION HIGHER THAN BUDGET, WHILE THE CASH DEFICIT WAS $46 MILLION LOWER THAN BUDGET

Based on the drought experienced in 2023-24 and expected lower water conditions to start 2024-25, Manitoba Hydro budgeted for a net loss of $67 million for the first six months of 2024-25. The actual consolidated net loss of $123 million attributable to Manitoba Hydro was $56 million higher than budget. The net loss was primarily driven by lower net export revenue related to the low water conditions at the start of this fiscal year, below normal precipitation, and the decision to conserve water to ensure reliable operations through the remainder of this fiscal year. This was partially offset by lower operating and administrative expenses primarily due to less spending on contracted services and lower wages and salaries than budgeted due to lower staffing increases than planned to date.

Manitoba Hydro budgeted for a cash deficit from operations of $189 million for the first six months of 2024-25. The actual cash deficit of $143 million was $46 million lower than budget due to the results of settled contract disputes in September 2024 as well as timing of contributions received.

MANITOBA HYDRO IS CURRENTLY PROJECTING A NET LOSS FOR THE 2024-25 FISCAL YEAR

Manitoba Hydro is currently projecting a net loss for the 2024-25 fiscal year compared to the budgeted net income of $95 million. The deterioration in earnings is primarily driven by lower net exports due to unfavourable water conditions and the decision to conserve water to rebuild storage levels to meet winter load requirements. However due to uncertainty associated with water conditions, weather impacts, energy markets, and other external factors, there still remains significant variability in the projected financial results.

Electric Segment

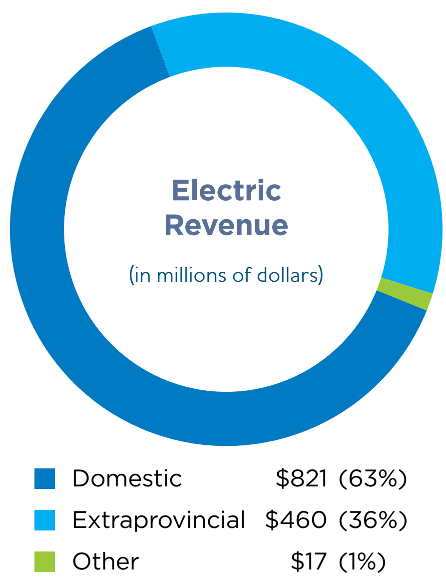
Electric segment results for the six month period ended September 30

(in millions of dollars)	**2024**	2023	Inc/(Dec) over prior year
Revenues	**1 298**	1 335	(37)
Expenses	**1 407**	1 605	(198)
Net income (loss) before net movement	**(109)**	(270)	(161)
Net movement	**20**	295	(275)
Net Income (Loss)	**(89)**	25	(114)

Electric revenue for the first six months of 2024-25 was $1 298 million, a decrease of $37 million from the same period last year. The decrease was largely attributable to lower extraprovincial revenues partially offset by higher domestic electric revenues and a slight increase in other revenues compared to the prior year.

Electricity sales within Manitoba were $821 million, $13 million higher than the same period last year primarily due to higher usage in the residential and industrial classes, customer growth, and the impact of the September 1, 2023 and April 1, 2024 electric rate increases. The increase was partially offset by unfavourable weather impacts.

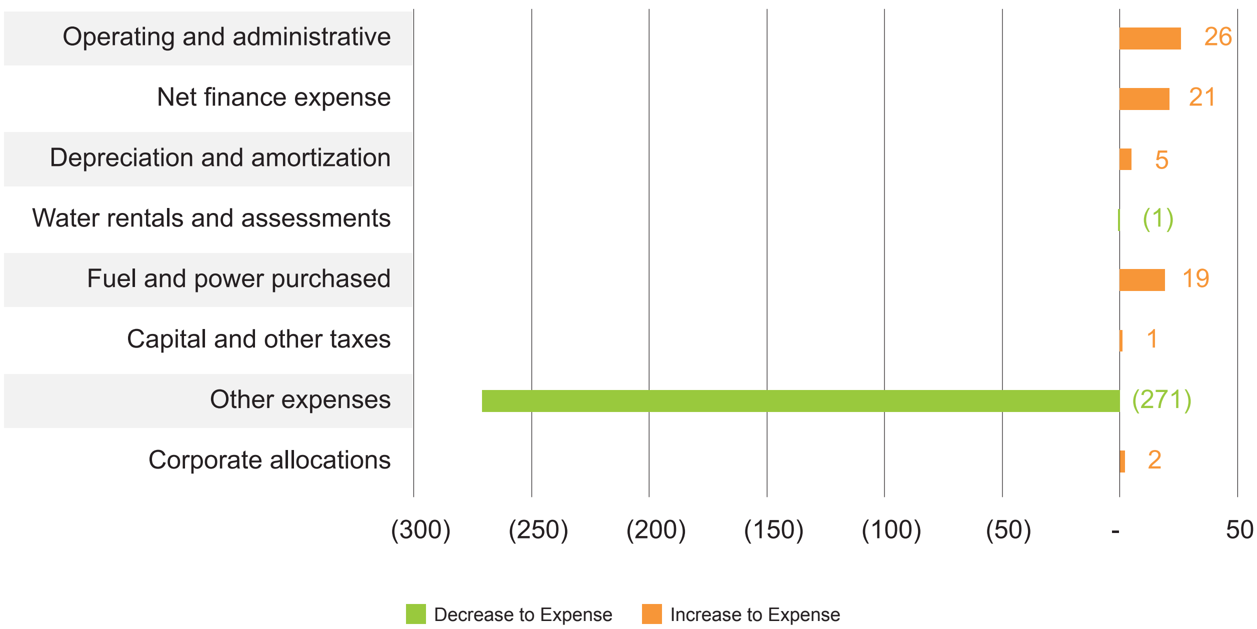
Extraprovincial revenue of $460 million was $52 million or 10% lower than the same period last year, which reflects a reduction in opportunity revenues due to a decrease in volumes as a result of low water levels at the start of the fiscal year combined with below normal precipitation through the summer months and the decision to conserve water to rebuild storage levels for winter load requirements. Overall, energy sold in the export market this year was 4.7 billion kilowatt-hours compared to 5.7 billion kilowatt-hours in the previous year.



ENERGY SOLD IN THE EXPORT MARKET THIS YEAR WAS 4.7 BILLION KILOWATT-HOURS COMPARED TO 5.7 BILLION KILOWATT-HOURS IN THE PREVIOUS YEAR

Expenses attributable to electric operations totaled $1 407 million for the six-month period, which represents a decrease of $198 million or 13%, compared to the same period last year.

Electric Segment Expense Variances from Prior Year (in millions of dollars)



Operating and administrative expenses increased primarily due to higher wages and salaries and employee benefits related to an increase in the workforce and as a result of wage increases.

Net finance expense was higher than the prior year largely due to higher interest rates, an increase in long- and short-term debt volumes, and additional accretion expense on a new long-term obligation established in the prior year.

Fuel and power purchases were higher than last year at this time due to drought conditions experienced through the 2023-24 fiscal year which resulted in low water levels to start this fiscal year and an increase in energy volumes purchased this spring.

Other expenses decreased significantly due to the recognition of a preferred distributions obligation in the prior year related to ownership changes associated with the amended Joint Keeyask Development Agreement (JKDA). The initial obligation of $263 million was recorded to other expenses and was subsequently deferred through net movement.

The corporation incurred $25 million in electric demand side management (DSM) expenses during the first six months of 2024-25, an increase of $7 million or 39%. These costs are initially recorded through other expenses and subsequently deferred and amortized through net movement, and therefore do not impact net income this year.

Net loss before net movement in regulatory balances was $109 million. The net movement in regulatory balances of $20 million captures the timing differences of revenues and expenses for financial reporting purposes and those amounts approved by the Public Utilities Board (PUB) for rate-setting purposes. The decrease in net movement from the prior year is largely due to the deferral of the preferred distributions obligation associated with the amended JKDA, as discussed above, as well as the completion of the Bipole III deferral amortization.

After considering the net movement in regulatory deferral balances, the net loss was $89 million. Net loss of less than $1 million was attributable to non-controlling interests.

Expenditures for capital construction for the six-month period amounted to $276 million compared to $314 million for the same period last year, a decrease of $38 million or 12%. This decrease was due to a credit of $59 million associated with the results from settled contract disputes in September 2024. Excluding this credit, capital expenditures increased $21 million related to ongoing system additions and modifications necessary to meet the electrical service requirements of customers throughout the province in addition to trailing costs on the Keeyask project.

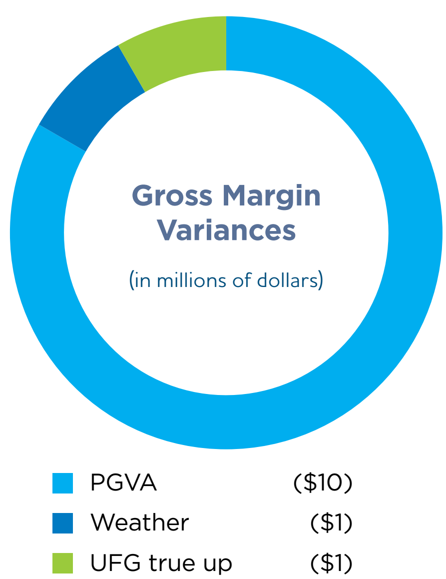
Natural Gas Segment

Natural gas segment results for the six month period ended September 30

(in millions of dollars)	**2024**	2023	Inc/(Dec) over prior year
Revenues	**134**	155	(21)
Expenses	**171**	189	(18)
Net income (loss) before net movement	**(37)**	(34)	(3)
Net movement	**(5)**	(6)	1
Net income (loss)	**(42)**	(40)	(2)

The net loss in the natural gas segment was $42 million for the six-month period ended September 30, 2024 compared to a net loss of $40 million for the same period last year.

Revenue, net of cost of gas sold (gross margin), was $46 million compared to $58 million for the same period last year. Gross margin decreased by $12 million primarily due to lower purchased gas costs (compared to amounts charged to customers through rates). The difference between the cost of gas embedded in customer rates and the actual cost of gas purchased is accumulated in the purchased gas variance accounts (PGVA) and adjusted in net movement thereby ensuring that only the actual cost of gas, no more or less, is ultimately passed on to customers over time. The cost of natural gas is a flow through cost passed on to customers through rates approved by the PUB and therefore does not impact net income. After considering the impact of PGVAs, gross margin decreased $2 million largely due to weather impacts that resulted in a lower heating load, and lower unaccounted for gas (UFG) true up. Delivered gas volumes were 604 million cubic metres compared to 594 million cubic metres for the same period last year.



Expenses attributable to natural gas operations, excluding cost of gas sold, amounted to $83 million compared to $94 million for the same period last year, a decrease of $11 million or 24%. The decrease in expenses was largely related to a reduction in other expenses due to the receipt of federal funding associated with natural gas DSM program expenditures in prior years. Excluding the impact of federal funding, the natural gas segment incurred $12 million in DSM expenditures during the first six months of 2024-25 which represented an increase of $3 million from the prior year. These costs are subsequently deferred and amortized through net movement, and therefore do not impact net income this year. Expenses also decreased as a result of lower corporate allocation which was reduced in 2023-24 to reflect the impact of sinking fund investments designated for retiring acquisition debt as well as a modification in the allocation methodology between the electric and natural gas segments.

Capital expenditures in the natural gas segment were $21 million for the current six-month period compared to $23 million for the same period last year, a decrease of $2 million or 9%. Capital expenditures are related to system improvements and other expenditures necessary to meet the natural gas service requirements of customers throughout the province.

Other Segment

The other segment includes Manitoba Hydro International Ltd. (MHI), Manitoba Hydro Utility Services, and Minell Pipelines Ltd. Net income was $8 million in the other segment for the six-month period ended September 30, 2024 compared to $7 million in the prior year, an increase of $1 million.

Manitoba Hydro International resuming operations

Manitoba Hydro resumed operations of its international consulting business, Manitoba Hydro International (MHI), starting July 29. Ben Graham, Chair of the Manitoba Hydro-Electric Board, said the decision presents two opportunities: an additional source of revenue to further support energy affordability in Manitoba, and sharing Manitoba Hydro's expertise globally to provide support through energy management consulting and services to other utilities and organizations around the world.

Graham said the decision also creates good jobs for Manitobans. MHI expects to add positions to its staff over the next three to four years. MHI will begin the process to reinstate the full scope of its operations bidding on energy projects around the world in fields such as technical and advisory services and international power line technician training.

Before being wound down in February 2021, MHI provided services and products to clients in over 120 countries, building capacity in Manitoba's high-tech power industry, for 20 years.

Improved peat strategy at Keeyask Generating Station delivers results

Following lessons learned from 2023 and collaboration from multiple Manitoba Hydro teams and contractors, a peat island that formed early in 2024 was quickly dismantled.

Throughout the winter months, a Debris Management Team—including representatives from Northern Generation, Maintenance and Operations Engineering Support, Water Resources, and Waterways Programming—met regularly to discuss peat monitoring and regulation. When peat became visible in spring thaw, teams began to form and mobilize a response very quickly.

By shutting down Keeyask Generating Station for much shorter intervals than 2023—for less than 12 hours a day, two days in total—and moving the peat while it was still partially frozen and buoyant, teams were able to minimize disruption to operations and safely clear the peat out of the water within a matter of days.

Manitoba Hydro will continue to monitor the Nelson River system leading into Keeyask for future peat impacts, improving its response each subsequent year should accumulations continue to be present.

Ben Graham

Chair of the Board

Allan Danroth

President and Chief Executive Officer

November 14, 2024

FINANCIALS

Consolidated Statement of Income (Loss)

In millions of dollars (unaudited)

		SIX MONTHS ENDED SEPTEMBER 30		THREE MONTHS ENDED SEPTEMBER 30	
		2024	**2023 Restated[1]**	**2024**	**2023 Restated[1]**
REVENUES					
Domestic	Electric	821	808	405	390
	Gas	133	153	45	48
Extraprovincial		460	512	256	261
Other		35	35	17	16
		1 449	1 508	723	715
EXPENSES					
Cost of gas sold		87	95	27	31
Operating and administrative		409	382	209	195
Finance expense		535	520	269	256
Depreciation and amortization		330	325	165	160
Water rentals and assessments		30	32	17	14
Fuel and power purchased		89	70	37	37
Capital and other taxes		92	90	46	45
Other expenses		45	327	34	303
Finance income		(30)	(36)	(15)	(12)
		1 587	1 805	789	1 029
Net income (loss) before net movement in regulatory balances		(138)	(297)	(66)	(314)
Net movement in regulatory balances		15	289	21	266
Net Income (Loss)		(123)	(8)	(45)	(48)
Net income (loss) attributable to:					
Manitoba Hydro		(123)	(8)	(46)	(48)
Non-controlling interests		-	-	1	-
		(123)	(8)	(45)	(48)

Note 1: The prior year results have been restated to reflect the initial recognition of the preferred distributions obligation effective July 31, 2023 associated with the ownership changes at final closing as a result of the amended Joint Keeyask Development Agreement as well as the related regulatory deferral and accretion expense on the obligation. The prior year results have also been restated to reflect the impact of the transition in depreciation methodology to Average Life Group effective April 1, 2023.

FINANCIALS

Consolidated Statement of Financial Position

In millions of dollars (unaudited)

	AS AT SEPTEMBER 30, 2024	AS AT MARCH 31, 2024	AS AT SEPTEMBER 30, 2023 RESTATED[1]
ASSETS			
Current assets	1 575	1 498	1 002
Property, plant and equipment	26 760	26 727	26 632
Non-current assets	1 606	1 622	1 462
Total assets before regulatory deferral balance	29 941	29 847	29 096
Regulatory deferral balance	1 693	1 679	1 714
	31 634	31 526	30 810
LIABILITIES AND EQUITY			
Current liabilities	1 823	1 870	1 582
Long-term debt	23 835	23 644	23 034
Other non-current liabilities	1 940	1 921	1 990
Deferred revenue	745	702	669
Non-controlling interests	46	46	46
Retained earnings	3 356	3 478	3 627
Accumulated other comprehensive loss	(229)	(254)	(281)
Total liabilities and equity before regulatory deferral balance	31 516	31 407	30 667
Regulatory deferral balance	118	119	143
	31 634	31 526	30 810

Note 1: The prior year results have been restated to reflect the initial recognition of the preferred distributions obligation effective July 31, 2023 associated with the ownership changes at final closing as a result of the amended Joint Keeyask Development Agreement as well as the related regulatory deferral and accretion expense on the obligation. The prior year results have also been restated to reflect the impact of the transition in depreciation methodology to Average Life Group effective April 1, 2023.

FINANCIALS

Consolidated Cash Flow Statement

In millions of dollars (unaudited)

	SIX MONTHS ENDED SEPTEMBER 30		THREE MONTHS ENDED SEPTEMBER 30	
	2024	**2023 Restated**	**2024**	**2023 Restated**
Operating Activities	202	356	77	160
Investing Activities	(345)	(509)	(184)	(356)
Financing Activities	264	(582)	198	160
Net increase (decrease) in cash	121	(735)	91	(36)
Cash at beginning of period	780	1 089	810	390
Cash at end of period	901	354	901	354

Consolidated Statement of Comprehensive Income (Loss)

In millions of dollars (unaudited)

	SIX MONTHS ENDED SEPTEMBER 30		THREE MONTHS ENDED SEPTEMBER 30	
	2024	**2023 Restated[1]**	**2024**	**2023 Restated[1]**
Net Income (Loss)	(123)	(8)	(45)	(48)
Other Comprehensive Income (Loss)				
Items that will be reclassified to income				
Unrealized foreign exchange gains (losses) on debt in cash flow hedges	14	11	23	(35)
Items that have been reclassified to income				
Realized foreign exchange losses on debt in cash flow hedges	11	12	6	5
	25	23	29	(30)
Comprehensive Income (Loss)	(98)	15	(16)	(78)
Comprehensive income (loss) attributable to:				
Manitoba Hydro	**(98)**	**15**	**(17)**	**(78)**
Non-controlling interests	-	-	1	-
	(98)	15	(16)	(78)

Note 1: The prior year results have been restated to reflect the initial recognition of the preferred distributions obligation effective July 31, 2023 associated with the ownership changes at final closing as a result of the amended Joint Keeyask Development Agreement as well as the related regulatory deferral and accretion expense on the obligation. The prior year results have also been restated to reflect the impact of the transition in depreciation methodology to Average Life Group effective April 1, 2023.

FINANCIALS

Segmented Information

In millions of dollars (unaudited)

	ELECTRIC SEGMENT		NATURAL GAS SEGMENT		OTHER SEGMENT		ELIMINATIONS		TOTAL	
SIX MONTHS ENDED SEPTEMBER 30	**2024**	**2023 Restated[1]**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023 Restated[1]**
Revenues	1 298	1 335	134	155	23	24	(6)	(6)	1 449	1 508
Expenses	1 407	1 605	171	189	15	17	(6)	(6)	1 587	1 805
Net income (loss) before net movement in regulatory balances	(109)	(270)	(37)	(34)	8	7	-	-	(138)	(297)
Net movement in regulatory balances	20	295	(5)	(6)	-	-	-	-	15	289
Net Income (Loss)	(89)	25	(42)	(40)	8	7	-	-	(123)	(8)
Net income (loss) attributable to:										
Manitoba Hydro	(89)	25	(42)	(40)	8	7	-	-	(123)	(8)
Non-controlling interests	-	-	-	-	-	-	-	-	-	-
	(89)	25	(42)	(40)	8	7	-	-	(123)	(8)
THREE MONTHS ENDED SEPTEMBER 30										
Revenues	670	658	46	49	12	12	(5)	(4)	723	715
Expenses	708	944	77	80	9	9	(5)	(4)	789	1029
Net income (loss) before net movement in regulatory balances	(38)	(286)	(31)	(31)	3	3	-	-	(66)	(314)
Net movement in regulatory balances	15	259	6	7	-	-	-	-	21	266
Net Income (Loss)	(23)	(27)	(25)	(24)	3	3	-	-	(45)	(48)
Net income (loss) attributable to:										
Manitoba Hydro	(24)	(27)	(25)	(24)	3	3	-	-	(46)	(48)
Non-controlling interests	1	-	-	-	-	-	-	-	1	-
	(23)	(27)	(25)	(24)	3	3	-	-	(45)	(48)
TOTAL ASSETS	30 863	30 132	903	884	125	208	(257)	(414)	31 634	30 810

Note 1: The prior year results have been restated to reflect the initial recognition of the preferred distributions obligation effective July 31, 2023 associated with the ownership changes at final closing as a result of the amended Joint Keeyask Development Agreement as well as the related regulatory deferral and accretion expense on the obligation. The prior year results have also been restated to reflect the impact of the transition in depreciation methodology to Average Life Group effective April 1, 2023.

FINANCIALS

Generation and Delivery Statistics

	SIX MONTHS ENDED SEPTEMBER 30		THREE MONTHS ENDED SEPTEMBER 30	
	2024	**2023**	**2024**	**2023**
ELECTRICITY IN GIGAWATT-HOURS				
Hydraulic generation	14 650	16 535	8 393	7 510
Thermal generation	7	6	1	5
Scheduled energy imports	852	325	47	258
Wind purchases (Manitoba)	425	351	183	152
Total system supply	15 934	17 217	8 624	7 925
GAS IN MILLIONS OF CUBIC METRES				
Gas sales	254	399	79	196
Gas transportation	350	195	163	63
	604	594	242	259

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