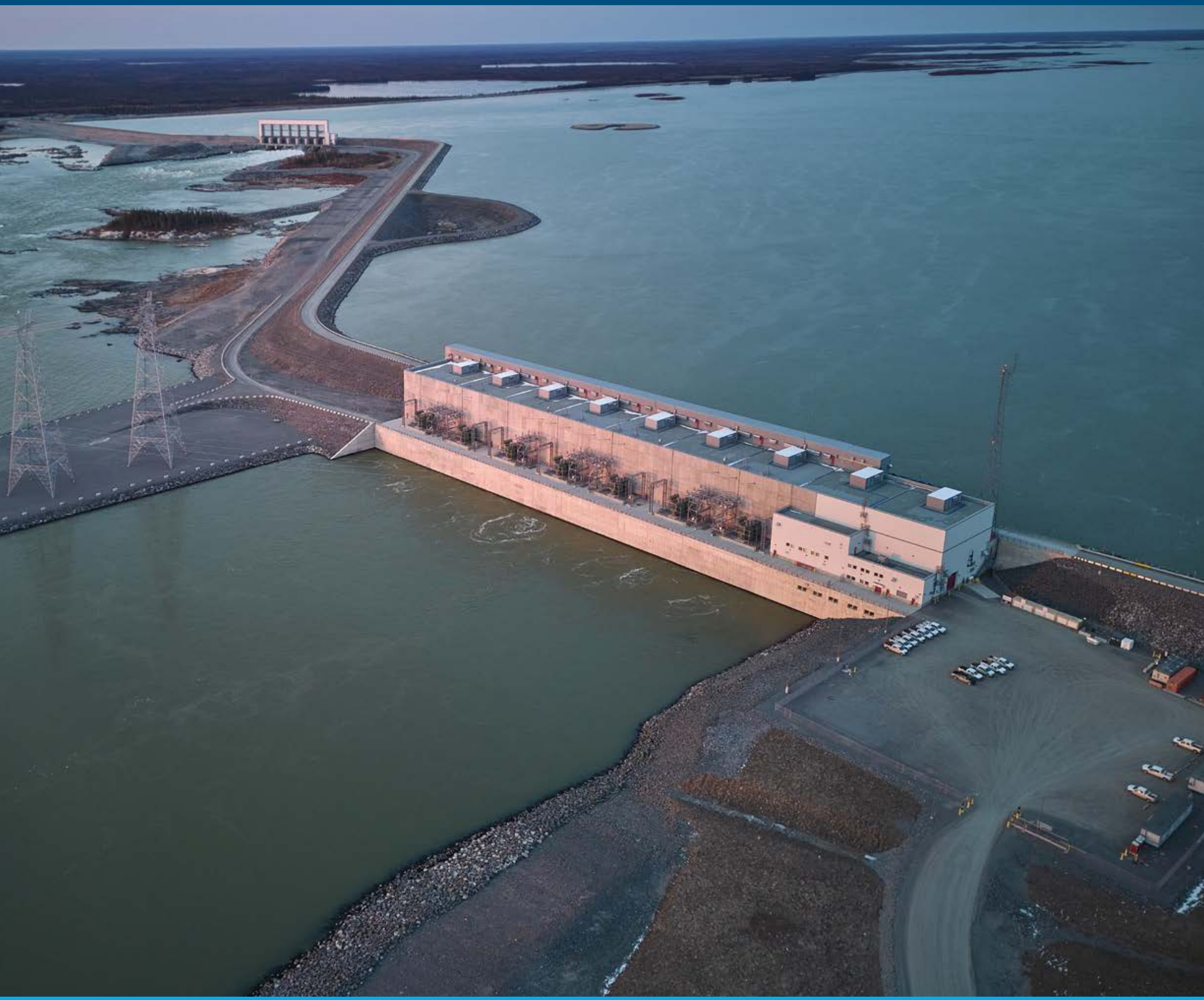
The Manitoba Hydro-Electric Board

QUARTERLY REPORT

(for the nine months ended December 31, 2024)



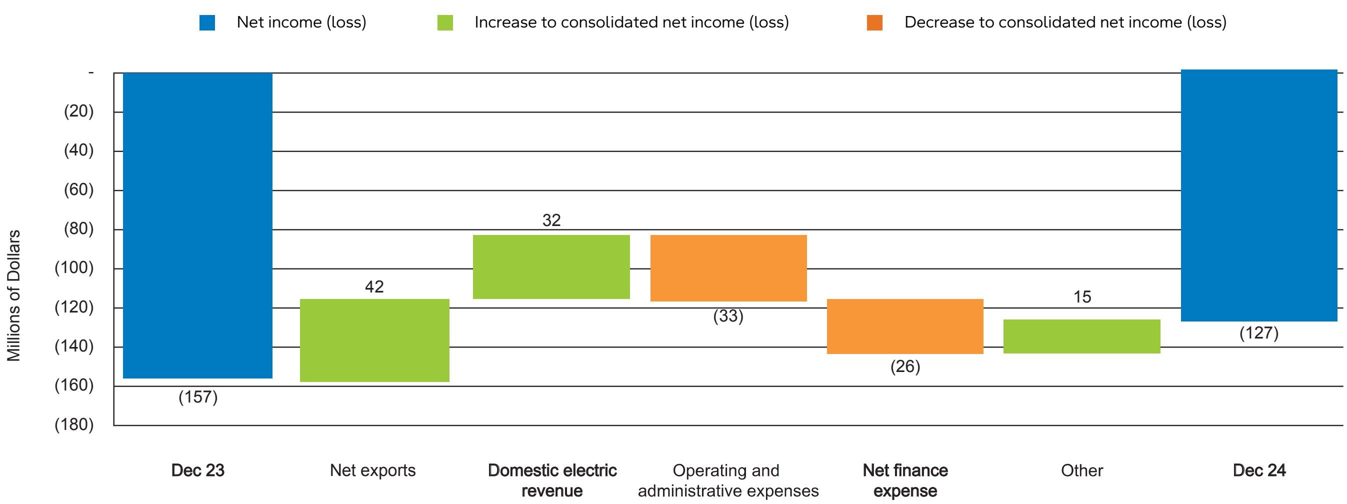
Manitoba Hydro
energy for life

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 $127 million for the first nine months of 2024-25 compared to a net loss of $157 million for the same period last year. The $30 million decrease in net loss is largely driven by higher net exports and an increase in domestic electric revenue. This was partially offset by an increase in operating and administrative costs and net finance expense.

Consolidated net loss attributable to Manitoba Hydro was $127 million for the first nine months of 2024-25



Net Exports - The $42 million increase in net export revenue for the first nine months from the same period last year was primarily due to a reduction in fuel and power purchases, with less volume purchased and at significantly lower prices. In the prior year Manitoba Hydro experienced unprecedented congestion in the northern Midcontinent Independent System Operator (MISO) market which caused significantly higher purchase prices. Last year's drought conditions were also much more significant than this fiscal year which resulted in less imports for the nine months ended December 31, 2024. This was partially offset by a decrease in opportunity revenues (exports) driven by low water levels experienced at the beginning of the current year, below normal precipitation levels throughout the summer and fall, and the decision through those months to conserve water to ensure reliable operations through the remainder of this fiscal year.

Changes in net exports for the nine-month period ended December 31

(in millions of dollars)	**2024**	2023	Inc/(Dec) over prior year
Extraprovincial revenues	**669**	695	(26)
Fuel and power purchases	**163**	233	(70)
Water rentals and assessments	**48**	46	2
Net exports	**458**	**416**	**42**

Domestic Electric Revenue - Increased customer usage, customer growth, the full year impact of a 1% general rate increase effective September 1, 2023, and a 1% general rate increase effective April 1, 2024 resulted in an increase in domestic electric revenues compared to the prior year. The increase was partially offset by lower heating and cooling loads.

Operating and Administrative Expenses - The increase of $33 million in operating and administrative expenses was largely due to higher wages and salaries and employee benefits related to both an increase in the workforce and as a result of wage increases.

Net Finance Expense - Increased long- and short-term debt balances as well as higher interest rates and additional accretion expense on a new long-term obligation established in the prior year resulted in an increase in net finance expense of $26 million.

Consolidated net loss attributable to Manitoba Hydro was comprised of $98 million net loss in the electric segment, $42 million net loss in the natural gas segment, and $13 million net income in the other segment.

Manitoba Hydro experienced an improvement of $79 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 December 31, 2024 totaled $874 million.

Cash flow summary for the nine-month period ended December 31

(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	**405**	511	(106)
Cash used for investing activities	**(563)**	(748)	185
	(158)	(237)	79
Cash provided by (used for) financing activities	**252**	(274)	526
Cash and cash equivalents, end of period	**874**	578	296

Cash provided by operating activities of $405 million for the first nine months of 2024-25 primarily reflects the impacts of cash-adjusted earnings partially offset by net interest paid. Manitoba Hydro's investing activities used $563 million in the first nine months of 2024-25, a decrease in cash outflows of $185 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.

The corporation reported a net deficit of $158 million when comparing cash flows provided by operating activities net of cash flows for investing activities. This was an improvement of $79 million when compared to the same period last year.

Cash provided by financing activities totaled $252 million compared to a cash outflow of $274 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 short-term debt issuances in the current year, partially offset by a decrease in long-term debt issuances in the current year. It is the corporation's intention to protect against liquidity risk by remaining prefunded six months ahead of requirements.

Consolidated net loss of $127 million attributable to Manitoba Hydro represents a deterioration of $140 million compared to budgeted net income of $13 million

Manitoba Hydro budgeted for a net income of $13 million for the first nine months of 2024-25. The actual consolidated net loss of $127 million attributable to Manitoba Hydro represents a deterioration of $140 million from 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 through the summer and fall, and the decision to conserve water to ensure reliable operations through the remainder of this fiscal year. Domestic electric revenue was also below budget largely due to lower heating load requirements and lower customer growth than budget. This was partially offset by lower operating and administrative expenses primarily due to less spending on consulting 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 $51 million for the first nine months of 2024-25. The actual cash deficit of $158 million was $107 million higher than budget largely as a result of a decrease in cash collected from customers due to lower revenues.

Manitoba Hydro is currently projecting a net loss for the 2024-25 fiscal year

Manitoba Hydro continues to project 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. Uncertainty around water conditions has narrowed, as flow conditions are historically more stable after the end of October. However, hydraulic generation can still vary due to factors such as outages, ice restrictions, and snowpack conditions through winter, etc. Further, there remains uncertainty associated with weather impacts, energy markets, and other external factors, and therefore the projected financial results are still subject to significant variability.

Electric Segment

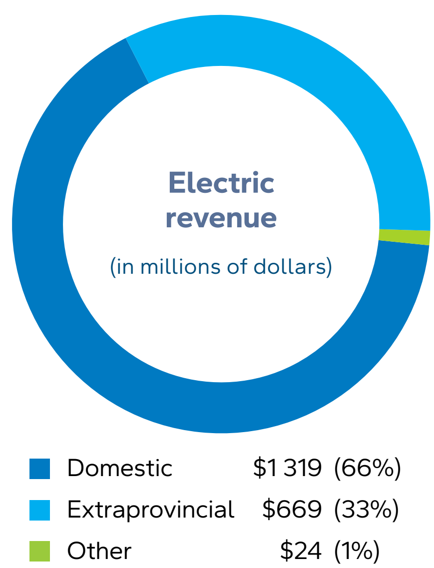
Electric segment results for the nine-month period ended December 31

(in millions of dollars)	**2024**	2023	Inc/(Dec) over prior year
Revenues	**2 012**	2 009	3
Expenses	**2 146**	2 418	(272)
Net income (loss) before net movement	**(134)**	(409)	275
Net movement	**33**	285	(252)
Net Income (loss)	**(101)**	(124)	23

Electric revenue for the first nine months of 2024-25 was $2 012 million, an increase of $3 million from the same period last year. The increase was largely attributable to higher domestic electric revenues, largely offset by lower extraprovincial revenues and a slight decrease in other revenues compared to the prior year.

Electricity sales within Manitoba were $1 319 million, $32 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 lower heating and cooling load requirements.

Extraprovincial revenue of $669 million was $26 million or 4% 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 and fall 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 6.5 billion kilowatt-hours compared to 7.0 billion kilowatt-hours in the previous year.

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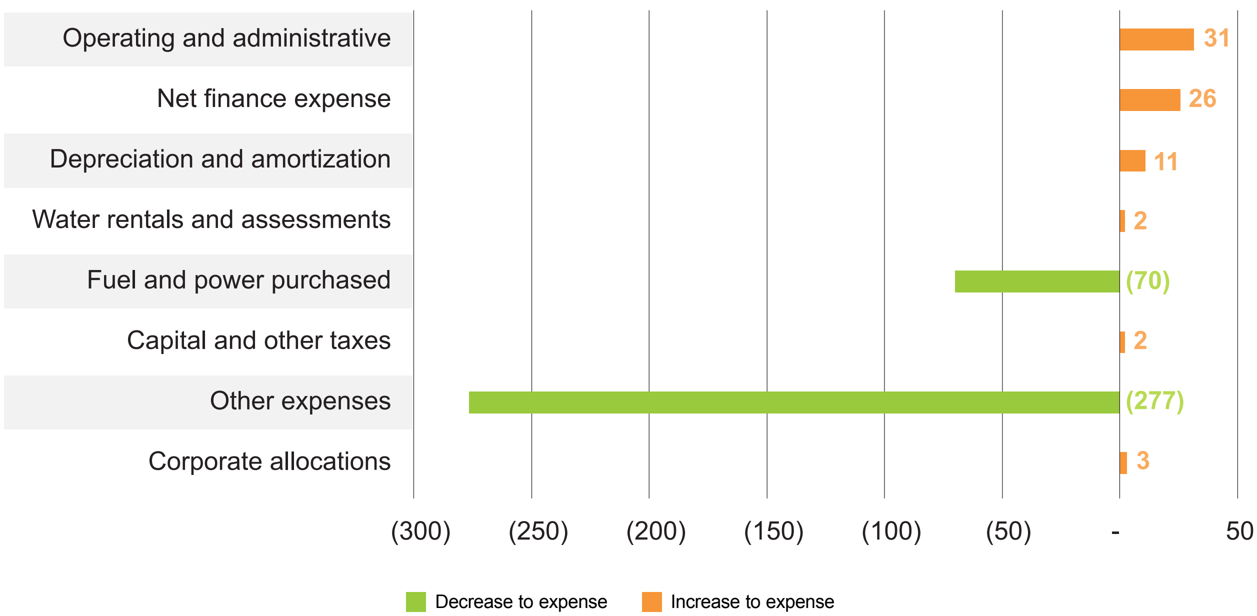
Expenses attributable to electric operations totaled $2 146 million for the nine-month period, which represents a decrease of $272 million or 11% compared to the same period last year.

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 an increase in long- and short-term debt volumes, higher long-term interest rates, and additional accretion expense on a new long-term obligation established in the prior year.

Fuel and power purchases were lower than the prior year due to less volumes purchased at significantly lower prices. In the 2023-24 fiscal year, Manitoba Hydro experienced unprecedented congestion at the settlement point in the northern MISO market which resulted in a significant increase in the price of power purchased from the US in the prior year. Congestion levels dampened in mid-November of the prior year and prices have remained relatively stable since.

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 $39 million in electric demand side management (DSM) expenses during the first nine months of 2024-25, an increase of $7 million or 22%. 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 $134 million. The net movement in regulatory balances of $33 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 $101 million. Net loss of $3 million was attributable to non-controlling interests.

Expenditures for capital construction for the nine-month period amounted to $445 million compared to $471 million for the same period last year, a decrease of $26 million or 6%. 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 $33 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 nine-month period ended December 31

(in millions of dollars)	**2024**	2023	Inc/(Dec) over prior year
Revenues	**277**	302	(25)
Expenses	**313**	337	(24)
Net income (loss) before net movement	**(36)**	(35)	(1)
Net movement	**(6)**	(9)	3
Net income (loss)	**(42)**	(44)	2

The net loss in the natural gas segment was $42 million for the nine-month period ended December 31, 2024 compared to a net loss of $44 million for the same period last year.

Revenue, net of cost of gas sold (gross margin), was $93 million compared to $105 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 increased $2 million largely due to the 4.5% rate increase approved on an interim basis effective November 1, 2024 partially offset by lower unaccounted for gas (UFG) true up. Delivered gas volumes were 1 229 million cubic metres compared to 1 220 million cubic metres for the same period last year.

Expenses attributable to natural gas operations, excluding cost of gas sold, amounted to $131 million compared to $142 million for the same period last year, a decrease of $11 million or 8%. 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 $15 million in DSM expenditures during the first nine months of 2024-25 which was consistent with spending in 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 the final quarter of 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 $37 million for the current nine-month period compared to $38 million for the same period last year, a decrease of $1 million or 3%. 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 $13 million in the other segment for the nine-month period ended December 31, 2024 compared to $11 million in the prior year, an increase of $2 million.

Wash'ake Mayzoon Station nears completion

Construction of the Portage Area Capacity Enhancement (PACE) Complex reached another major milestone in October: the completion of construction of the new Wash'ake Mayzoon 230-66 kilovolt (kV) Station.

Located in the Rural Municipality (RM) of Portage la Prairie, the new station houses a 95-megavolt ampere transformer, along with new transmission and distribution lines and other station modifications that will enhance capacity and reliability in Portage la Prairie and Southwest Manitoba.

The PACE Complex is designed to address growing service needs in the RM of Portage la Prairie area. The area continues to be one of the most stressed segments of Manitoba Hydro's transmission system due to above-average load growth, new industrial customers, increasing exports to Saskatchewan, and a reprioritization of planned transmission projects throughout the province. As a result, capacity for connection of large industrial customers in the area is limited.

Station construction began in July 2023 as part of several closely connected PACE Stage 1 projects that are building toward an in-service date of May 2025.

Customers share thoughts about our energy future as part of Integrated Resource Plan

Public engagement has wrapped for Manitoba Hydro's 2025 Integrated Resource Plan (IRP).

In November and December, Manitobans had the opportunity to share their thoughts in a survey on their future energy use and what matters to them when it comes to their energy.

Answers to the survey will help inform the development of Manitoba Hydro's 2025 IRP, which will help the utility continue bringing safe, reliable electricity and natural gas in the years to come. The 2025 IRP will also include a recommended development plan to meet that goal.

Conducting an engagement survey on this scale (alongside targeted conversations with interested parties) helped ensure the 2025 IRP reflects a variety of perspectives from across Manitoba as Manitoba Hydro works to power the province now and into the future.

Centra applies for rate increase to cover cost of serving customers

On October 7, 2024, Centra Gas Manitoba Inc. (Centra), a subsidiary of Manitoba Hydro, filed a General Rate Application (GRA) with the Public Utilities Board of Manitoba (PUB) seeking approval, on an interim basis, of an average natural gas general revenue increase of 4.5% effective November 1, 2024. This was the first GRA filed by Centra since 2018. On October 29, 2024, the PUB approved, on an interim basis, the application from Centra for the interim rate increase for a one-year period is subject to the completion of a full public review of Centra's 2024-25 GRA. The public review is expected to be completed in 2025. For a typical residential customer, the interim general revenue increase results in an average bill increase of approximately 3.9% or $2 per month. The interim increase relates to the non-gas components of rates.

In the application, Centra stated the increase is needed to ensure revenues can cover the non-commodity related gas costs of running the natural gas system and performing the maintenance needed to continue providing reliable, safe, and effective service to customers. The application also asked for PUB approval to adjust rates that include costs to transport natural gas to Manitoba and to store gas in the summer months for use in the winter.

Bringing life to "Energy for Life": Manitoba Hydro releases latest ESG report

Manitoba Hydro released its third annual Environmental, Social, and Governance (ESG) Report, available on its website and hard copy by request.

"We know that every Manitoban has an interest in the activities and actions we undertake as the province's largest energy supplier," said Scott Powell (Director, Corporate Communications). "Our goal is to lead as an environmental steward, a progressive and fair employer, and an active contributor to our province's social fabric and economic growth."

Manitoba Hydro's ESG Report also tracks its year-over-year progress with supporting numbers and statistics to demonstrate the impact of its efforts over fiscal year April 1, 2023 through March 31, 2024.

Highlights of this report include:

- 76% of residential Manitoba Hydro customers reported (via the utility's Voice of the Customer program) they are satisfied with Manitoba Hydro's overall service.
- 66% of residential Manitoba Hydro customers are satisfied with its safety education.
- 4 718 grades five and six students were reached province-wide with electrical and natural gas safety messaging.
- More than $1 101 000 in combined employee and corporate payroll donations.
- Almost $500 000 contributed to sponsorships of events and activities across Manitoba.
- More than 75 000 litres of waste oil collected and recycled.
- More than 98 metric tons of industrial non-hazardous materials recycled.

Ben Graham

Chair of the Board

Allan Danroth

President and Chief Executive Officer

February 14, 2025

FINANCIALS

Consolidated Statement of Income (Loss)

In Millions of Dollars (Unaudited)

	NINE MONTHS ENDED DECEMBER 31		THREE MONTHS ENDED DECEMBER 31	
	2024	**2023 Restated[1]**	**2024**	**2023 Restated[1]**
REVENUES				
Domestic - Electric	1 319	1 287	498	479
- Gas	275	300	142	147
Extraprovincial	669	695	209	183
Other	56	58	21	23
	2 319	2 340	870	832
EXPENSES				
Cost of gas sold	182	195	95	100
Operating and administrative	614	581	205	199
Finance expense	803	780	268	260
Depreciation and amortization	502	490	172	165
Water rentals and assessments	47	45	17	13
Fuel and power purchased	163	233	74	163
Capital and other taxes	138	136	46	46
Other expenses	71	360	26	33
Finance income	(44)	(47)	(14)	(11)
	2 476	2 773	889	968
Net income (loss) before net movement in regulatory balances	(157)	(433)	(19)	(136)
Net movement in regulatory balances	27	276	12	(13)
Net Income (Loss)	(130)	(157)	(7)	(149)
Net income (loss) attributable to:				
Manitoba Hydro	(127)	(157)	(4)	(149)
Non-controlling interests	(3)	-	(3)	-
	(130)	(157)	(7)	(149)

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 DECEMBER 31 2024	AS AT MARCH 31 2024	AS AT DECEMBER 31 2023 RESTATED[1]
ASSETS			
Current assets	1 664	1 498	1 247
Property, plant and equipment	26 802	26 727	26 660
Non-current assets	1 623	1 622	1 521
Total assets before regulatory deferral balance	30 089	29 847	29 428
Regulatory deferral balance	1 708	1 679	1 659
	31 797	31 526	31 087
LIABILITIES AND EQUITY			
Current liabilities	2 254	1 870	1 715
Long-term debt	23 593	23 644	23 302
Other non-current liabilities	1 968	1 921	2 005
Deferred revenue	764	702	682
Non-controlling interests	43	46	47
Retained earnings	3 351	3 478	3 479
Accumulated other comprehensive loss	(297)	(254)	(243)
Total liabilities and equity before regulatory deferral balance	31 676	31 407	30 987
Regulatory deferral balance	121	119	100
	31 797	31 526	31 087

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)

	NINE MONTHS ENDED DECEMBER 31		THREE MONTHS ENDED DECEMBER 31	
	2024	**2023 Restated**	**2024**	**2023 Restated**
Operating Activities	405	511	203	155
Investing Activities	(563)	(748)	(218)	(239)
Financing Activities	252	(274)	(12)	308
Net increase (decrease) in cash	94	(511)	(27)	224
Cash at beginning of period	780	1 089	901	354
Cash at end of period	874	578	874	578

Consolidated Statement of Comprehensive Income (Loss)

In Millions of Dollars (Unaudited)

	NINE MONTHS ENDED DECEMBER 31		THREE MONTHS ENDED DECEMBER 31	
	2024	**2023 Restated[1]**	**2024**	**2023 Restated[1]**
Net Income (Loss)	(130)	(157)	(7)	(149)
Other Comprehensive Income (Loss)				
Items that will be reclassified to income				
Unrealized foreign exchange gains (losses) on debt in cash flow hedges	(61)	42	(75)	31
Items that have been reclassified to income				
Realized foreign exchange losses on debt in cash flow hedges	18	20	7	8
	(43)	62	(68)	39
Comprehensive Income (Loss)	(173)	(95)	(75)	(110)
Comprehensive income (loss) attributable to:				
Manitoba Hydro	(170)	(95)	(72)	(110)
Non-controlling interests	(3)	-	(3)	-
	(173)	(95)	(75)	(110)

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	
NINE MONTHS ENDED DECEMBER 31	**2024**	**2023 Restated[1]**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023 Restated[1]**
Revenues	2 012	2 009	277	302	37	35	(7)	(6)	2 319	2 340
Expenses	2 146	2 418	313	337	24	24	(7)	(6)	2 476	2 773
Net income (loss) before net movement in regulatory balances	(134)	(409)	(36)	(35)	13	11	-	-	(157)	(433)
Net movement in regulatory balances	33	285	(6)	(9)	-	-	-	-	27	276
Net Income (Loss)	(101)	(124)	(42)	(44)	13	11	-	-	(130)	(157)
Net income (loss) attributable to:										
Manitoba Hydro	(98)	(124)	(42)	(44)	13	11	-	-	(127)	(157)
Non-controlling interests	(3)	-	-	-	-	-	-	-	(3)	-
	(101)	(124)	(42)	(44)	13	11	-	-	(130)	(157)
THREE MONTHS ENDED DECEMBER 31										
Revenues	714	674	143	147	14	11	(1)	-	870	832
Expenses	739	813	142	148	9	7	(1)	-	889	968
Net income (loss) before net movement in regulatory balances	(25)	(139)	1	(1)	5	4	-	-	(19)	(136)
Net movement in regulatory balances	13	(10)	(1)	(3)	-	-	-	-	12	(13)
Net Income (Loss)	(12)	(149)	-	(4)	5	4	-	-	(7)	(149)
Net income (loss) attributable to:										
Manitoba Hydro	(9)	(149)	-	(4)	5	4	-	-	(4)	(149)
Non-controlling interests	(3)	-	-	-	-	-	-	-	(3)	-
	(12)	(149)	-	(4)	5	4	-	-	(7)	(149)
TOTAL ASSETS	30 981	30 367	963	924	130	208	(277)	(412)	31 797	31 087

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

	NINE MONTHS ENDED DECEMBER 31		THREE MONTHS ENDED DECEMBER 31	
	2024	**2023**	**2024**	**2023**
ELECTRICITY IN GIGAWATT-HOURS				
Hydraulic generation	22 408	22 548	7 758	6 013
Thermal generation	19	63	12	57
Scheduled energy imports	1 677	1 955	825	1 630
Wind purchases (Manitoba)	674	609	249	258
Total system supply	24 778	25 175	8 844	7 958
GAS IN MILLIONS OF CUBIC METRES				
Gas sales	669	691	415	292
Gas transportation	560	529	210	334
	1 229	1 220	625	626

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