

The Manitoba Hydro-Electric Board

QUARTERLY REPORT

(for the three months ended June 30, 2026)



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

Consolidated net loss attributable to Manitoba Hydro was \$15 million for the first three months of 2026–27 compared to a net loss of \$55 million for the same period last year. The first quarter of 2026–27 reflects early signs of improvement following several years of below-average water conditions. Coming out of the drought experienced in 2025–26, water conditions improved during the first quarter as favourable snowpack, spring runoff, and above-normal precipitation helped improve water conditions compared to the same period last year. As a result, hydro-electric generation increased and the need for higher cost imports was reduced as the quarter progressed.

The province experienced three consecutive years of drought prior to the current fiscal year, which required Manitoba Hydro to focus on water conservation and cost management measures to maintain reliable service and support the corporation's financial position. Although conditions improved during the quarter, financial results for this fiscal year remain highly dependent on precipitation and water conditions for the remainder of the year.

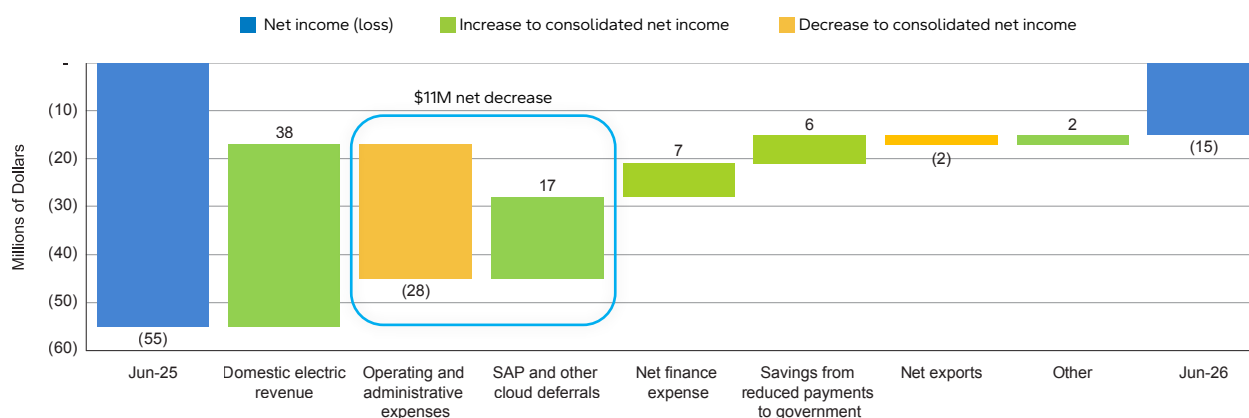
The improvement in actual net loss from the previous year was primarily driven by an increase in domestic electric revenue. Financial results benefited from approved rate increases, including a 4.0% electricity rate increase effective January 1, 2026, and a 4.5% natural gas rate increase effective November 1, 2025. Together with weather-related increases in customer demand during the spring and early summer, the rate increases contributed to higher domestic revenues compared to the same period last year.

Operating and administrative expenses increased compared to the first quarter of 2025–26, primarily due to continued investment in the SAP S/4HANA Core project, which is now in the implementation phase, as well as higher wages and salaries. Expenses were also impacted by several severe weather events, including a major ice storm in April and storms in June that caused outages and required emergency response efforts. These increases were partially offset by costs incurred in the prior year related to the unprecedented wildfire season. Costs associated with the SAP S/4HANA Core project continue to be deferred, as approved by the Public Utilities Board, and therefore did not impact the net loss for the quarter.

Overall, these impacts resulted in an improvement in the net loss compared to the prior year as well as a more favourable loss compared to the budget for the first three months of 2026–27. While there remains uncertainty for the remainder of the year, this improvement is reflected in a more positive financial outlook.

Financial Overview

The improvement in financial results compared to the same period last year was primarily driven by higher domestic electric revenue, lower net finance expense, and lower other expenses. These favourable impacts were partially offset by higher operating and administrative expenses and lower net export revenues, as illustrated below. The following discussion explains the major factors contributing to each variance.



Domestic Electric Revenue – The increase of \$38 million was primarily due to higher electricity sales resulting from variable spring weather, which increased both heating and cooling demand. The increase was also driven by a 4.0% electric general rate increase effective January 1, 2026, and continued customer growth.

Operating and Administrative Expenses – The increase of \$28 million in operating and administrative expenses was largely due to requirements for the SAP S/4HANA Core project, higher wages and salaries related to both wage increases and an increase in the workforce, increased vegetation management expenditures to mitigate system reliability and safety risks, and additional overtime related to storm response, service restoration, and maintenance activities. These activities were partially offset by lower wildfire-related costs than the prior year. SAP S/4HANA Core project costs and certain other cloud-based computing costs continue to be deferred, as approved by the Public Utilities Board, to reflect the long-term benefits of these investments. As a result, \$17 million of increased costs incurred during the quarter were deferred and did not impact net income.

Net Finance Expense – The \$7 million decrease in net finance expense was primarily due to higher finance income earned on increased cash and short-term investment balances from higher interest rates. Financing costs were also lower as a result of the reduction in the provincial debt guarantee fee from the Province of Manitoba from 0.4% to 0.3%, effective at the start of this fiscal year.

Net Exports – Despite improvements in water conditions during the quarter, net export revenues decreased \$2 million. The decrease reflects a significant increase in market-based opportunity revenues which were offset by lower dependable contract revenues due to the expiration of a long-term contract with Northern States Power in April 2025. Water rental expenses were also higher due to increased generation this fiscal year.

Consolidated net loss attributable to Manitoba Hydro was \$15 million for the first three months of 2026–27

Consolidated net loss attributable to Manitoba Hydro was comprised of \$10 million net loss in the electric segment, \$11 million net loss in the natural gas segment, and \$6 million net income in the other segment.

Manitoba Hydro's primary sources of liquidity and capital are cash generated from operations and debt financed through the Province of Manitoba. These sources are used for multiple purposes, including investment in generation, transmission, and distribution facilities and to fund operating activities. The following table provides a summary of Manitoba Hydro's statement of cash flows.

Cash flow summary for the three-month period ended June 30

(in millions of dollars)	2026	2025	Inc/(Dec) over prior year
Cash and cash equivalents, beginning of year	1 569	1 073	496
Cash provided by operating activities	107	175	(68)
Cash used for investing activities	(170)	(153)	(17)
Cash surplus/(deficit) from operations	(63)	22	(85)
Cash used for financing activities	(510)	(170)	(340)
Cash and cash equivalents, end of period	996	925	71

Cash provided by operating activities was \$107 million for the first three months of 2026–27, while investing activities used \$170 million, primarily for capital projects and other long-term investments. Investing cash outflows were \$17 million higher than the same period last year due to increased capital spending. As a result, cash used by operations and investing activities exceeded cash generated from operations by \$63 million during the quarter.

The corporation reported a cash deficiency from operations of \$63 million for the first three months of 2026–27.

The net increase in cash and cash equivalents is further analyzed in the table below. Cash surplus/ (deficiency) from operations is a non-GAAP financial measure that reflects the excess or shortfall in cash flows generated from operating activities after accounting for investing activities. Management uses this metric to assess the extent to which internally generated cash flows are sufficient to fund capital investment needs. The corporation reported a cash deficiency from operations of \$63 million for the first three months of 2026–27 which was a decrease of \$85 million when compared to the same period last year.

Cash flow summary for the three-month period ended June 30

(in millions of dollars)	2026	2025	Inc/(Dec) over prior year
Cash Inflows			
Cash collected from customers	815	823	(8)
Cash Outflows			
Cash paid for operational expenditures	(508)	(431)	(77)
Net interest paid	(200)	(217)	17
Capital expenditures	(171)	(152)	(19)
Other investing	1	(1)	2
	(878)	(801)	(77)
Cash Surplus/(Deficiency) from Operations	(63)	22	(85)
Financing Activities			
Proceeds from debt financing	690	353	337
Maturing debt which has been refinanced	(1 199)	(523)	(676)
Other	(1)	-	(1)
	(510)	(170)	(340)
Net change in cash	(573)	(148)	(425)

Cash used for financing activities totaled \$510 million compared to a cash outflow of \$170 million over the same period last year. The change in cashflows from financing activities is largely due to an increase in planned maturities of debt which were refinanced with the proceeds from long- and short-term borrowings. It is the corporation's intention to protect against liquidity risk by remaining prefunded six months ahead of requirements.

Consolidated net loss of \$15 million attributable to Manitoba Hydro represents an improvement of \$57 million compared to the budgeted net loss of \$72 million

Manitoba Hydro budgeted for a net loss of \$72 million for the first three months of 2026–27. The actual consolidated net loss of \$15 million attributable to Manitoba Hydro represents an improvement of \$57 million from budget.

The improvement in net loss compared to budget was primarily due to lower fuel and power purchase costs, including favourable changes in the market value of contracts used to manage electricity purchase and transmission costs, as well as higher domestic revenues resulting from increased customer demand during a colder spring and warmer start to the summer than anticipated. In addition, net finance expense was lower than budget due to higher interest income earned on temporary investments and lower interest costs resulting from debt levels being below budget.

Manitoba Hydro budgeted for a cash deficit from operations of \$224 million for the first three months of 2026–27. The actual cash deficit of \$63 million was \$161 million lower than budget largely as a result of lower spending on capital expenditures in the first quarter and an increase in cash collected from customers.

Manitoba Hydro is currently projecting positive net income for the 2026–27 fiscal year

Manitoba Hydro budgeted net income of \$140 million for the 2026–27 fiscal year. Water conditions improved during the first quarter as favourable snowpack, spring runoff, and above-normal precipitation increased hydraulic inflows, resulting in water levels that were slightly above average at quarter-end.

However, financial results remain highly dependent on precipitation and water conditions for the remainder of the year. Future weather patterns, export market prices, import requirements, and other external factors can materially affect hydraulic generation and financial performance. As a result, while current results are favourable relative to budget, significant uncertainty remains regarding year-end results.

Electric Segment

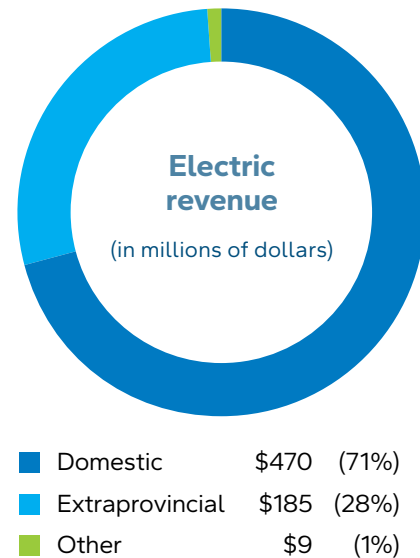
Electric segment results for the three-month period ended June 30

(in millions of dollars)	2026	2025	Inc/(Dec) over prior year
Revenues	664	625	39
Expenses	708	680	28
Net income (loss) before net movement	(44)	(55)	11
Net movement	36	15	21
Net Income (loss)	(8)	(40)	32

Electric revenue for the first three months of 2026–27 was \$664 million, an increase of \$39 million from the same period last year. The increase was primarily driven by higher domestic electric revenues, with a small increase in extraprovincial and other revenues.

Electricity sales within Manitoba were \$470 million, an increase of \$37 million compared to the same period last year. The increase was primarily related to higher heating and cooling load requirements, which contributed \$18 million as well as the January 1, 2026 general electric rate increase, which contributed a further \$18 million.

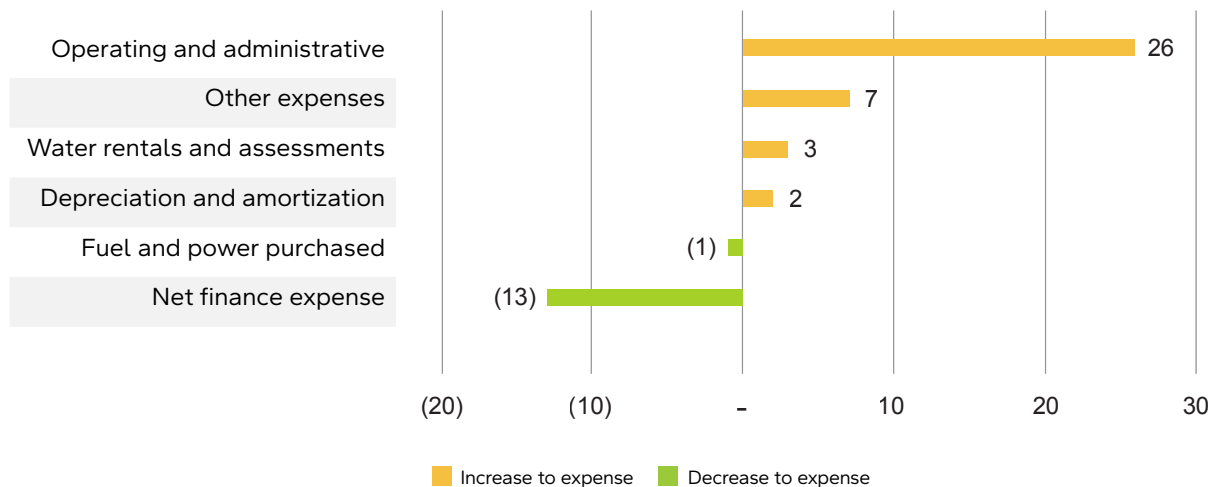
Extraprovincial revenue increased by \$1 million, as a \$29 million increase in opportunity sales was largely offset by a \$28 million decrease in dependable sales. The decrease in dependable sales was primarily due to the expiry of a long-term power sale contract with Northern States Power in April 2025. Opportunity sales increased as improved water conditions supported higher export volumes, partially offset by lower market prices. Overall, energy sold in the export market totaled 2.6 billion kilowatt-hours in the first three months of 2026–27, compared to 1.7 billion kilowatt-hours in the same period last year.



Energy sold in the export market in the first three months of 2026–27 was 2.6 billion kilowatt-hours compared to 1.7 billion kilowatt-hours in the same period last year

Expenses attributable to electric operations totaled \$708 million for the three-month period, which represents an increase of \$28 million or 4% 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 costs associated with the SAP S/4HANA Core project, higher wages and salaries resulting from negotiated wage increases and workforce growth, increased vegetation management activities to support system reliability and safety, and additional overtime related to storm response, service restoration, and maintenance activities. These activities were partially offset by lower wildfire-related costs than the prior year. SAP S/4HANA Core project costs, and other cloud-based computing projects, have been approved by the Public Utilities Board for deferral to reflect the long-term benefits of these investments. As a result, eligible costs incurred during the period were deferred and did not impact net income.

Other expenses increased primarily due to higher demand side management (DSM) expenditures resulting from increased participation in Efficiency Manitoba programs. These costs are initially recorded through other expenses and subsequently deferred and amortized through net movement and, as a result, did not impact net income this year.

Water rentals and assessments were \$3 million higher from additional water and generation than the previous period.

Net finance expense was lower largely due to an increase in finance income associated with new high interest rate savings accounts used to hold cash balances as well as the decrease in the provincial debt guarantee fee by 0.1% effective April 1, 2026.

Net loss before net movement in regulatory balances was \$44 million. The net movement in regulatory balances of \$36 million captures the timing differences of revenues and expenses for financial reporting purposes and those amounts approved by the Public Utilities Board for rate-setting purposes. The increase in net movement from the prior year is largely due to higher spending on SAP and DSM expenses as discussed above.

After considering the net movement in regulatory deferral balances, the net loss was \$8 million. Net income of \$2 million was attributable to non-controlling interests.

Capital expenditures for the three-month period amounted to \$168 million compared to \$140 million for the same period last year, an increase of \$28 million or 20%. Increased spending this year on the Pointe du Bois Renewable Energy Project and a new transmission line from Radisson to Henday were the main contributors to increased capital expenditures, along with continued progress on the HVDC Reliability Program and Dispatchable Capacity Resources.

Natural Gas Segment

Natural gas segment results for the three-month period ended June 30

(in millions of dollars)	2026	2025	Inc/(Dec) over prior year
Revenues	64	62	2
Cost of gas sold	78	85	(7)
Net income (loss) before net movement	(14)	(23)	9
Net movement	3	8	(5)
Net income (loss)	(11)	(15)	4

The net loss in the natural gas segment was \$11 million for the three-month period ended June 30, 2026, compared to a net loss of \$15 million for the same period last year.

Revenue, net of cost of gas sold (gross margin), was \$39 million compared to \$25 million for the same period last year. The \$14 million increase was primarily due to \$8 million lower purchased gas costs relative to amounts recovered through customer 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 Public Utilities Board and therefore does not impact net income.

After considering the impacts of PGVAs, gross margin also increased \$6 million due to cooler weather resulting in higher heating load requirements, as well as the 4.5% rate increase effective November 1, 2025. Delivered gas volumes were 400 million cubic metres compared to 362 million cubic metres for the same period last year.

Expenses attributable to natural gas operations, excluding cost of gas sold, amounted to \$53 million compared to \$48 million for the same period last year, an increase of \$5 million or 11%. The increase primarily relates to higher other expenses largely due to increased DSM expenditures due to higher participation in Efficiency Manitoba programs. In addition, operating and administrative expenses were also higher primarily due to the SAP S/4HANA Core project. These costs are subsequently deferred and amortized through net movement, and therefore do not impact net income this year. Also contributing to the increase in operating and administrative expenses were higher employee-related costs and higher costs for collections due in part to an increase in the expected credit loss in the current year.

Capital expenditures in the natural gas segment were \$11 million for the current three-month period compared to \$9 million for the same period last year, an increase of \$2 million or 22%. 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., Manitoba Hydro Utility Services, and Minell Pipelines Ltd. Net income was \$7 million in the other segment for the three-month period ended June 30, 2026 compared to \$1 million in the prior year, an increase of \$6 million. \$5 million relates to additional revenue earned in Manitoba Hydro International.



Indigenous Advisory Circle to support Manitoba Hydro-Electric Board

In May, the Manitoba Hydro-Electric Board (MHEB) announced the appointment of members to the Manitoba Hydro Indigenous Advisory Circle (IAC), to support and enhance the utility's ongoing efforts in advancing Indigenous reconciliation.

The IAC will provide knowledge, advice and perspectives directly to the MHEB on Indigenous reconciliation, and the advancement of Manitoba Hydro's Indigenous Relations Commitment Statement. Creation of the IAC was outlined in the board's 2023 mandate letter from the provincial government.

Robert Wavey and Jamie Wilson will act as co-chairs of the IAC, supported by council members Eva Wilson Fontaine, Harvey Bostrom, Desiree Theriault and Chief Clarence Easter. The five-member IAC will advise the MHEB on Manitoba Hydro policies and programs identified by the Board, on recommendations from Manitoba Hydro, that have potential implications for Indigenous reconciliation.

The council will meet two to four times per year and provide advice to the MHEB. The IAC's discussions will be subject to the same confidentiality requirements as the MHEB.

April ice storm creates restoration challenges

Several days of heavy, wet snow and ice in late April brought tree branches down on power lines and caused other damage, cutting power to remote northern communities without all-weather roads, including Bunibonibee Cree Nation (Oxford House), O-Pipon-Na-Piwin Cree Nation (South Indian Lake), Manto Sipi Cree Nation (God's River) and Red Sucker Lake Anishininew Nation.

The spring storm, which started on April 23, took about a dozen Manitoba Hydro employees to restore all outages over the course of a weekend, and presented some real challenges for the crews attempting to reach affected communities.

On multiple occasions, crews tried to fly out by plane or helicopter, but initial attempts were unsuccessful due to the weather conditions. Eventually, they were able to reach some communities by air, but for the outage at Red Sucker Lake, crews needed a different plan.

With the guidance of two local trappers, a Manitoba Hydro employee got into the affected areas by snowmobile, where local residents had already identified the cause of the outage, and was able to restore power.

Manitoba Hydro responds to weeks of stormy weather

High winds, heavy rain, lightning and tornadoes hammered swaths of southern and central Manitoba throughout the month of June, causing major widespread — and often extended — outages.

Storm damage started around June 6 for many Parkland communities, with wind and rain damaging lines and poles and causing localized flooding. Days later, another storm swept through areas around Winnipeg and southern Manitoba, uprooting trees, taking down power lines and knocking down poles.

"This was one of the worst summer storm events in recent memory," said Manitoba Hydro Media Relations Officer Peter Chura. "Crews responded to hundreds of downed lines and other damage. Due to the scale and widespread nature, it took us multiple days to completely restore power."

In late June, more storm activity rolled through, causing even more damage for western Manitoba communities already recovering from floods and storms — including a tornado that severely damaged a section of power line near Rosburn. Lightning and fallen tree branches damaged poles and lines, while torrential rain washed out poles and roads, in many cases impacting the utility's ability to reach damaged areas.

Crews worked to safely restore thousands of customers, in some cases accessing damage by air.

Gas pipeline exercise prepares Manitoba Hydro for worst case scenario

Manitoba Hydro's customer service centre in Russell had just been advised of a loss of pressure on the Minell natural gas pipeline near St. Lazare, Manitoba. Moments later a 911 call described the roar of escaping gas, a towering flame and a crashed vehicle.

This was the start of an emergency response simulation conducted in June with two local fire departments, alongside Manitoba Hydro's field and emergency response staff.

Manitoba Hydro's emergency response coordination department ran the simulation exercise and threw various curve balls into the scenario as it progressed.

"It's important to practice what we do with the people we work with," said Brad Hay, Manitoba Hydro's Enterprise Emergency Response Coordinator. "This gives an opportunity for our field crews to work with the people that they would be working with in an emergency, test out communications, and test out how they feed information to our emergency operations centre. Practice makes better."

The Minell pipeline is a 70-km natural gas pipeline that originates near Moosomin, Saskatchewan, and travels to Russell, Manitoba, passing near the towns of McAuley, St. Lazare and Binscarth. It delivers the natural gas that heats homes, businesses and critical infrastructure in much of the Parkland region, including the City of Dauphin.

Every three years, Manitoba Hydro runs a large-scale emergency simulation on the pipeline — though it runs many smaller exercises annually. Practice is crucial, because real emergencies do happen.

"Exercises like this teach us about communication," said Brad. "We live in a society where you're used to having everything at your fingertips, but emergencies aren't like that."

In addition to emergency response simulations like this, we conduct inspections and regular maintenance of our gas pipelines.



Jamie Wilson

Chair of the Board

A handwritten signature in black ink, appearing to read "J. Wilson".

Allan Danroth

President and Chief
Executive Officer

August 14, 2026

A handwritten signature in black ink, appearing to read "Allan Danroth".



FINANCIALS

Consolidated Statement of Income (Loss)

in millions of dollars (unaudited)

	THREE MONTHS ENDED JUNE 30	
	2026	2025
REVENUES		
Domestic Electric	470	433
Gas	63	62
Extraprovincial	185	183
Other	24	18
	<u>742</u>	<u>696</u>
EXPENSES		
Cost of gas sold	25	37
Operating and administrative	255	227
Finance expense	268	271
Depreciation and amortization	166	164
Water rentals and assessments	18	14
Fuel and power purchased	38	39
Capital and other taxes	16	14
Other expenses	32	21
Finance income	(24)	(14)
	<u>794</u>	<u>773</u>
Net loss before net movement in regulatory balances	(52)	(77)
Net movement in regulatory balances	<u>39</u>	<u>23</u>
Net loss	<u>(13)</u>	<u>(54)</u>
Net income (loss) attributable to:		
Manitoba Hydro	(15)	(55)
Non-controlling interests	2	1
	<u>(13)</u>	<u>(54)</u>

FINANCIALS

Consolidated Statement of Financial Position

in millions of dollars (unaudited)

	AS AT JUNE 30 2026	AS AT MARCH 31 2026	AS AT JUNE 30 2025
ASSETS			
Current assets	1 780	2 432	1 652
Property, plant and equipment	27 222	27 169	26 893
Non-current assets	1 661	1 596	1 602
Total assets before regulatory deferral balance	30 663	31 197	30 147
Regulatory deferral balance	1 925	1 894	1 801
	32 588	33 091	31 948
LIABILITIES AND EQUITY			
Current liabilities	2 600	2 553	1 898
Long-term debt	24 149	24 743	23 915
Other non-current liabilities	1 946	1 920	2 043
Deferred revenue	928	884	831
Non-controlling interests	43	41	44
Retained earnings	2 954	2 969	3 354
Accumulated other comprehensive loss	(124)	(119)	(245)
Total liabilities and equity before regulatory deferral balance	32 496	32 991	31 840
Regulatory deferral balance	92	100	108
	32 588	33 091	31 948

FINANCIALS

Consolidated Cash Flow Statement

in millions of dollars (unaudited)

	THREE MONTHS ENDED JUNE 30	
	2026	2025
Operating Activities	107	175
Investing Activities	(170)	(153)
Financing Activities	(510)	(170)
Net increase (decrease) in cash	(573)	(148)
Cash at beginning of period	1 569	1 073
Cash at end of period	996	925

Consolidated Statement of Comprehensive Income (Loss)

in millions of dollars (unaudited)

	THREE MONTHS ENDED JUNE 30	
	2026	2025
Net Loss	(13)	(54)
Other Comprehensive Income (Loss)		
Items that will be reclassified to income		
Unrealized foreign exchange gains (losses) on debt in cash flow hedges	(8)	43
Items that have been reclassified to income		
Realized foreign exchange losses on debt in cash flow hedges	7	9
	(1)	52
Comprehensive Loss	(14)	(2)
Comprehensive income (loss) attributable to:		
Manitoba Hydro	(16)	(3)
Non-controlling interests	2	1
	(14)	(2)

FINANCIALS

Segmented Information

in millions of dollars (unaudited)

	ELECTRIC SEGMENT		NATURAL GAS SEGMENT		OTHER SEGMENT		ELIMINATIONS		TOTAL	
THREE MONTHS ENDED JUNE 30	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025
Revenues	664	625	64	62	18	11	(4)	(2)	742	696
Expenses	708	680	78	85	12	10	(4)	(2)	794	773
Net income (loss) before net movement in regulatory balances	(44)	(55)	(14)	(23)	6	1	-	-	(52)	(77)
Net movement in regulatory balances	36	15	3	8	-	-	-	-	39	23
Net Income (Loss)	(8)	(40)	(11)	(15)	6	1	-	-	(13)	(54)
Net income (loss) attributable to:										
Manitoba Hydro	(10)	(41)	(11)	(15)	6	1	-	-	(15)	(55)
Non-controlling interests	2	1	-	-	-	-	-	-	2	1
	(8)	(40)	(11)	(15)	6	1	-	-	(13)	(54)
TOTAL ASSETS	31 692	31 177	980	924	159	136	(243)	(289)	32 588	31 948

FINANCIALS

Generation and Delivery Statistics

	THREE MONTHS ENDED JUNE 30	
	2026	2025
ELECTRICITY IN GIGAWATT-HOURS		
Hydraulic generation	7 951	6 918
Thermal generation	3	20
Scheduled energy imports	515	349
Wind purchases (Manitoba)	243	226
Total system supply	8 712	7 513
GAS IN MILLIONS OF CUBIC METRES		
Gas sales	220	172
Gas transportation	180	189
	400	361

