The Manitoba Hydro-Electric Board

QUARTERLY REPORT

(for the three months ended June 30, 2025)

Manitoba Hydro
energy for life

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

For the third year in a row, and the fourth time in the last five years, Manitoba Hydro is facing low water conditions. This has resulted in a shift in operations to secure and maintain domestic and firm power supply for expected peak winter loads.

Net export revenues are a key component in the financial results of the corporation which consist of extraprovincial revenues offset by fuel and power purchases (imports) and water rentals and assessments. The variability in external factors such as water storage, precipitation, and market prices have a material impact on the results from year to year and also throughout the year. However, 2025-26 financial results can still vary significantly with summer and fall precipitation.

The corporation entered 2025-26 with the lingering impacts of two successive low water years which has not allowed for water storage levels to be replenished. Excluding the record setting high water conditions experienced in 2022-23, water available in storage has steadily declined. Precipitation has been well below average for the five-year period, which has significantly impacted overall storage levels with pronounced impacts in the last two fiscal years.

With respect to the current fiscal year, precipitation levels over the winter and into the spring were well below average for the watershed which has resulted in sustained drought-like conditions and the continued need to responsibly manage water in anticipation of higher load requirements in the fall and winter months.

As a result of current year conditions and cumulative impacts of previous years, the results for the first three months of 2025-26 reflect a significant decrease in net export revenues driven by limited opportunity sales and an increase in power purchases compared to average water conditions.

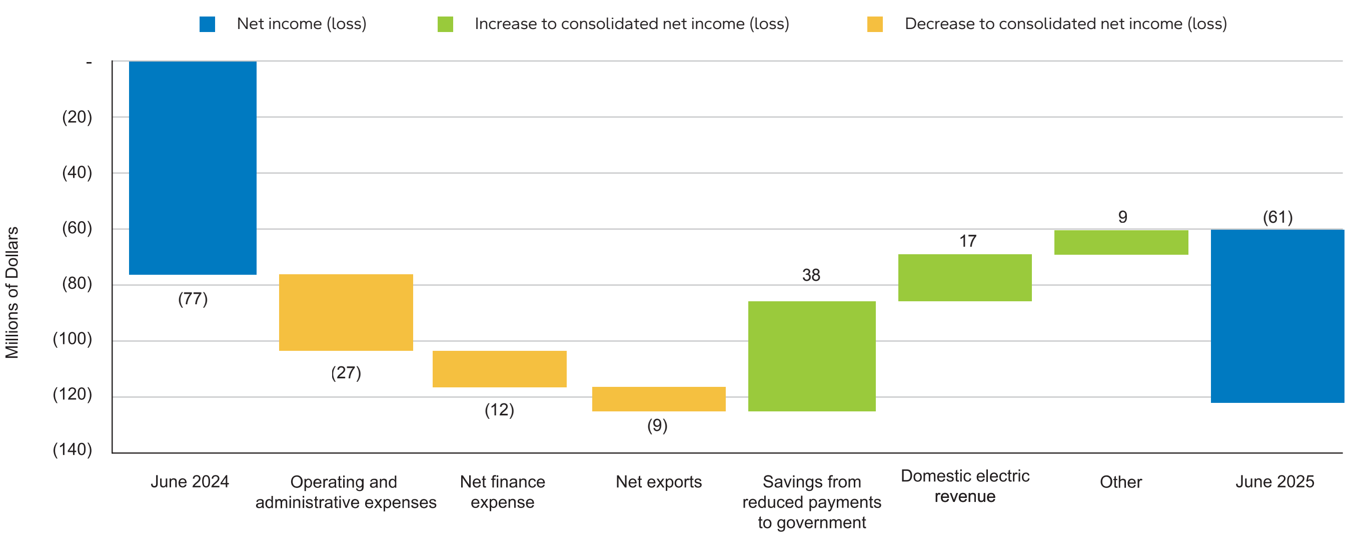
Manitoba has also experienced unprecedented wildfires throughout the first quarter of 2025-26 which has had an impact on the operations and results of Manitoba Hydro. In May of this year, generating stations at Pointe du Bois and Slave Falls were evacuated and generating units shut down due to the threat of wildfire which resulted in lower hydraulic generation. Additional operating and administrative costs have also been incurred, including overtime requirements and additional materials, tools & maintenance costs for wildfire support and restoration activities. Manitoba Hydro has also incurred additional capital expenditures to repair and replace damaged infrastructure and will continue to do so through the second quarter. The wildfire situation in Manitoba is ongoing and will continue to have a financial impact on the corporation this fiscal year.

Financial Overview

Consolidated net loss attributable to Manitoba Hydro was $61 million for the first three months of 2025-26 compared to a net loss of $77 million for the same period last year. However, it should be noted that this improvement from last year is primarily a result of savings from reduced payments to government provided in Budget 2025 when the Province of Manitoba announced that, effective April 1, 2025, the corporation capital tax paid by crown corporations would be eliminated and also provided for a reduction of the provincial debt guarantee fee (PGF) from 0.5% to 0.4%. This resulted in savings in the first quarter of $32 million in capital taxes and $6 million in PGF (which is recorded in finance expense). The consolidated net loss attributable to Manitoba Hydro would have been $99 million without this additional savings from reduced payments to government in effect this fiscal year and would have resulted in a deterioration of $22 million from the prior year.

The decrease in actual net loss from the previous year is also driven by an increase in domestic electric revenue, partially offset by an increase in operating and administrative expenses and net finance expense as well as a decrease in net exports.

Consolidated net loss attributable to Manitoba Hydro was $61 million for the first three months of 2025-26



Operating and Administrative Expenses – The increase of $27 million in operating and administrative expenses was largely due to higher wages and salaries related to both wage increases and an increase in the workforce, additional overtime requirements largely necessitated by wildfire support and restoration activities, additional requirements for construction & maintenance services including vegetation management and generating station maintenance, along with higher consulting & professional fees largely due to the commencement of the SAP S/4HANA Core project.

Net Finance Expense – Increased long-term debt balances as well as higher interest rates, foreign exchange impacts, and additional accretion expense on new environmental obligations established in the prior year resulted in an increase in net finance expense of $12 million (excluding the impacts of savings from reduced payments to government through PGF reduction).

Net Exports – The $9 million decrease in net export revenue for the first three months from the same period last year was primarily due to a reduction in extraprovincial revenues partially offset by a decrease in fuel and power purchased (imports). Dependable sales decreased compared to the prior year, largely due to the end of a long term power sale contract with Northern States Power, partially offset by a dependable summer only sale that commenced this year in addition to opportunity revenues at more favourable rates.

Domestic Electric Revenue – Higher cooling and heating loads and customer growth resulted in an increase in domestic electric revenues compared to the prior year.

Consolidated net loss attributable to Manitoba Hydro was comprised of $46 million net loss in the electric segment, $16 million net loss in the natural gas segment, and $1 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)	**2025**	2024	Inc/(Dec) over prior year
Cash and cash equivalents, beginning of year	**1 073**	780	293
Cash provided by operating activities	**175**	125	50
Cash used for investing activities	**(153)**	(161)	8
	22	(36)	58
Cash (used for) provided by financing activities	**(170)**	66	(236)
Cash and cash equivalents, end of period	**925**	810	115

Cash provided by operating activities of $175 million for the first three months of 2025-26 primarily reflects the impacts of cash-adjusted earnings partially offset by net interest paid. Manitoba Hydro's investing activities used $153 million in the first three months of 2025-26, which was a decrease in cash outflows of $8 million over the same period last year, largely related to a reduction in capital expenditures.

Manitoba Hydro experienced an improvement of $58 million in the cash surplus from operations when compared to the same period last year

The net decrease 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 surplus from operations of $22 million for the first three months of 2025-26 which was an improvement of $58 million when compared to the same period last year.

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

(in millions of dollars)	**2025**	2024	Inc/(Dec) over prior year
Cash Inflows			
Cash collected from customers	**823**	823	-
Cash Outflows			
Cash paid for operational expenditures	**(431)**	(462)	31
Net interest paid	**(217)**	(237)	20
Capital expenditures	**(152)**	(164)	12
Other investing	**(1)**	4	(5)
	(801)	(859)	58
Cash Surplus/(Deficiency) from Operations	**22**	(36)	58
Financing Activities			
Proceeds from debt financing	**353**	858	(505)
Maturing debt which has been refinanced	**(523)**	(791)	268
Other	**-**	(1)	1
	(170)	66	(236)
Net change in cash	**(148)**	30	(178)

Cash used for financing activities totaled $170 million compared to a cash inflow of $66 million over the same period last year. The change in cash flows from financing activities is largely a result of a decrease in long- and short-term debt issuances compared to the prior year, partially offset by a decrease in debt maturities 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 $61 million attributable to Manitoba Hydro represents a deterioration of $38 million compared to budgeted net loss of $23 million

Manitoba Hydro budgeted for a net loss of $23 million for the first three months of 2025-26. The actual consolidated net loss of $61 million attributable to Manitoba Hydro represents a deterioration of $38 million from budget.

The net loss was primarily driven by lower net export revenue related to low water conditions at the start of this fiscal year, below normal precipitation through the spring, and the need to responsibly manage water to ensure reliable operations for the remainder of this fiscal year. Also contributing to the net loss were higher operating and administrative and net finance expenses. Operating and administrative expenses increased primarily due to higher materials & tools costs, overtime largely necessitated by wildfire support and restoration activities, higher employee benefits costs and a reduction in labour hours charged to capital projects. This was partially offset by lower spending on consulting & professional fees and lower wages and salaries due to lower staffing levels than budgeted to date. Net finance expense increased due to higher debt volumes and higher interest rates. The net loss position was improved slightly by higher domestic electric revenue than budget largely due to higher average usage in the residential class, partially offset by weather impacts and lower customer growth than budget.

Manitoba Hydro budgeted for a cash deficit from operations of $87 million for the first three months of 2025-26. The actual cash surplus of $22 million was $109 million higher 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 a net loss for the 2025-26 fiscal year

Manitoba Hydro is currently projecting a net loss for the 2025-26 fiscal year which could fall within the range seen over the last two fiscal years. The deterioration in earnings is primarily driven by lower net exports due to unfavourable water conditions and the need to responsibly manage water to rebuild storage levels to meet winter load requirements. 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. However, even with a return to average precipitation for the remainder of the year, it is unlikely that Manitoba Hydro will recover from a net loss position for the 2025-26 fiscal year.

Electric Segment

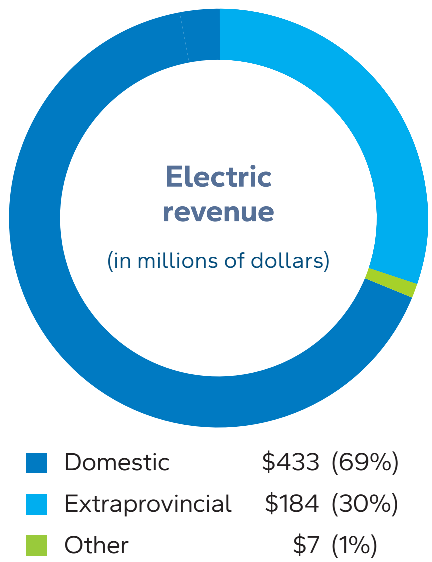
Electric segment results for the three-month period ended June 30

(in millions of dollars)	**2025**	2024	Inc/(Dec) over prior year
Revenues	**625**	628	(3)
Expenses	**680**	699	(19)
Net income (loss) before net movement	**(55)**	(71)	16
Net movement	**10**	5	5
Net Income (loss)	**(45)**	(66)	21

Electric revenue for the first three months of 2025-26 was $625 million, a decrease of $3 million from the same period last year. The decrease was largely attributable to lower extraprovincial revenues, largely offset by higher domestic electric revenues compared to the prior year. Other revenues were comparable to the prior year.

Electricity sales within Manitoba were $433 million, $17 million higher than the same period last year primarily due to higher cooling load requirements and customer growth. The increase was partially offset by lower usage across all customer classes.

Extraprovincial revenue of $183 million was $21 million or 10% lower than the same period last year, which reflects a reduction in dependable revenues due to the end of a long term power sale contract with Northern States Power, partially offset by a dependable summer only sale that commenced this year in addition to opportunity revenues at more favourable rates. Overall, energy sold in the export market this year was 1.7 billion kilowatt-hours compared to 1.8 billion kilowatt-hours in the previous year.

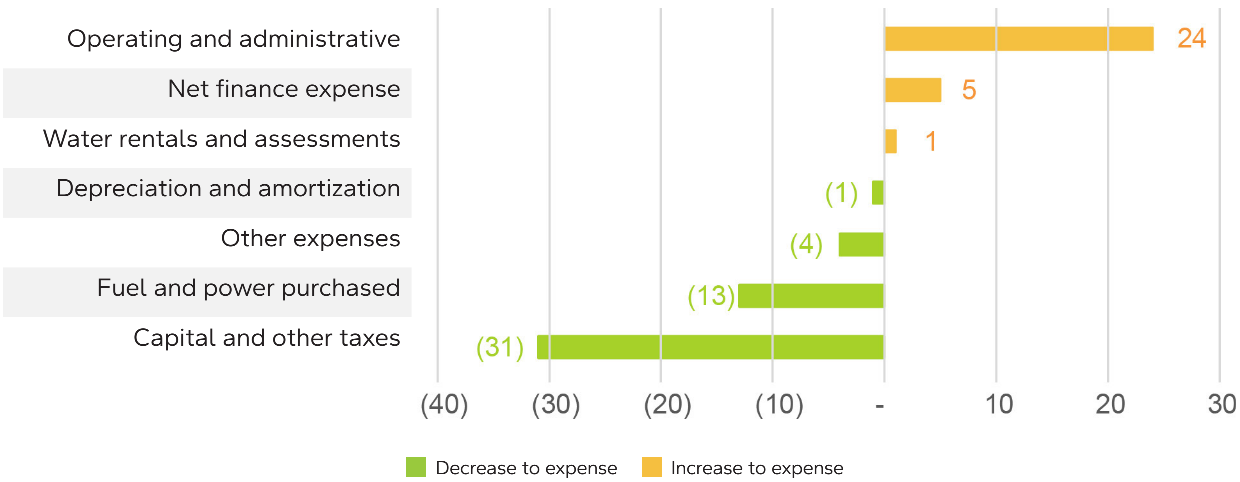


Energy sold in the export market this year was 1.7 billion kilowatt-hours compared to 1.8 billion kilowatt-hours in the previous year

Expenses attributable to electric operations totaled $680 million for the three-month period, which represents a decrease of $19 million or 3% 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 related to both wage increases and an increase in the workforce, additional overtime requirements largely necessitated by wildfire support and restoration activities, additional requirements for construction & maintenance services including vegetation management and generating station maintenance along with higher consulting & professional fees largely due to the commencement of the SAP S/4HANA Core project.

Net finance expense was higher than the prior year largely due to an increase in long-term debt volumes, higher interest rates, foreign exchange impacts, and additional accretion expense on new environmental liabilities established in the prior year. The increase was partially offset by the decrease in the PGF by 0.1% effective April 1, 2025.

Other expenses decreased primarily due to site remediation costs for 8&2 Mile Channel Norway House Area Remediation and South Bay Construction Camp that were expensed in 2024-25 but now reduce the environmental obligations established at the 2024-25 year-end. There was also higher spending on 8&2 Mile Channel Debris cleanup in the prior year as the project is nearing completion. Additionally, there were lower demand side management (DSM) costs for Manitoba Hydro programs due in part to LED conversion work completed in 2024-25 and higher interest rates on energy efficiency customer loans.

The corporation incurred $10 million in electric DSM expenses during the first three months of 2025-26, a decrease of $1 million or 9%. 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.

Fuel and power purchased was lower than the prior year due to less volumes purchased. Although Manitoba Hydro experienced low water levels and system inflows at the beginning of 2025-26, storage volumes were more favourable compared to 2024-25 which resulted in a lower need to purchase fuel and power in the current year to serve firm load requirements.

Capital and other taxes decreased primarily due to the elimination of corporation capital tax paid by crown corporations effective April 1, 2025.

Net loss before net movement in regulatory balances was $55 million. The net movement in regulatory balances of $10 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 increase in net movement from the prior year is largely due to lower spending on site remediation costs and DSM expenses as discussed above.

After considering the net movement in regulatory deferral balances, the net loss was $45 million. Net income of $1 million was attributable to non-controlling interests.

Capital expenditures for the three-month period amounted to $140 million compared to $151 million for the same period last year, a decrease of $11 million or 7%. There are various increases and decreases across the capital portfolio contributing to the decrease from last year.

Natural Gas Segment

Natural Gas Segment results for the three-month period ended June 30

(in millions of dollars)	**2025**	2024	Inc/(Dec) over prior year
Revenues	**62**	88	(26)
Expenses	**85**	94	(9)
Net income (loss) before net movement	**(23)**	(6)	(17)
Net movement	**7**	(11)	18
Net income (loss)	**(16)**	(17)	1

The net loss in the natural gas segment was $16 million for the three-month period ended June 30, 2025 compared to a net loss of $17 million for the same period last year.

Revenue, net of cost of gas sold (gross margin), was $25 million compared to $28 million for the same period last year. Gross margin decreased by $3 million primarily due to lower purchased gas costs (compared to amounts charged to customers through rates) partially offset by the 4.5% rate increase approved on an interim basis effective November 1, 2024 and higher heating load requirements. 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. Delivered gas volumes were 361 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 $48 million compared to $34 million for the same period last year, an increase of $14 million or 39%. The increase primarily relates to an increase in other expenses largely due to the receipt of federal funding for natural gas DSM program expenditures in the prior year. These costs are subsequently deferred and amortized through net movement, and therefore do not impact net income this year.

Capital expenditures in the natural gas segment were $9 million for the current three-month period compared to $10 million for the same period last year, a decrease of $1 million or 10%. 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 $1 million in the other segment for the three-month period ended June 30, 2025 compared to $5 million in the prior year, a decrease of $4 million.

Wildfire impacts on Manitoba Hydro

For the first time in history, some of Manitoba Hydro's generating stations were temporarily evacuated due to the threat from wildfires.

High winds, dry conditions, human-caused fires, and lightning have created a rapidly evolving wildfire situation in forested areas of Manitoba. In addition to the threats posed by fires themselves, smoke from wildfires can also impact electrical reliability, as it can conduct electricity in high enough concentrations. The prevalence of wildfires and smoke throughout the province had wide-ranging operational implications for Manitoba Hydro in this quarter.

Emergency Response Crews (ERCs) have been working throughout fire-affected areas to move staff safely out of harm's way, set up value protection equipment to spray water on structures, and fight fires wherever they're needed.

An ERC provides firefighting support, hazardous materials response, medical response, or anything else a fire department would provide. ERCs are present at every major generating station, converter stations, and the High Voltage Test Facility. During wildfires, an ERC's efforts are split between putting out fires encroaching on Manitoba Hydro facilities and installing value protection (large water pumps, hoses, and outdoor sprinklers that soak assets). ERCs work closely with the Manitoba Wildfire Service and are deployed wherever there are nearby emergencies.

Manitoba Hydro crews have also been installing fire shields and other protective measures in several key areas impacted by wildfires.

Once fires have been extinguished or brought under control, some areas of the province will require several weeks' worth of work to make repairs to damaged electrical infrastructure. Manitoba Hydro equipment runs through marshes, rocks, and heavily forested terrain; some of these areas require specialized tools and vehicles to navigate. Several parts of the province have wood poles set into rock, and some areas require bringing crews and supplies in by air. All this work can only start when it is safe to do so.

Manitoba Hydro Enterprise Emergency Response staff are constantly monitoring wildfire progress and tracking their potential impacts on Manitoba Hydro infrastructure. ERC crews and power line technicians are at the ready for deployment to affected areas.

Manitoba Hydro and the Manitoba Home Builders' Association working together to energize new homes faster

A new agreement between the Manitoba Home Builders' Association (MHBA) is now seeing Manitoba Hydro energize new homes within five days of passing final electrical and gas inspections. The changes are part of the province's energy policy, as outlined in the Affordable Energy Plan, to help Manitoba meet housing needs faster and keep rates affordable by helping to grow Manitoba's economy.

Other changes in the works include Manitoba Hydro and the MHBA implementing enhanced early servicing of new home sites. This involves Manitoba Hydro installing the basic electric and natural gas infrastructure much earlier in the construction process so it is ready to energize more quickly once inspections are passed. These changes will initially be rolled out in Winnipeg, Selkirk, and Brandon.

An additional change will see Manitoba Hydro inspectors and advisors and MHBA members having access to a new online portal to schedule service installations, ensuring building sites are ready to receive service and check the status of service requests and inspections.

The utility has been working with the MHBA over the past number of months to make these improvements, including running a small "test and learn" process with select MHBA members. Members who were part of this process identified areas for improvement and helped develop new processes for closing process and communication gaps.

Manitoba Hydro enhancing safety around aging power lines

Manitoba Hydro is enhancing workplace safety by taking planned power outages when we work on certain types of conductors (power lines). Some conductors in Manitoba are several decades old and time has taken its toll.

Older conductors on the 25 kilovolt and below distribution system are prone to material degradation over time due to environmental factors like corrosion, fatigue, and wear. This means these lines may be more brittle and prone to failure during maintenance.

This means the utility will be taking power outages for maintenance in some areas where it previously kept the power on. In particular, the safety measure — in place since December 2024 — prohibits energized hand contact work on conductors and energized ice rolling operations.

There are thousands of kilometers of these conductors across Manitoba, requiring work groups to design and plan outages and notify affected customers prior to performing work on them.

This safety measure will also align Manitoba Hydro with other utilities across Canada and ensure its staff are meeting industry best practices for safety.

Ben Graham

Chair of the Board

Allan Danroth

President and Chief Executive Officer

August 14, 2025

FINANCIALS

Consolidated Statement of Income (Loss)

in millions of dollars (unaudited)

	THREE MONTHS ENDED JUNE 30	
	2025	**2024**
REVENUES		
Domestic - Electric	433	416
- Gas	62	88
Extraprovincial	183	204
Other	18	18
	696	726
EXPENSES		
Cost of gas sold	37	60
Operating and administrative	227	200
Finance expense	271	266
Depreciation and amortization	164	165
Water rentals and assessments	14	13
Fuel and power purchased	39	52
Capital and other taxes	14	46
Other expenses	21	11
Finance income	(14)	(15)
	773	798
Net loss before net movement in regulatory balances	(77)	(72)
Net movement in regulatory balances	17	(6)
Net loss	(60)	(78)
Net income (loss) attributable to:		
Manitoba Hydro	(61)	(77)
Non-controlling interests	1	(1)
	(60)	(78)

FINANCIALS

Consolidated Statement of Financial Position

in millions of dollars (unaudited)

	AS AT JUNE 30 2025	AS AT MARCH 31 2025	AS AT JUNE 30 2024
ASSETS			
Current assets	1 652	1 874	1 530
Property, plant and equipment	26 893	26 865	26 766
Non-current assets	1 602	1 619	1 610
Total assets before regulatory deferral balance	30 147	30 358	29 906
Regulatory deferral balance	1 801	1 799	1 675
	31 948	32 157	31 581
LIABILITIES AND EQUITY			
Current liabilities	1 898	2 104	1 764
Long-term debt	23 915	23 944	23 796
Other non-current liabilities	2 043	2 039	1 977
Deferred revenue	831	787	735
Non-controlling interests	44	43	45
Retained earnings	3 354	3,415	3 401
Accumulated other comprehensive loss	(245)	(298)	(258)
Total liabilities and equity before regulatory deferral balance	31 840	32 034	31 460
Regulatory deferral balance	108	123	121
	31 948	32 157	31 581

FINANCIALS

Consolidated Cash Flow Statement

in millions of dollars (unaudited)

	THREE MONTHS ENDED JUNE 30	
	2025	**2024**
Operating Activities	175	125
Investing Activities	(153)	(161)
Financing Activities	(170)	66
Net increase (decrease) in cash	(148)	30
Cash at beginning of period	1 073	780
Cash at end of period	925	810

Consolidated Statement of Comprehensive Income (Loss)

in millions of dollars (unaudited)

	THREE MONTHS ENDED JUNE 30	
	2025	**2024**
Net Loss	(60)	(78)
Other Comprehensive Income (Loss)		
Items that will be reclassified to income		
Unrealized foreign exchange gains (losses) on debt in cash flow hedges	43	(9)
Items that have been reclassified to income		
Realized foreign exchange losses on debt in cash flow hedges	9	5
	52	(4)
Comprehensive Loss	(8)	(82)
Comprehensive income (loss) attributable to:		
Manitoba Hydro	(9)	(81)
Non-controlling interests	1	(1)
	(8)	(82)

FINANCIALS

Segmented Information

in millions of dollars (unaudited)

	ELECTRIC SEGMENT		NATURAL GAS SEGMENT		OTHER SEGMENT		ELIMINATIONS		TOTAL	
THREE MONTHS ENDED JUNE 30	**2025**	**2024**	**2025**	**2024**	**2025**	**2024**	**2025**	**2024**	**2025**	**2024**
Revenues	625	628	62	88	11	11	(2)	(1)	696	726
Expenses	680	699	85	94	10	6	(2)	(1)	773	798
Net income (loss) before net movement in regulatory balances	(55)	(71)	(23)	(6)	1	5	-	-	(77)	(72)
Net movement in regulatory balances	10	5	7	(11)	-	-	-	-	17	(6)
Net Income (Loss)	(45)	(66)	(16)	(17)	1	5	-	-	(60)	(78)
Net income (loss) attributable to:										
Manitoba Hydro	(46)	(65)	(16)	(17)	1	5	-	-	(61)	(77)
Non-controlling interests	1	(1)	-	-	-	-	-	-	1	(1)
	(45)	(66)	(16)	(17)	1	5	-	-	(60)	(78)
TOTAL ASSETS	31 177	30 795	924	887	136	116	(289)	(217)	31 948	31 581

FINANCIALS

Generation and Delivery Statistics

	THREE MONTHS ENDED JUNE 30	
	2025	**2024**
ELECTRICITY IN GIGAWATT-HOURS		
Hydraulic generation	6 918	6 257
Thermal generation	20	6
Scheduled energy imports	349	805
Wind purchases (Manitoba)	226	242
Total system supply	7 513	7 310
GAS IN MILLIONS OF CUBIC METRES		
Gas sales	172	175
Gas transportation	189	187
	361	362

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