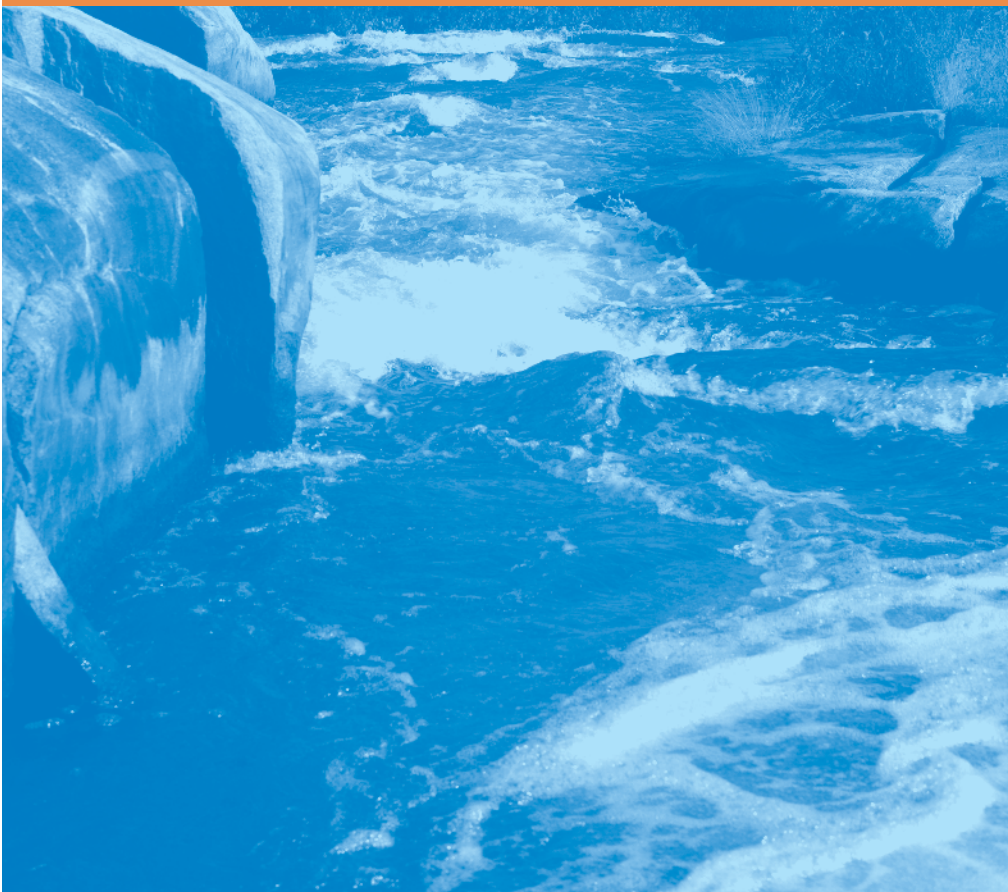


The Manitoba Hydro-Electric Board

Quarterly Report

for the three months ended
June 30, 2018





Report from **The Chair of the Board** and by **The President and Chief Executive Officer**

Financial Overview

Manitoba Hydro's consolidated net loss was \$12 million for the first three months of the 2018-19 fiscal year compared to a net loss of \$70 million for the same period last year. The decrease in the net loss is primarily attributable to higher restructuring costs in the prior year driven by the implementation of a significant cost reduction program. Excluding restructuring expenses, Manitoba Hydro would have reported a net loss of \$9 million, an improvement of \$19 million over the prior year. The improvement is mostly attributable to weather impacts resulting in an increase of \$11 million in domestic electric revenue and a decrease of \$17 million in operating and administrative expenses associated with savings from the Voluntary Departure Program (VDP). These improvements were partially offset by a decrease in net extraprovincial revenues (net of power purchased and water rental expenses) of \$8 million as a result of less favourable water conditions in the current year, higher depreciation and amortization expense as new assets were placed in-service and higher capital taxes resulting from increased debt associated with major capital projects. The cost of natural gas is a flow through cost passed onto customers through rates approved by the Public Utilities Board (PUB) and therefore is not a driver for the decrease in net loss compared to the prior year.

The consolidated net loss was comprised of a \$6 million loss in the electricity segment, an \$8 million loss in the natural gas segment, a \$1 million net profit in the other segment and a \$1 million profit impact in adjustments and eliminations.

Manitoba Hydro's budgeted net income for 2018-19 is approximately \$130 million, however after factoring in the impact of the PUB's decision to grant a 3.6% rate increase rather than the requested 7.9% increase Manitoba Hydro is expecting net income to be approximately \$70 million. The projection for the remainder of the year assumes average water flow conditions and normal winter weather.

Electric Segment

Revenues from electricity sales within Manitoba totaled \$332 million for the three-month period, which was \$11 million or 3% higher than the same period last year. The increase in domestic revenue was primarily attributable to the impacts of weather compared to prior year. Extraprovincial revenues of \$116 million were \$18 million or 13% lower than the same period last year reflecting lower U.S. opportunity and dependable sales volumes predominantly as a result of lower generation due to less favourable water conditions compared to 2017-18, partially offset by modestly higher export prices. Overall, energy sold in the export market was 1.8 billion kilowatt-hours compared to 3.3 billion kilowatt-hours sold in the same period last year. Other revenues of \$8 million were \$1 million or 14% higher than the same period last year due to an increase in projects for third parties.

Expenses attributable to electricity operations, including the net movement in regulatory deferral balances, totaled \$463 million for the three-month period. This represented a decrease of \$63 million or 12% as compared to the same period last year. The decrease was primarily due to a \$35 million decrease in other expenses and a \$15 million decrease in operating and administrative expenses. The decrease in other expenses was primarily due to \$40 million in restructuring charges in the prior year associated with the VDP partially offset by higher demand side management costs which are removed and deferred in net movement in regulatory balances. The decrease in operating and administrative expenses is primarily due to lower staffing costs as a result of the VDP.

The net loss before net movement in regulatory balances is \$24 million. The net movement in regulatory balances captures the timing differences of revenues and expenses for financial reporting purposes and those amounts approved by the PUB for rate-setting purposes. After considering the net movement of \$17 million in the regulatory deferral balances, there is a net loss of \$7 million of which \$6 million is attributable to Manitoba Hydro and \$1 million is attributable to non-controlling interest. The non-controlling interest represents Taskingahp Power Corporation's 33% share of the Wuskwatim Power Limited Partnership's operating results for the first three months of the 2018-19 fiscal year.

Expenditures for capital construction for the three-month period amounted to \$574 million compared to \$662 million for the same period last year. Expenditures for the current period included \$354 million related to construction of the Keeyask Project and \$111 million for the Bipole III Reliability Project. The remaining capital expenditures were predominantly incurred for ongoing system additions and modifications necessary to meet the electrical service requirements of customers throughout the province. The corporation also incurred \$17 million for electric demand side management programs.

Natural Gas Segment

The net loss in the natural gas segment was \$8 million for the three-month period compared to an \$11 million net loss for the same period last year. The decrease in the net loss is primarily due to higher restructuring costs incurred in the prior year and lower operating and administrative expenses as a result of the VDP. Delivered gas volumes were 377 million cubic metres compared to 317 million cubic metres for the same period last year.

Expenses attributable to natural gas operations excluding cost of gas sold amounted to \$37 million compared to \$39 million for the same period last year. The decrease in expenses is primarily attributable to higher restructuring charges in the prior year and savings in operating and administrative expenses as a result of the VDP.

The net loss before net movement in regulatory balances is \$8 million. Impacts of net movement in regulatory balances are not material.

Capital expenditures in the natural gas segment were \$7 million for the current three-month period compared to \$8 million for the same period last year. Capital expenditures are related to system improvements and other expenditures necessary to meet the natural gas service requirements of customers throughout the province. The corporation also incurred \$3 million for gas demand side management programs.

Other Segment

The other segment includes Manitoba Hydro International Ltd., Manitoba Hydro Utility Services, Minell Pipelines Ltd. and Teshmont Holdings Ltd. The net income was \$1 million in the other segment for the three-month period which is consistent with the same period last year. Revenue was \$14 million compared to \$15 million for the same period last year. Expenses attributable to the other segment amounted to \$13 million which was \$1 million lower than the prior year principally due to foreign exchange impacts.

There is also a \$1 million profit impact in adjustments and eliminations as a result of the requirement to harmonize accounting policies between electric and natural gas operations related to the gas meter exchange program.

PUB orders 3.6% average rate increase

On May 1, 2018 the PUB approved the new electricity rate schedule for Manitoba Hydro. Effective June 1, 2018 Manitoba Hydro's electricity rates changed to reflect an overall average rate increase of 3.6%. The PUB also finalized the previously approved interim rate increases of 3.36% effective August 1, 2016 and 3.36% effective August 1, 2017.

As part of the PUB's order, individual customer classes also had their rates adjusted to more accurately reflect the true cost to serve those customers. This, coupled with the PUB's creation of the new First Nation on-reserve residential customer class, resulted in different customer classes seeing different levels of rate increases to meet the 3.6% average rate increase approved by the PUB. Larger commercial and industrial customers received a rate increase less than 3.6% while other classes, such as residential, received a rate increase greater than 3.6%. The residential customer class rate is now 8.527c/kWh (excluding monthly basic fee). The First Nation on-reserve residential customer class rate is 8.196c/kWh, which was the previous residential customer class rate.

Bipole III commissioning begins for summer 2018 in-service

On Monday, April 2, 2018 the Bipole III transmission system was successfully energized for the first time. After five years of construction, the nearly 1 400 kilometre, 500-kilovolt (kV)

high-voltage, direct current (HVDC) transmission line linked the Keewatinohk Converter Station near Gillam to the Riel Converter Station near Winnipeg. First power was one of a long series of commissioning tests, designed to test equipment and confirm reliability, to be carried out on the line and the converter stations prior to the project's in-service date scheduled for the summer of 2018. All commission and testing activity was completed before the end of June and on July 4, 2018 the line was put into service.

Work on the Keewatinohk Converter Station began in 2012. Challenges included difficult geotechnical conditions and the site's remote northern location. Construction of the Riel Converter Station started in the summer of 2015. It had the additional complexity of building a converter station at an already energized, large terminal station as there already was a 500-kV-to-230-kV switchyard operating at the Riel site.

Bipole III will strengthen the reliability and security of Manitoba's electricity supply by reducing dependency on the two existing HVDC lines (Bipoles I and II) and Dorsey Converter Station near Rosser. These facilities, built in the 1960s and 70s, currently deliver electricity produced by hydroelectric generating stations on the Nelson River to southern Manitoba—more than 70% of all electricity produced in the province.

Keeyask spillway completed; generator unit installation begins

Work on the spillway at the Keeyask Generating Station, including the installation of the six spillway gates, hoist towers and hoist housing, was completed on schedule in the early part of the 2018 construction season. Other critical milestones reached this spring included the enclosure of the powerhouse generator units four and five and placement of 105 000 cubic metres of concrete. Progress to date has improved the schedule outlook for the first of seven units to go into service in the fall of 2020, about 10 months ahead of the August 2021 control schedule.

Located approximately 725 kilometres north of Winnipeg on the lower Nelson River, the Keeyask Project is a 695-megawatt hydroelectric generating station being developed in a partnership between Manitoba Hydro and four Keeyask Cree Nation (KCN) Partner communities: Tataskweyak Cree Nation, War Lake First Nation, York Factory First Nation and Fox Lake Cree Nation.

Employment of Manitobans, Indigenous persons and members from the four KCN Partner communities remains strong. From project commencement to the end of March 2018, of the 16 317 total hires, 71% are from Manitoba; 44% have self-declared as being Indigenous; and 22% are from the KCN Partner communities.

New planned outage customer notification system up and running

As of May 1, 2018 Manitoba Hydro began notifying customers by telephone several days before a planned power outage affects their community. These outages are typically required for maintenance purposes or to upgrade local electrical services. The new automated system informs customers about scheduled outages affecting 20 customers or more.

The process uses a new auto-dialer service and is one of the first major projects under Manitoba's Hydro's recently-formed Strategic Transformation Office charged with helping the corporation meet its strategic priority of delivering an excellent customer experience. The new initiative also decreases the administrative resources required to make manual phone calls or hand deliver notifications to affected customers.

To date, the automated calls have reached over 80% of customers affected by a scheduled outage either directly or through voicemail.



Marina R. James

Chair of the Board

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Kelvin Shepherd, P. Eng.

President and
Chief Executive Officer

August 14, 2018

A handwritten signature in black ink, appearing to be 'K. Shepherd'.

Consolidated Statement of Income

In Millions of Dollars (Unaudited)

*Three Months Ended
June 30*

	2018	2017
Revenues		
Domestic – Electric	332	321
– Gas	54	54
Extraprovincial	116	134
Other	21	20
	<u>523</u>	<u>529</u>
Expenses		
Cost of gas sold	26	34
Operating and administrative	140	157
Finance expense (net)	154	164
Depreciation and amortization	108	105
Water rentals and assessments	27	32
Fuel and power purchased	26	31
Capital and other taxes	40	37
Other expenses	32	68
	<u>553</u>	<u>628</u>
Net loss before net movement in regulatory balances	(30)	(99)
Net movement in regulatory balances	17	26
Net Loss	<u>(13)</u>	<u>(73)</u>
Net loss attributable to:		
Manitoba Hydro	(12)	(70)
Non-controlling interest	(1)	(3)
	<u>(13)</u>	<u>(73)</u>

Consolidated Statement of Financial Position

In Millions of Dollars (Unaudited)

*As at
June 30* *As at
March 31* *As at
June 30*

	2018	2018	2017
Assets			
Current assets	1 442	1 221	1 452
Property, plant and equipment	22 474	21 979	20 331
Non-current assets	996	925	765
Total assets before regulatory deferral balance	<u>24 912</u>	<u>24 125</u>	<u>22 548</u>
Regulatory deferral balance	1 061	1 044	586
	<u>25 973</u>	<u>25 169</u>	<u>23 134</u>
Liabilities and Equity			
Current liabilities	1 676	2 080	1 613
Long-term debt	19 298	18 200	16 891
Other long-term liabilities	1 605	1 591	1 534
Deferred revenue	886	769	680
Non-controlling interest	217	205	174
Retained earnings	2 924	2 936	2 829
Accumulated other comprehensive loss	(710)	(688)	(658)
Total liabilities and equity before regulatory deferral balance	<u>25 896</u>	<u>25 093</u>	<u>23 063</u>
Regulatory deferral balance	77	76	71
	<u>25 973</u>	<u>21 169</u>	<u>23 134</u>

Consolidated Cash Flow Statement

In Millions of Dollars (Unaudited)

	<i>Three Months Ended June 30</i>	
	2018	2017
Operating Activities	(124)	(216)
Investing Activities	(529)	(609)
Financing Activities	<u>829</u>	<u>1 028</u>
Net increase in cash	176	203
Cash at beginning of period	<u>642</u>	<u>646</u>
Cash at end of period	<u><u>818</u></u>	<u><u>849</u></u>

Consolidated Statement of Comprehensive Loss

In Millions of Dollars (Unaudited)

	<i>Three Months Ended June 30</i>	
	2018	2017
Net Loss attributable to Manitoba Hydro	<u>(12)</u>	<u>(70)</u>
Other Comprehensive Income (Loss)		
Items that will be reclassified to income		
Unrealized foreign exchange gains (losses) on debt in cash flow hedges	(29)	43
Items that have been reclassified to income		
Realized foreign exchange losses on debt in cash flow hedges	<u>7</u>	<u>8</u>
	<u>(22)</u>	<u>51</u>
Comprehensive Loss attributable to Manitoba Hydro	<u><u>(34)</u></u>	<u><u>(19)</u></u>

Segmented Information

In Millions of Dollars (Unaudited)

	Electric Segment		Natural gas segment		Other segment		Eliminations		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<i>Three Months Ended June 30</i>										
Revenue	456	462	55	55	14	15	(2)	(3)	523	529
Expenses	480	545	63	73	13	14	(3)	(4)	553	628
Net income (loss) before net movement in regulatory balances	(24)	(83)	(8)	(18)	1	1	1	1	(30)	(99)
Net movement in regulatory balances	17	19	-	7	-	-	-	-	17	26
Net Income (Loss)	<u>(7)</u>	<u>(64)</u>	<u>(8)</u>	<u>(11)</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>(13)</u>	<u>(73)</u>
Net income (loss) attribute to:										
Manitoba Hydro	(6)	(61)	(8)	(11)	1	1	1	1	(12)	(70)
Non-controlling interest	(1)	(3)	-	-	-	-	-	-	(1)	(3)
	<u>(7)</u>	<u>(64)</u>	<u>(8)</u>	<u>(11)</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>(13)</u>	<u>(73)</u>
Total Assets	25 368	22 549	729	705	97	90	(221)	(210)	25 973	23 134

Generation and Delivery Statistics

Three Months Ended
June 30

	2018	2017
Electricity in gigawatt-hours		
Hydraulic generation	7 445	8 776
Thermal generation	5	2
Scheduled energy imports	39	23
Wind purchases (Manitoba)	202	243
Total system supply	<u>7 691</u>	<u>9 044</u>
Gas in millions of cubic metres		
Gas sales	195	174
Gas transportation	182	143
	<u>377</u>	<u>317</u>

The Manitoba Hydro-Electric Board

Quarterly Report

for the three months ended
June 30, 2018

For further information contact:

Manitoba Hydro
Public Affairs
360 Portage Ave. (2)
Winnipeg, Manitoba, Canada
R3C 0G8
Telephone: 1-204-360-3233



The Manitoba Hydro-Electric Board

Quarterly Report

for the six months ended
September 30, 2018





Report from **The Chair of the Board** and by **The President and Chief Executive Officer**

Financial Overview

Manitoba Hydro's consolidated net loss was \$52 million for the first six months of the 2018-19 fiscal year compared to a net loss of \$93 million for the same period last year. The decrease in the net loss is primarily attributable to higher restructuring costs in the prior year driven by the implementation of a significant cost reduction program. Excluding restructuring expenses, Manitoba Hydro would have reported a net loss of \$48 million compared to a net loss of \$49 million in the prior year. The \$1 million improvement is mostly attributable to weather and rate impacts including the recognition of revenue that had been set aside for when Bipole III came into service, resulting in an increase of \$63 million in domestic electric revenue. There was also a decrease of \$19 million in operating and administrative expenses associated with savings from the Voluntary Departure Program (VDP). These improvements were partially offset by a \$35 million increase in financing costs and an increase of \$25 million in depreciation and amortization expense primarily as a result of the in-service of Bipole III. In addition, there was a decrease in net export revenues (net of fuel and power purchased and water rental expenses) of \$18 million as a result of less favourable water conditions in the current year. The cost of natural gas is a flow through cost passed onto customers through rates approved by the Public Utilities Board (PUB) and therefore is not a driver for the decrease in net loss compared to the prior year.

The consolidated net loss was comprised of a \$32 million loss in the electricity segment, a \$23 million loss in the natural gas segment, a \$2 million net profit in the other segment and a \$1 million profit impact in adjustments and eliminations.

Manitoba Hydro's budgeted net income for 2018-19 is approximately \$130 million; however Manitoba Hydro is expecting net income to be approximately \$60 million. The lower expected net income factors in the impact of the PUB's decision to grant a 3.6% rate increase rather than the requested 7.9% increase and unfavourable water conditions, partially offset by favourable weather impacts throughout the first six months. The projection for the remainder of the year assumes average water flow conditions and normal winter weather.

Electric Segment

Revenues from electricity sales within Manitoba totaled \$692 million for the six-month period, which was \$63 million or 10% higher than the same period last year. The increase in domestic revenue was primarily attributable to the impacts of weather and rate increases compared to the prior year. Extraprovincial revenues of \$249 million were \$26 million or 9% lower than the same period last year reflecting lower U.S. opportunity and dependable sales volumes predominantly as a result of lower generation due to less favourable water conditions compared to 2017-18, partially offset by modestly higher export prices. Overall, energy sold in the export market was 4.0 billion kilowatt-hours compared to 6.9 billion kilowatt-hours sold in the same period last year. Other revenues of \$54 million were \$15 million or 38% higher than the same period last year due to the amortization of the Bipole III reserve into income.

Expenses attributable to electricity operations, including the net movement in regulatory deferral balances, totaled \$1 006 million for the six-month period. This represented an increase of \$13 million or 1% as compared to the same period last year. Excluding restructuring charges, expenses increased \$51 million over the prior year. The increase was primarily due to a \$36 million increase in net finance expense due to interest associated with Bipole III and higher debt volumes and a \$24 million increase in depreciation largely due to Bipole III going into service at the beginning of July. There was also an increase in fuel costs as a result of a \$9 million write off of coal inventory as the Brandon Thermal Generating Station is no longer operational as a coal powered generator. Amortization of regulatory deferrals increased \$9 million due to amortization of the Conawapa deferral and ineligible overhead as per direction from the PUB. This was partially offset by a decrease of \$16 million in operating and administrative expenses due to a reduction in employee related expenditures as a result of the VDP and an \$11 million decrease in water rentals and assessments due to lower generation.

The net loss before net movement in regulatory balances was \$72 million. The net movement in regulatory balances captures the timing differences of revenues and expenses for financial reporting purposes and those amounts approved by the PUB for rate-setting purposes. After considering the net movement of \$38 million in the regulatory deferral balances, there is a net loss of \$34 million of which \$32 million is attributable to Manitoba Hydro and \$2 million is attributable to non-controlling interest. The non-controlling interest represents Taskinighap Power Corporation's 33% share of the Wuskwatim Power Limited Partnership's operating results for the first six months of the 2018-19 fiscal year.

Expenditures for capital construction for the six-month period amounted to \$1 076 million compared to \$1 437 million for the same period last year. Expenditures for the current period included \$700 million related to construction of the Keeyask Project and \$144 million for the Bipole III Reliability Project. The remaining capital expenditures were predominantly incurred for ongoing system additions and modifications necessary to meet the electrical service requirements of customers throughout the province. The corporation also incurred \$39 million for electric demand side management programs.

Natural Gas Segment

The net loss in the natural gas segment was \$23 million for the six-month period compared to a \$26 million net loss for the same period last year. The decrease in the net loss is primarily due to increased revenue due to weather impacts, higher restructuring costs incurred in the prior year and lower operating and administrative expenses as a result of the VDP. Delivered gas volumes were 639 million cubic metres compared to 530 million cubic metres for the same period last year.

Expenses attributable to natural gas operations excluding cost of gas sold amounted to \$73 million compared to \$75 million for the same period last year. The decrease in expenses is primarily attributable to lower current year employee related expenditures as a result of the VDP and higher restructuring charges in the prior year.

The net loss before net movement in regulatory balances is \$26 million. After considering the net movement of \$3 million in the regulatory balances, there is a net loss of \$23 million.

Capital expenditures in the natural gas segment were \$19 million for the current six-month period compared to \$18 million for the same period last year. Capital expenditures are related to system improvements and other expenditures necessary to meet the natural gas service requirements of customers throughout the province. The corporation also incurred \$5 million for gas demand side management programs.

Other Segment

The other segment includes Manitoba Hydro International Ltd., Manitoba Hydro Utility Services, Minell Pipelines Ltd. and Teshmont Holdings Ltd. The net income was \$2 million in the other segment for the six-month period which is consistent with the same period last year. Revenue was \$27 million compared to \$30 million for the same period last year. Expenses attributable to the other segment amounted to \$25 million which was \$3 million lower than the prior year. The decrease in both revenue and expenses is primarily due to fewer projects undertaken at Manitoba Hydro International Ltd. compared to the prior year.

There is also a \$1 million profit impact in adjustments and eliminations as a result of the requirement to harmonize accounting policies between electric and natural gas operations related to the gas meter exchange program.

Bipole III Delivering Enhanced Reliability to Manitobans

Wednesday, July 4, 2018 marked the commercial in-service date of the Bipole III transmission system, adding 2 000 megawatts to Manitoba Hydro's high-voltage, direct current (HVDC) transmission capacity. Bipole III, consisting of a 500 000-volt HVDC transmission line and two converter stations, helps ensure a safe and reliable supply of electricity from northern Manitoba to southern Manitoba and beyond. The nearly 1 400-kilometre transmission line links Keewatinohk Converter Station near Gillam to the Riel Converter Station near Winnipeg.

Over 70% of the province's electricity is generated by hydroelectric generating stations on the Nelson River and prior to the completion of Bipole III was delivered to customers in southern Manitoba over Bipoles I and II, which were built in the 1960s and 70s. These two transmission lines run alongside each other for much of their route and end at the same point: Dorsey Converter Station. Bipole III helps significantly mitigate the risk of large extended outages which could occur if there was a major failure of Bipole I, Bipole II or the Dorsey station.

At its height, Bipole III was one of the 20 largest projects under construction in North America, involving more than two million hours of labour by Indigenous employees and over 8 million labour hours total. Construction lasted five years.

Bipole III was completed on time and is forecasted to be approximately \$300 million under the current control budget of \$5.04 billion.

Keeyask Update — Increased Teamwork, Effort and Production

Located approximately 725 kilometres north of Winnipeg on the lower Nelson River, the Keeyask Project is a 695-megawatt hydroelectric generating station being developed in a partnership between Manitoba Hydro and four Keeyask Cree Nation (KCN) communities: Tataskweyak Cree Nation, War Lake First Nation, York Factory First Nation and Fox Lake Cree Nation.

As of the end of September 2018, 83% of the 2018 construction plan for Keeyask Generating Station structures has been completed exceeding the amount of concrete placed in all of 2017. On earthworks, 85% of the 2018 plan is completed, placing approximately one million more cubic metres of material than last year.

The goal of the Structures Division this year at Keeyask was to place 105 000 cubic metres (m³) of concrete. As of the end of September 2018, 91 000 m³ has been placed with between 19 000 and 24 000 m³ remaining to be placed before the end of the calendar year. This improvement in production quantity is in addition to reducing the cost per cubic metre by 22%.

By the end of September 2018, the Earthworks Division moved and placed 2.25 million m³ of materials. They achieved this production while also reducing unit costs by 14%. Last year, the team moved 1.3 million m³. This year's goal is to move 2.4 million m³.

Tailrace (the area immediately downstream of the powerhouse) excavation was scheduled to begin at the end of October 2018, but started early and as of the end of September 2018, the Earthworks Division has completed 40% of the work and started on the winter work plan.

Based on the improvements in construction progress during 2018, the first of seven generating units is now forecasted to go into service in October 2020, in advance of the current control schedule August 2021 in-service target previously announced in 2017. The project is currently tracking towards meeting the established \$8.7 billion project control budget.

Manitoba Hydro Addresses Growth in the Province's Southeast

Work began in September 2018 on site preparation for the new De Salaberry East Station, located on Highway 52 northwest of Kleefeld. Manitoba Hydro is building the new station to meet demand for electricity in southeastern Manitoba, including the Steinbach, Richer and south St. Vital areas. Customer demand for electricity in the southeast has grown at over twice the Manitoba average over the past 10 years.

To support this growth, the De Salaberry East Station will convert 230-kilovolt (kV) electrical transmission to 66-kV distribution for use in nearby communities, including Hanover, De Salaberry, Richot and the City of Steinbach. De Salaberry East Station will also lessen the loads carried by three other electrical substations in the area and improve reliability of electricity delivery to nearby communities. The forecasted in-service date for the De Salaberry East Station is the fall of 2020.

Manitoba Hydro Employees Support Their Communities

From the 2018 Point Douglas Run, 2018 United Way Plane Pull and the 2018 Dragon Boat Race, Manitoba Hydro employees volunteered to support their communities and to raise funds for worthy programs that benefit our province.

On September 15, 2018, a Manitoba Hydro team of volunteers raised \$4 424 in the Point Douglas Run to support Norquay Community Centre, the North Point Douglas Women's Centre and Graffiti Art Programming Inc.

On September 14, 2018, a Manitoba Hydro team raised \$4 153 for United Way at the United Way Plane Pull.

During the weekend of September 7-9, 2018, the Manitoba Hydro "Power Paddlers" participated in the 2018 Dragon Boat Races, raising \$13 700 for CancerCare Manitoba and the Children's Hospital Foundation.



Marina R. James

Chair of the Board

A handwritten signature in black ink, appearing to be 'M. James'.



Kelvin Shepherd, P. Eng.

President and
Chief Executive Officer

November 14, 2018

A handwritten signature in black ink, appearing to be 'K. Shepherd'.

Consolidated Statement of Income

In Millions of Dollars (Unaudited)

	Six Months Ended September 30		Three Months Ended September 30	
	2018	2017	2018	2017
Revenues				
Domestic – Electric	692	629	360	308
– Gas	92	88	38	34
Extraprovincial	249	275	133	141
Other	54	39	33	19
	<u>1 087</u>	<u>1 031</u>	<u>564</u>	<u>502</u>
Expenses				
Cost of gas sold	46	53	20	19
Operating and administrative	284	303	144	146
Finance expense (net)	359	324	205	160
Depreciation and amortization	235	210	127	105
Water rentals and assessments	54	64	27	32
Fuel and power purchased	59	57	33	26
Capital and other taxes	80	74	40	37
Other expenses	65	99	33	31
	<u>1 182</u>	<u>1 184</u>	<u>629</u>	<u>556</u>
Net loss before net movement in regulatory balances	(95)	(153)	(65)	(54)
Net movement in regulatory balances	41	53	24	27
Net Loss	<u>(54)</u>	<u>(100)</u>	<u>(41)</u>	<u>(27)</u>
Net loss attributable to:				
Manitoba Hydro	(52)	(93)	(40)	(23)
Non-controlling interest	(2)	(7)	(1)	(4)
	<u>(54)</u>	<u>(100)</u>	<u>(41)</u>	<u>(27)</u>

Consolidated Statement of Financial Position

In Millions of Dollars (Unaudited)

	As at September 30	As at March 31	As at September 30
	2018	2018	2017
Assets			
Current assets	1 265	1 221	1 203
Property, plant and equipment	22 882	21 979	21 050
Non-current assets	1 029	925	794
Total assets before regulatory deferral balance	25 176	24 125	23 047
Regulatory deferral balance	1 083	1 044	608
	<u>26 259</u>	<u>25 169</u>	<u>23 655</u>
Liabilities and Equity			
Current liabilities	1 041	2 080	2 023
Long-term debt	20 212	18 200	16 887
Other long-term liabilities	1 620	1 591	1 555
Deferred revenue	877	769	727
Non-controlling interest	231	205	184
Retained earnings	2 884	2 936	2 806
Accumulated other comprehensive loss	(680)	(688)	(592)
Total liabilities and equity before regulatory deferral balance	26 185	25 093	23 590
Regulatory deferral balance	74	76	65
	<u>26 259</u>	<u>25 169</u>	<u>23 655</u>

Consolidated Cash Flow Statement

In Millions of Dollars (Unaudited)

	Six Months Ended September 30		Three Months Ended September 30	
	2018	2017	2018	2017
Operating Activities	(126)	(237)	(2)	(21)
Investing Activities	(1 056)	(1 351)	(527)	(742)
Financing Activities	1 288	1 556	459	528
Net increase (decrease) in cash	106	(32)	(70)	(235)
Cash at beginning of period	642	646	818	849
Cash at end of period	<u>748</u>	<u>614</u>	<u>748</u>	<u>614</u>

Consolidated Statement of Comprehensive Loss

In Millions of Dollars (Unaudited)

	Six Months Ended September 30		Three Months Ended September 30	
	2018	2017	2018	2017
Net Loss attributable to Manitoba Hydro	(52)	(93)	(40)	(23)
Other Comprehensive Income (Loss)				
Items that will be reclassified to income				
Unrealized foreign exchange gains (losses) on debt in cash flow hedges	(6)	104	23	61
Items that have been reclassified to income				
Realized foreign exchange losses on debt in cash flow hedges	14	13	7	5
	<u>8</u>	<u>117</u>	<u>30</u>	<u>66</u>
Comprehensive Income (Loss) attributable to Manitoba Hydro	<u>(44)</u>	<u>24</u>	<u>(10)</u>	<u>43</u>

Segmented Information

In Millions of Dollars (Unaudited)

	Electric segment		Natural gas segment		Other segment		Eliminations		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<i>Six Months Ended September 30</i>										
Revenue	972	916	93	89	27	30	(5)	(4)	1 087	1 031
Expenses	1 044	1 033	119	128	25	28	(6)	(5)	1 182	1 184
Net income (loss) before net movement in regulatory balances	(72)	(117)	(26)	(39)	2	2	1	1	(95)	(153)
Net movement in regulatory balances	38	40	3	13	-	-	-	-	41	53
Net Income (Loss)	<u>(34)</u>	<u>(77)</u>	<u>(23)</u>	<u>(26)</u>	<u>2</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>(54)</u>	<u>(100)</u>
Net income (loss) attribute to:										
Manitoba Hydro	(32)	(70)	(23)	(26)	2	2	1	1	(52)	(93)
Non-controlling interest	(2)	(7)	-	-	-	-	-	-	(2)	(7)
	<u>(34)</u>	<u>(77)</u>	<u>(23)</u>	<u>(26)</u>	<u>2</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>(54)</u>	<u>(100)</u>
<i>Three Months Ended September 30</i>										
Revenue	516	454	38	34	13	15	(3)	(1)	564	502
Expenses	564	488	56	55	12	14	(3)	(1)	629	556
Net income (loss) before net movement in regulatory balances	(48)	(34)	(18)	(21)	1	1	-	-	(65)	(54)
Net movement in regulatory balances	21	21	3	6	-	-	-	-	24	27
Net Income (Loss)	<u>(27)</u>	<u>(13)</u>	<u>(15)</u>	<u>(15)</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>(41)</u>	<u>(27)</u>
Net income (loss) attribute to:										
Manitoba Hydro	(26)	(9)	(15)	(15)	1	1	-	-	(40)	(23)
Non-controlling interest	(1)	(4)	-	-	-	-	-	-	(1)	(4)
	<u>(27)</u>	<u>(13)</u>	<u>(15)</u>	<u>(15)</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>(41)</u>	<u>(27)</u>
Total assets	25 667	23 094	735	718	98	90	(241)	(247)	26 259	23 655

Generation and Delivery Statistics

	Six Months Ended September 30		Three Months Ended September 30	
	2018	2017	2018	2017
Electricity in gigawatt-hours				
Hydraulic generation	14 927	17 926	7 482	9 150
Thermal generation	5	11	-	9
Scheduled energy imports	85	35	46	12
Wind purchases (Manitoba)	393	428	191	185
Total system supply	<u>15 410</u>	<u>18 400</u>	<u>7 719</u>	<u>9 356</u>
Gas in millions of cubic metres				
Gas sales	300	263	105	89
Gas transportation	339	267	157	124
	<u>639</u>	<u>530</u>	<u>262</u>	<u>213</u>

The Manitoba Hydro-Electric Board

Quarterly Report

for the six months ended
September 30, 2018

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