2018 THIRD QUARTER REPORT

GREAT RIVER ENERGY®

POWERING WHAT'S POSSIBLE

FINANCIAL HIGHLIGHTS

FINANCIAL CONDITION

Assets

Utility plant – net increased $4.7 million to $2,764 million as of September 30, 2018 due to additions and construction work in progress outpacing net depreciation and accretion.

Other assets and investments decreased $35.5 million to $464.0 million as of September 30, 2018. Deferred charges-financing related decreased $17.7 million due to amortization and a decrease in the regulatory asset for the marked to market of interest rate swaps in a liability position as interest rates have increased since last year. Deferred charges-plant retirement decreased $6.5 million due to amortization. Deferred charges-other decreased $21.3 million due to outage amortization and the Falkirk defined benefit plan. These decreases were partially offset by an increase in other long-term assets of $7.3 million due primarily to Falkirk's prepaid pension asset recorded at the end of 2017.

Current assets increased $0.7 million to $556.7 million as of September 30, 2018. Accounts receivable-members increased $14.2 million due to increased demand and energy sales, partially offset by the impact of a power cost adjustment (PCA) credit in 2018 compared to a PCA charge for the same period in 2017. This increase was nearly offset by a decrease in cash and cash equivalents of $5.6 million and a decrease in prepaids and other current assets of $6.9 million due primarily to the timing of annual software payments and a decrease related to the CapX 2020 project.

Liabilities and Capital

Total capital increased $84.7 million to $844.2 million as of September 30, 2018. Members' capital increased due to results from operations. The MAG noncontrolling interest increased due to MAG earnings. The NDRC noncontrolling interest increased due to capital contributions by third party investors.

Other noncurrent liabilities increased $40.0 million to $145.3 million as of September 30, 2018. This is primarily due to an increase in the estimated asset retirement obligation (ARO) costs for Coal Creek Station (CCS)'s ash disposal sites as a result of the coal combustion residuals (CCR) regulations, a new obligation due to an expanded ash disposal site at CCS, and accretion of existing ARO obligations.

Regulatory liabilities increased $16.6 million to $54.2 million as of September 30, 2018 due primarily to the deferral of member electric revenue of $17.9 million in December 2017.

Long-term obligations – less current portion decreased $177.8 million to $2,465.7 million as of September 30, 2018 due to scheduled principal payments due within a year being reclassed to current.

Current liabilities decreased $0.7 million to $386.9 million as of September 30, 2018. Other accrued liabilities and notes payable decreased $16.5 million due to a decrease in MAG's accrued payments for corn purchases in 2018 compared to 2017. Derivative instruments decreased $10.4 million due to the impact of higher interest rates. These decreases were nearly offset by a $20.0 million increase in current portion of long-term obligations due to planned changes in the principal payment schedule and an increase in notes payable to members of $4.7 million due to increased member investments.

RESULTS OF OPERATIONS

Utility operating revenue increased $33.8 million or 4.3 percent for the nine month period ended September 30, 2018 compared to the same period in 2017. Member demand and energy sales increased 7.6 percent and 4.6 percent, respectively, in 2018 compared to 2017. This increase is partially offset by the impact of the PCA credit of $11.5 million in 2018 compared to the PCA charge of $4.3 million in 2017. Other operating revenue increased due to higher transmission revenue from others.

Purchased power decreased $8.7 million or 6.5 percent for the nine month period ended September 30, 2018 due to less hydro production, partially offset by an increase in short term energy contract purchases.

Fuel increased $12.7 million or 8.3 percent for the nine month period ended September 30, 2018 due to increased generation at CCS and the peaking plants, partially offset by no fuel costs at Stanton Station in 2018 due to its closure in 2017.

Operation and maintenance increased $3.6 million or 1.6 percent for the nine month period ended September 30, 2018. Transmission operation and maintenance expense increased $6.6 million compared to 2017. This is due to increased transmission related to others expense in 2018 as a result of increased member sales, as well as the impact of a return on equity settlement refund of $6.2 million received in 2017 from other transmission owners as a result of the FERC ruling lowering the return on equity rate from 12.38 percent to 10.32 percent. This is partially offset by a decrease in generation operation and maintenance due to Stanton Station's closure.

Depreciation and amortization increased $3.6 million or 3.1 percent for the nine month period ended September 30, 2018 due to CCS plant additions being depreciated through 2028, the amortization of deferred Stanton Station retirement costs through 2028, and the accretion associated with AROs.

Nonutility operating revenue and expense represents the operations of MAG and its subsidiaries.

CONSOLIDATED BALANCE SHEETS (unaudited)

(IN THOUSANDS)

ASSETS	**SEPTEMBER 30, 2018**	**SEPTEMBER 30, 2017**
UTILITY PLANT:		
Electric plant	$ 4,475,240	$ 4,500,576
Coal mine plant	315,460	338,351
Plant to be retired – net of accumulated depreciation	37,032	
Construction work in progress	177,595	117,097
Less accumulated depreciation and amortization	(2,241,521)	(2,196,876)
Utility plant-net	2,763,806	2,759,148
NONUTILITY PLANT AND EQUIPMENT-NET	169,664	178,300
OTHER ASSETS AND INVESTMENTS:		
Restricted investments-deferred compensation	13,852	13,750
Other investments	31,792	30,981
Deferred charges:		
Financing related	100,916	118,663
Contract settlement	85,406	83,543
Plant retirement	58,794	65,281
Other	137,590	158,853
Other long-term assets	35,653	28,382
Total other assets and investments	464,003	499,453
CURRENT ASSETS:		
Cash and cash equivalents	247,188	252,817
Restricted cash	1,857	2,625
Accounts receivable:		
Members	163,799	149,560
Others	30,100	28,804
Inventories:		
Materials and supplies	63,308	60,873
Fuel	20,052	23,263
Other	13,838	18,338
Prepaids and other current assets	10,249	17,150
Derivative instruments	6,271	2,548
Total current assets	556,662	555,978
TOTAL ASSETS	$ 3,954,135	$ 3,992,879

CONTINUED

CONSOLIDATED BALANCE SHEETS (unaudited)

(IN THOUSANDS)

CAPITAL AND LIABILITIES	**SEPTEMBER 30, 2018**	**SEPTEMBER 30, 2017**
CAPITAL:		
Members:		
Patronage capital	$ 706,831	$ 650,323
Memberships	3	3
Additional paid-in capital – subsidiary – MAG	1,195	1,195
Total members' capital	708,029	651,521
Noncontrolling interest:		
Subsidiary – MAG	25,133	22,854
Variable interest entity – NDRC	151,039	125,108
Total capital	884,201	799,483
OTHER NONCURRENT LIABILITIES	145,260	105,266
REGULATORY LIABILITIES	54,207	37,611
LONG-TERM OBLIGATIONS-Less current portion	2,465,720	2,643,491
DEFERRED COMPENSATION	13,852	13,750
DEFERRED INCOME TAXES	4,008	5,726
CURRENT LIABILITIES:		
Current portion of long-term obligations	170,049	150,030
Notes payable to members	34,119	29,441
Accounts payable	55,406	56,145
Property and other taxes	26,665	26,517
Other accrued liabilities and notes payable	47,864	64,326
Accrued interest payable	39,107	37,050
Derivative instruments	13,677	24,043
Total current liabilities	386,887	387,552
TOTAL CAPITAL AND LIABILITIES	$ 3,954,135	$ 3,992,879

CONCLUDED

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME AND CHANGES IN CAPITAL (unaudited)

(IN THOUSANDS)

UTILITY OPERATIONS	Three months ended September 30, 2018	2017	Nine months ended September 30, 2018	2017
UTILITY OPERATING REVENUE:				
Electric revenue	$ 284,190	$ 268,686	$ 746,741	$ 717,391
Other operating revenue	27,748	25,960	76,172	71,727
Total utility operating revenue	311,938	294,646	822,913	789,118
UTILITY OPERATING EXPENSES:				
Purchased power	38,769	35,347	124,985	133,728
Fuel	60,224	59,711	165,108	152,421
Operation and maintenance	70,072	76,886	223,226	219,656
Depreciation and amortization	39,864	39,735	119,679	116,074
Property and other taxes	6,728	7,291	22,253	22,600
Total utility operating expenses	215,657	218,970	655,251	644,479
UTILITY OPERATING MARGIN	96,281	75,676	167,662	144,639
OTHER INCOME (EXPENSE):				
Other income – net	1,362	1,466	3,825	3,505
Interest income	1,029	663	3,546	1,615
Interest expense-net of amounts capitalized	(31,805)	(32,861)	(99,466)	(99,391)
Other expense – net	(29,414)	(30,732)	(92,095)	(94,271)
NET UTILITY MARGIN	66,867	44,944	75,567	50,368
NONUTILITY OPERATIONS:				
Operating revenue	63,226	63,476	194,682	189,128
Operating expense	61,742	58,468	189,898	180,412
Operating income	1,484	5,008	4,784	8,716
Income (loss) from equity method investments	(5)	-	112	(96)
Loss from variable interest entity – NDRC	(2,123)	(1,544)	(7,480)	(11,729)
Net nonutility operations	(644)	3,464	(2,584)	(3,109)
NET MARGIN AND COMPREHENSIVE INCOME, INCLUDING NONCONTROLLING INTEREST	66,223	48,408	72,983	47,259
NONCONTROLLING INTEREST:				
Subsidiary – MAG	(325)	(1,085)	(1,047)	(1,895)
Variable interest entity – NDRC	2,123	1,544	7,480	11,729
NET MARGIN AND COMPREHENSIVE INCOME ATTRIBUTABLE TO GREAT RIVER ENERGY	$ 68,021	$ 48,867	$ 79,416	$ 57,093
CAPITAL-BEGINNING OF PERIOD	$ 810,132	$ 743,699	$ 783,967	$ 729,033
Net margin and comprehensive income	66,223	48,408	72,983	47,259
Variable interest entity – NDRC:				
Capital contributed by noncontrolling interest	11,637	7,578	37,770	31,315
Capital distributed to noncontrolling interest	(3,537)	-	(9,778)	(7,520)
Dividends paid by noncontrolling interest	(254)	(202)	(741)	(604)
CAPITAL-END OF PERIOD	$ 884,201	$ 799,483	$ 884,201	$ 799,483

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(IN THOUSANDS)

	Nine months ended September 30, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margin, including noncontrolling interest	$ 72,983	$ 47,259
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation and amortization:		
Included in depreciation and amortization	119,679	116,074
Included in fuel and interest	21,598	24,641
Included in operation and maintenance	10,036	8,497
Included in nonutility operating expense	8,511	7,383
(Income) loss from equity method investments	(112)	96
Patronage credits earned from investments	(2,195)	(2,069)
Deferred charges	-	(37,413)
Changes in working capital (excluding cash, investments and borrowings):		
Accounts and long-term receivables	(23,276)	46
Inventory and other assets	2,796	4,202
Accounts payable, taxes and other accrued expenses	(30,259)	(37,704)
Accrued interest	(22,359)	(23,641)
Noncurrent liabilities	2,332	1,798
Net cash provided by operating activities	159,734	109,169
CASH FLOWS FROM INVESTING ACTIVITIES:		
Utility plant additions	(108,414)	(107,890)
Nonutility plant and equipment additions	(755)	(4,461)
Proceeds from the sale of property	175	470
Redemption of patronage capital investments	1,399	1,337
Net cash used in investing activities	(107,595)	(110,544)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term obligations	5,000	625,000
Repayments of long-term obligations	(162,440)	(667,900)
Costs of new debt issuance, leases, and interest rate hedging instruments	(473)	(3,333)
Notes received from members-net	2,056	2,254
Variable interest entity – NDRC:		
Capital contributed by noncontrolling interest	37,770	31,315
Capital distributed to noncontrolling interest	(9,778)	(7,520)
Dividends distributed by noncontrolling interest	(741)	(604)
Net cash used in financing activities	(128,606)	(20,788)
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(76,467)	(22,163)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH-BEGINNING OF PERIOD	325,512	277,605
CASH, CASH EQUIVALENTS AND RESTRICTED CASH – END OF PERIOD	$ 249,045	$ 255,442

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The interim financial statements as of September 30, 2018 are unaudited. In the opinion of Management, all adjustments (which are normal recurring adjustments) have been made for a fair and accurate presentation of the financial reports. The interim financial statements should be read in conjunction with the Notes to Consolidated Financial Statements included in the 2017 Annual Report.

Notes to consolidated financial statements – As required by Accounting Standards Codification 810-10, GRE is consolidating the financial statements of the Falkirk Mining Company (Falkirk), a variable interest entity; North Dakota Refined Coal, LLC (NDRC), a variable interest entity; and Midwest AgEnergy Group, LLC (MAG), a subsidiary of GRE. MAG includes its subsidiaries Dakota Spirit AgEnergy Finance, LLC (DSAF), Dakota Spirit AgEnergy, LLC (DSA), and Blue Flint Ethanol LLC (Blue Flint). GRE is a 78.43 percent owner in MAG. All transactions between the companies have been eliminated in consolidation, except for the steam sales between GRE and MAG on the consolidated statements of operations.

GRE adopted Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, in 2018. The adoption of this ASU did not have a material effect on GRE's consolidated financial statements. GRE adopted ASU 2016-18, Statements of Cash Flows, in 2018. MAG's restricted cash is included as part of cash, cash equivalents, and restricted cash when reconciling the statement of cash flows.The cash flow for 2017 has been restated to include restricted cash. GRE has also restated the balance sheet and separately presented MAG's restricted cash. It was previously presented as an other current asset in 2017.

Great River Energy of Maple Grove, Minnesota, is the second largest electric utility in the state, based on generating capacity, and the fourth largest generation and transmission (G&T) cooperative in the U.S. in terms of assets. We provide wholesale power to 28 distribution cooperatives in Minnesota. Those member cooperatives distribute electricity to approximately 695,000 homes, businesses, and farms.

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GREAT RIVER ENERGY®