**Financial Highlights - Financial Condition**

**Assets**

Utility plant – net increased $12.5 million to $2.8 billion as of March 31, 2017, due to additions for transmission and generation projects, general plant, and Falkirk additions. Additions were offset by depreciation and accretion for the period.

Nonutility plant and equipment – net decreased $6.4 million to $179.0 million as of March 31, 2017 due to depreciation on MAG plant assets.

Other assets and investments decreased $7.2 million to $437.0 million as of March 31, 2017. Deferred charges-financing related decreased $23.0 million due to a decrease in the fair value of certain derivative instruments in a liability position and due to amortization. Deferred charges-other increased $14.9 million due to the deferral of refined coal fuel purchase costs during 2016 and the deferral of Stanton Station (Stanton) plant retirement costs; offset by amortization.

Current assets decreased $11.0 million to $557.6 million as of March 31, 2017. Cash and cash equivalents decreased $20.6 million. Materials and supplies inventory decreased $6.8 million due primarily to inventory held as of March 31, 2016 for a large telecommunication project that was completed during 2016. Fuel inventory decreased $8.6 million due to the reduction in inventory at Stanton. These decreases were offset by an increase in accounts receivable-members of $8.1 million due to the 2017 rate increase and the impact of a power cost adjustment (PCA) charge in February and March of 2017 compared to 2016. Prepaids and other current assets increased $9.3 million due to timing, as a capacity contract payment was made earlier in 2017 compared to 2016.

**Liabilities and Capital**

Total capital increased $77.9 million to $742.5 million as of March 31, 2017. Members’ capital increased due to results from operations. The MAG noncontrolling interest increased due to capital contributions by third party investors.

Regulatory liabilities increased $16.7 million to $412.2 million as of March 31, 2017 due to the deferral of member electric revenue of $12.0 million in December 2016 and an increase in the regulatory liability associated with the fair value of interest rate swaps in an asset position.

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**Financial Highlights - Results of Operations**

Utility operating revenue increased $15.9 million or 6.6 percent for the three month period ended March 31, 2017 compared to the same period in 2016. Electric revenue increased due to an average rate increase of 1.8 percent for 2017, the impact of a PCA charge of $5.4 million in 2017 compared to a PCA credit of $2.1 million in 2016, and increased MISO market sales of $6.0 million due to increased MWhs sold at higher average market prices. Other operating revenue increased due to increased tipping fees at the Elk River Resource Processing Plant.

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Interim Consolidated Statements of Operations, Comprehensive Income and Changes in Capital (unaudited)

Three months ended March 31, 2017

Utility Operating Revenue

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric revenue</td>
<td>$232,735</td>
<td>$218,152</td>
</tr>
<tr>
<td>Other operating revenue</td>
<td>22,201</td>
<td>20,906</td>
</tr>
<tr>
<td>Total utility operating</td>
<td>$255,036</td>
<td>$239,058</td>
</tr>
</tbody>
</table>

Utility Operating Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased power</td>
<td>47,516</td>
<td>36,171</td>
</tr>
<tr>
<td>Fuel</td>
<td>54,418</td>
<td>55,211</td>
</tr>
<tr>
<td>Operation and maintenance</td>
<td>79,662</td>
<td>81,090</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>37,550</td>
<td>36,076</td>
</tr>
<tr>
<td>Property and other taxes</td>
<td>7,782</td>
<td>8,415</td>
</tr>
<tr>
<td>Total utility operating</td>
<td>$217,882</td>
<td>$217,272</td>
</tr>
</tbody>
</table>

Utility Operating Margin

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total utility operating</td>
<td>$255,036</td>
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<td>$217,882</td>
<td>$217,272</td>
</tr>
<tr>
<td>Net utility margin (loss)</td>
<td>$37,154</td>
<td>$21,786</td>
</tr>
</tbody>
</table>

Nonutility Operating Income

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue</td>
<td>43,230</td>
<td>57,699</td>
</tr>
<tr>
<td>Operating expense</td>
<td>39,506</td>
<td>62,051</td>
</tr>
<tr>
<td>Net operating income (loss)</td>
<td>$3,724</td>
<td>$(14,352)</td>
</tr>
</tbody>
</table>

Nonutility Operating Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>455</td>
<td>410</td>
</tr>
<tr>
<td>Interest expense-net of assets capitalized</td>
<td>(13,378)</td>
<td>(13,476)</td>
</tr>
<tr>
<td>Other expense - net</td>
<td>(12,288)</td>
<td>(13,424)</td>
</tr>
</tbody>
</table>

Net Loss attributable to Great River Energy

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net loss attributable</td>
<td>$318,520</td>
<td>$373,630</td>
</tr>
</tbody>
</table>

Interim Consolidated Statements of Cash Flows (unaudited)

Cash flows from operating activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net margin (loss), including noncontrolling interest</td>
<td>$6,238</td>
<td>$(17,281)</td>
</tr>
</tbody>
</table>

Adjustments to reconcile net margin (loss) to net cash used in operating activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation and amortization</td>
<td>(3,507)</td>
<td>(9,070)</td>
</tr>
<tr>
<td>Other income (expense)</td>
<td>4,754</td>
<td>7,089</td>
</tr>
<tr>
<td>Capital distributed to noncontrolling interest</td>
<td>(338,411)</td>
<td>(82,188)</td>
</tr>
<tr>
<td>Total adjustments</td>
<td>(99)</td>
<td>14,500</td>
</tr>
</tbody>
</table>

Net cash used in operating activities | (338,510) | $(15,781) |

Cash flows from investing activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from sale of plant</td>
<td>32</td>
<td>82</td>
</tr>
<tr>
<td>Redemption of parent capital investments</td>
<td>932</td>
<td>875</td>
</tr>
</tbody>
</table>

Net cash used in investing activities | (341,261) | $(16,776) |

Cash flows from financing activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided to noncontrolling interest</td>
<td>(7,298)</td>
<td>(6,470)</td>
</tr>
</tbody>
</table>

Net cash provided to financing activities | (7,298) | $(6,470) |

Net decrease in cash and cash equivalents | $(22,177) | 5,013 |

Cash and cash equivalents - beginning of period | 273,360 | 278,347 |

Cash and cash equivalents - end of period | 251,173 | 283,360 |
### Consolidated Balance Sheets (unaudited)

<table>
<thead>
<tr>
<th>Period</th>
<th>March 31, 2017</th>
<th>March 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT ASSETS</td>
<td>$558,856</td>
<td>$464,744</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>$4,059,671</td>
<td>$3,011,445</td>
</tr>
</tbody>
</table>

### Liabilities and Capital

<table>
<thead>
<tr>
<th>Period</th>
<th>March 31, 2017</th>
<th>March 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT LIABILITIES</td>
<td>$601,925</td>
<td>$541,321</td>
</tr>
<tr>
<td>NONCURRENT LIABILITIES</td>
<td>$103,794</td>
<td>$107,693</td>
</tr>
<tr>
<td>TOTAL LIABILITIES</td>
<td>$705,719</td>
<td>$648,914</td>
</tr>
<tr>
<td>CAPITAL</td>
<td>$268,347</td>
<td>$273,360</td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM OPERATING ACTIVITIES:

- Net margin (loss), including noncontrolling interest $6,238 $17,281
- Adjustments to reconcile net margin (loss) to net cash used in operating activities:
  - Depreciation and amortization $35,340 $36,070
  - Included in depreciation and amortization $6,572 $7,080
  - Included in operating and maintenance $2,858 $4,247
  - Included in nonutility operating expenses $3,265 $2,540
  - Loss from equity method investments $16 $16
  - Change in financial interest received $1,286 $1,251
  - Change in working capital (excluding cash, investments, and borrowings) $7,517 $9,770
- Interest expense-net of amounts capitalized $5,620 $3,910

### CASH FLOWS FROM INVESTING ACTIVITIES:

- Redemption of patronage capital investments $28,444 $37,712
- Change in nonutility investments $33,580 $55,051
- Property additions $23,327 $3,794
- Nonutility property additions $3,164 $12,493

### CASH FLOWS FROM FINANCING ACTIVITIES:

- Nonutility property additions $23,327 $3,794
- Notes received from members-net $4,754 $2,407
- Proceeds from sale of plant $32 $42
- Repayment of nonutility capital investments $932 $875

### Glossary of Terms

- **Liabilities and Capital**: The financial obligations of a company, often including debt, loans, and other financial obligations, as well as the capital contributed by shareholders.
- **Current Liabilities**: Short-term financial obligations that a company will need to pay within the next 12 months.
- **Noncurrent Liabilities**: Long-term financial obligations that a company will need to pay beyond the next 12 months.
- **Capital**: The equity contributed by shareholders, representing the value of the company.

### Notes to Consolidated Financial Statements

- **Note 1**: Consolidated Financial Statements - Description of Significant Accounting Policies.
- **Note 2**: Financial Instrument Risk.
- **Note 3**: Income Taxes.
- **Note 4**: Equity Method Investments.
- **Note 5**: Capital Structure and Contractual Debt.
- **Note 6**: Other Financial Instruments.
- **Note 7**: Related-Party Transactions.
- **Note 8**: Derivative Instruments.
- **Note 9**: Variable Interest Entities.
GREAT RIVER ENERGY
Interim Consolidated Statements of Operations, Comprehensive Income and Changes in Capital (unaudited) (In Thousands)

For the Three Months Ended March 31, 2017

ASSETS

Utility Plant: Electric plant $ 4,454,224 $ 4,577,570 Coal mine plant 338,413 345,542 Plant to be retired - net of accumulated depreciation 352,338 - Construction work in progress 113,652 77,731 (Less accumulated depreciation and amortization) (2,102,659) (2,135,039) Utility plant net 2,841,776 2,811,707

Nonutility Plant and Equipment—Net 179,967 185,378

Other Assets and Investments: Restricted investments - deferred compensation 13,199 12,231 Other investments 30,603 29,977 Deferred Charges - Financing related 117,860 140,894 Contract settlement 83,543 83,543 Other 183,373 148,155 Long-term assets 328,541 328,155 Total other assets and investments 474,024 444,244

Current Assets:

Cash and cash equivalents - beginning of period 101,794 53,955 Inventories: Coal mine plant 6,238 6,238 Oil 130,226 128,226 Other 43,019 41,418 Derivatives Instruments 8,854 2,311 Total inventories 185,378 176,441 Other current assets 550,890 568,543 Total cash and cash equivalents 550,890 568,543

Total Current Assets 4,090,671 $ 4,011,445 $

LIABILITIES AND CAPITAL

Liabilities:

Current liabilities:

Notes payable to members 29,083 28,330 Other 18,935 18,640 Total current liabilities 48,018 46,970 Total liabilities 747,994 744,317

Current Nonutility Liabilities:

Variable interest entity - NDRC: Notes payable to members 3,334 3,334 Other 3,334 3,334 Total current nonutility liabilities 6,668 6,668 Total current liabilities 48,018 46,970 Total liabilities 754,662 751,035

Long-Term Obligations - Less current portion 2,764,117 2,709,117

Deferred Compensation 12,199 12,133

Deferred income taxes 1,216 945

Current Liabilities:

Deferred Compensation 12,199 12,133

deferred income taxes 1,216 945

Current portion of long-term obligations 249,523 250,521 Notes payable to members 31,229 35,397 Accounts payable 19,570 25,985 Property and other taxes 52,590 52,894 Other accrued liabilities and notes payable 55,905 61,188 Accrued interest payable 17,712 19,377 Derivatives Instruments 87,435 56,799 Total current liabilities 480,119 543,483

Total current liabilities 747,994 744,317

Other Noncurrent Liabilities 101,794 107,893

Regulatory Liabilities 41,239 25,773 Long-Term Obligations - Less current portion 2,682,773 2,764,117

Deferred Compensation 12,199 12,133

Deferred income taxes 1,216 945

Total liabilities 8,090,973 $ 8,054,859 $

Capital:

Members:

Patronage capital $ 601,925 $ 541,321 $ Memberships 9 3

Total members' capital 602,014 541,324

Noncontrolling interest - subsidiary 21,783 19,196 Noncontrolling interest - variable interest entity 127,588 103,019 Total capital 747,484 654,559

Net nonutility operations 418 1,022

NET MARGIN (LOSS) AND COMPREHENSIVE INCOME (LOSS) INCLUDING NONCONTROLLING INTEREST 6,238 $ 7,282 $ on Great River Energy

Net cash provided by (used in) operating activities 5,755 $ 7,282 $ on Great River Energy

NET (LOSS) AND COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO GREAT RIVER ENERGY 6,238 $ 7,282 $ on Great River Energy

GREAT RIVER ENERGY
Interim Consolidated Statements of Cash Flows (unaudited) (In Thousands)

For the Three Months Ended March 31, 2017

Utility Operating Revenue: Electric revenue $ 232,735 $ 218,152 $ Other operating revenue 22,201 20,906 Total utility operating revenue 254,936 239,058

Total nonutility operating revenue 254,936 239,058

Operating revenue 54,418 51,211 Operation and maintenance 70,562 81,390 Depreciation and amortization 37,530 36,676 Property and other taxes 7,782 8,454 Total utility operating expenses 163,236 175,337

Net utility margin (loss) 6,238 7,282

NET MARGIN (LOSS) AND COMPREHENSIVE INCOME (LOSS) 6,238 $ 7,282 $ on Great River Energy

Operating revenue 54,418 51,211 Operation and maintenance 70,562 81,390 Depreciation and amortization 37,530 36,676 Property and other taxes 7,782 8,454 Total operating expenses 163,236 175,337

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CASH FROM OPERATING ACTIVITIES: Operating revenue 54,418 51,211 Operation and maintenance 70,562 81,390 Depreciation and amortization 37,530 36,676 Property and other taxes 7,782 8,454 Total operating expenses 163,236 175,337

Net utility margin (loss) 6,238 7,282

Net nonutility operations 37,108 21,763

OTHER INCOME (EXPENSE): Other income-net 1,635 1,620 Interest income 455 410 Interest expense-net of amounts capitalized (12,078) (10,476)

Other expense-net 12,288 13,242

Net nonutility margin (loss) 30,966 8,602

CASH FROM INVESTING ACTIVITIES: Purchased power 1,642 8,453 Included in fuel and interest (17,281) 5,013 Included in operation and maintenance 1,805 2,478 Included in nonutility operating expenses 1,365 2,540 Loss from equity method investments 99 16 Proceeds from earnings from investments (3,286) (3,215) Deferred charges (5,717) (9,770)

Changes in working capital (including cash, investments, and borrowings): Accounts and long-term receivables 14,244 1,408 Inventory and other assets 12,459 (17,690) Accounts payable, taxes and other accrued expenses (24,127) 7,849 Accrued interest (26,449) (28,345) Noncurrent liabilities 318 (4,670)

Net cash provided by (used in) investing activities 32,648 $ 7,992 $ on Great River Energy

CASH FROM FINANCING ACTIVITIES: Proceeds from issuance of long-term obligations 30,000 50,000 Repayments of long-term obligations (30,074) (20,340) Costs of new debt issuance, losses, and interest rate hedging instruments (5) 18 Notes received from members 4,042 4,754 Variable interest entity-NDRC: Capital contributed by noncontrolling interest 12,727 12,502 Capital distributed to noncontrolling interest (5,150) (3,076) Dividends paid by noncontrolling interest (300) (198)

Net cash used in investing activities (13,527) $ 17,281 $ on Great River Energy

CASH AND CASH EQUIVALENTS - END OF PERIOD 3,277 $ 3,282 $ on Great River Energy
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Total capital increased $77.9 million to $742.5 million as of March 31, 2017. Members’ capital increased due to results from operations. The MAG noncontrolling interest increased due to capital contributions by third party investors.

Regulatory liabilities increased $16.7 million to $412.2 million as of March 31, 2017 due to the deferral of member electric revenue of $12.0 million in December 2016 and an increase in the regulatory liability associated with the fair value of interest rate swaps in an asset position.

Long-term obligations – less current portion decreased $81.4 million to $2.7 billion as of March 31, 2017 due to scheduled principal payments and the amortization of debt issue costs; offset by an increase in the amount outstanding on the syndicated credit facility of $65.0 million.

Current liabilities decreased $20.1 million to $412.2 million as of March 31, 2017. Notes payable decreased $4.1 million due to decreased use of a program that allows members to deposit funds with GRE in exchange for a return. Accounts payable decreased $4.4 million due to timing and a decrease in MAG payables. Derivative instruments in a liability position decreased $18.9 million due to the impact of higher interest rates on the fair value of interest rate swaps. These decreases were offset by an increase in other current liabilities and notes payable of $10.3 million due to the reclassification of a Stanton ash pond asset retirement obligation to current and the recording of additional plant retirement obligations.

Financial Highlights - Results of Operations

Utility operating revenue increased $15.9 million or 6.6 percent for the three month period ended March 31, 2017 compared to the same period in 2016. Electric revenue increased due to an average rate increase of 1.8 percent for 2017, the impact of a PCA charge of $5.4 million in 2017 compared to a PCA credit of $2.1 million in 2016, and increased MISO market sales of $6.0 million due to increased MWs sold at higher average market prices. Other operating revenue increased due to increased tipping fees at the Elk River Resource Processing Plant.

Purchased power increased $11.4 million or 31.4 percent for the three month period ended March 31, 2017. Power purchases from the market increased due to higher average MISO market prices and increased MW purchases due to Stanton’s reduced generation because of its planned retirement and the economic dispatch of Coal Creek Station (CCS) when market prices are low.

Fuel decreased $0.8 million or 1.4 percent for the three month period ended March 31, 2017 due to reduced generation at Stanton and CCS. These decreases were offset by increased fuel costs at CCS as refined coal fuel purchase costs are no longer being deferred. For the year 2016, refined coal fuel purchase costs of $12.0 million were deferred as a regulatory asset.

Operation and maintenance decreased $10.8 million or 13.3 percent for the three month period ended March 31, 2017. Generation operation and maintenance decreased $3.8 million due to Stanton’s planned retirement and due to the timing of maintenance at Elk River Energy Recovery Station. Transmission operation and maintenance decreased $7.1 million due to the receipt of retroactive settlements from other transmission owners for the lowering of the FERC Rate of Return and due to lower transmission costs for 2017 for GRE’s share of local and regional transmission owned by others within MISO. General and administrative expenses were flat in 2017 compared to 2016.

Interest expense – net of capitalized amounts decreased $2.1 million or 5.9 percent due to the repayment of higher rate debt, partially offset by additional borrowings on the syndicated credit facility, which carries a lower rate. Capitalized interest increased $0.5 million during the period in 2017 compared to 2016.

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

The interim financial statements as of March 31, 2017 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 2016 Annual Report.

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 685,000 homes, businesses, and farms.

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