hydro One

Second Quarter 2021

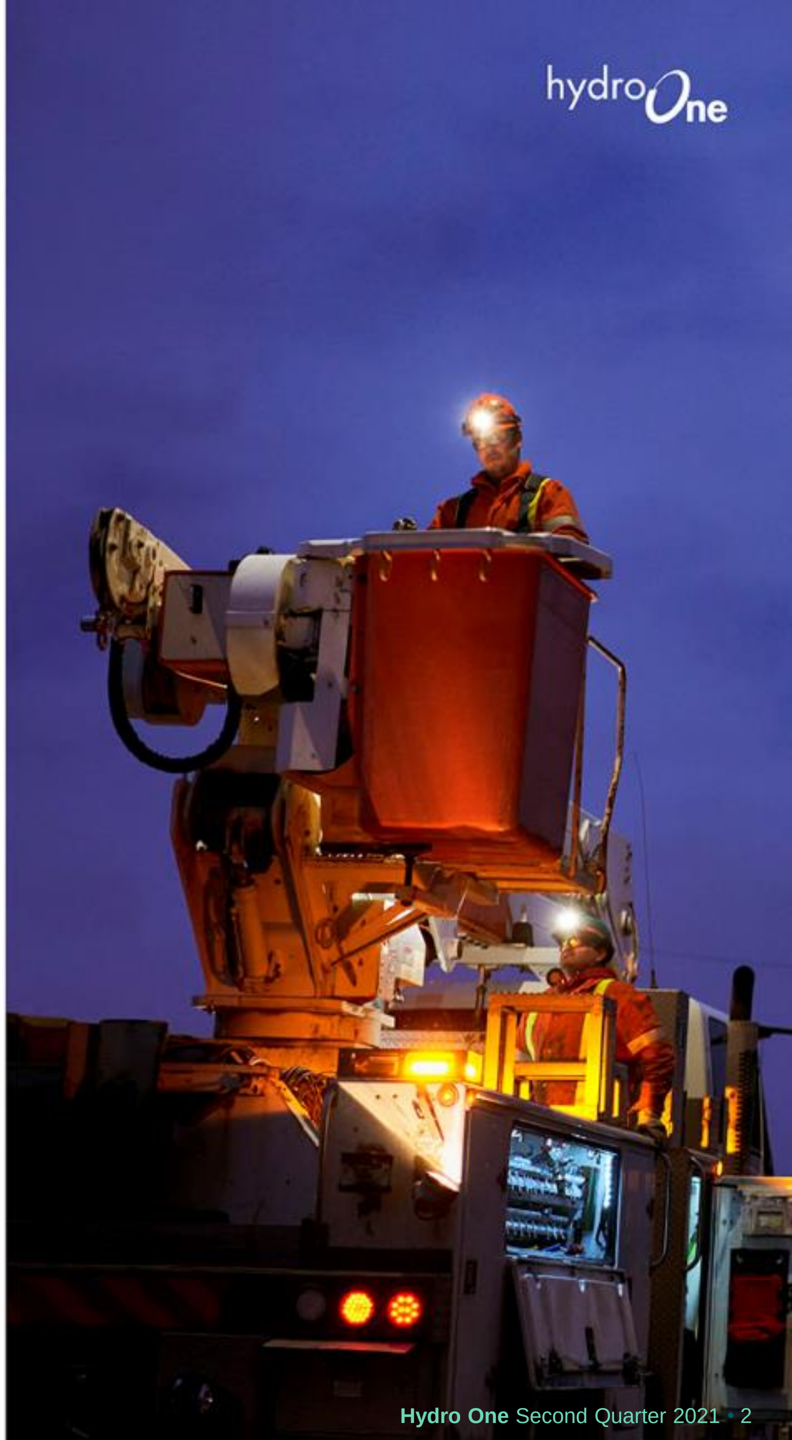
Earnings Teleconference
August 10, 2021

One of North America’s largest electric utilities TSX:H

2Q21 Financial summary

(millions of dollars, except EPS)	Second Quarter 2021	Second Quarter 2020	% Change	Year-to-Date 2021	Year-to-Date 2020	% Change
Revenue						
Transmission	448	459	(2.4)%	896	859	4.3%
Distribution	1,263	1,201	5.2%	2,617	2,640	(0.9)%
Distribution (Net of Purchased Power)	425	393	8.1%	885	825	7.3%
Other	11	10	10.0%	20	21	(4.8)%
Consolidated	1,722	1,670	3.1%	3,533	3,520	0.4%
Consolidated (Net of Purchased Power)	884	862	2.6%	1,801	1,705	5.6%
OM&A Costs	289	270	7.0%	571	535	6.7%
Earnings before financing charges and income taxes (EBIT)						
Transmission	229	236	(3.0)%	458	422	8.5%
Distribution	143	150	(4.7)%	336	336	-
Other	(2)	(7)	71.4%	(12)	(13)	7.7%
Consolidated	370	379	(2.4)%	782	745	5.0%
Net income[1]	238	1,103	(78.4)%	506	1,328	(61.9)%
Adjusted net income[1 2]	238	236	0.8%	506	461	9.8%
Basic EPS	$0.40	$1.84	(78.3)%	$0.85	$2.22	(61.7)%
Basic adjusted EPS[1,2]	$0.40	$0.39	2.6%	$0.85	$0.77	10.4%
Capital investments	553	429	28.9%	1,080	801	34.8%
Assets placed in-service						
Transmission	147	58	153.4%	195	187	4.3%
Distribution	150	107	40.2%	256	202	26.7%
Other	3	-	100.0%	6	1	500%
Total assets placed in-service	300	165	81.8%	457	390	17.2%

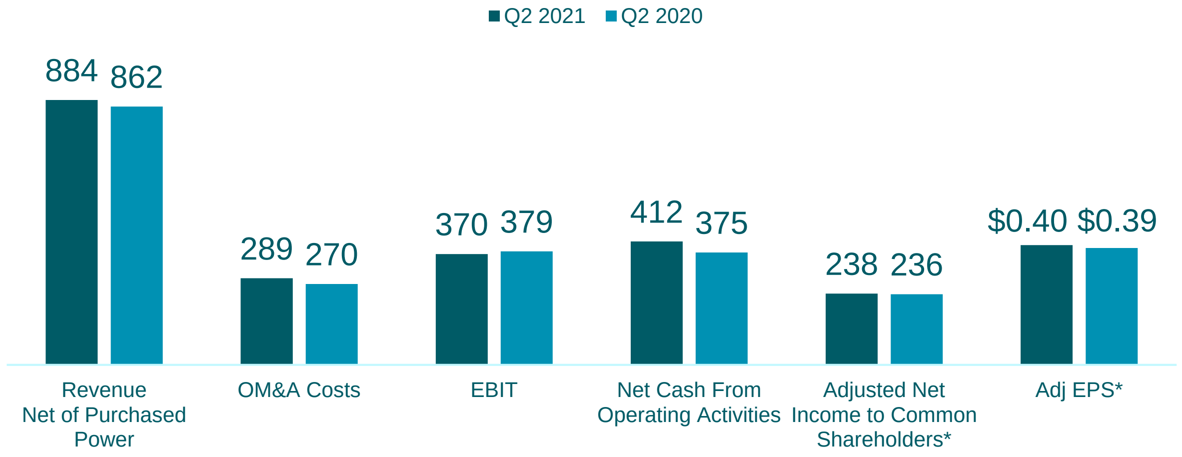
Financial Statements reported under U.S. GAAP
1. Net Income is attributable to common shareholders and is after non-controlling interest, dividends to preferred shareholders
2. Adjusted Net Income excludes items related to the impacts related to the Ontario Divisional Court decision



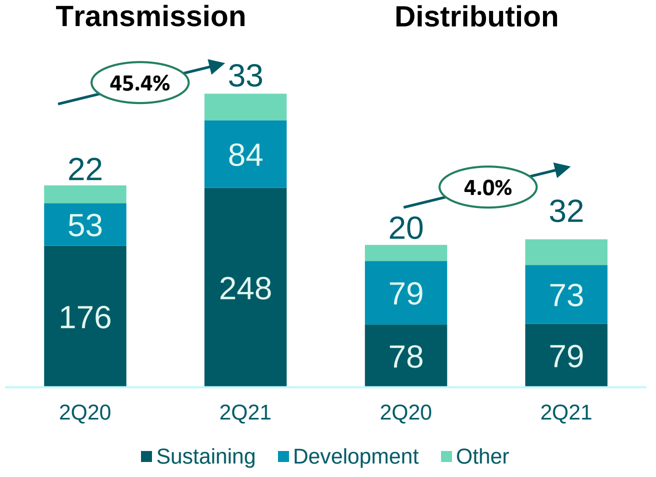
2Q21 Financial summary

The customer focused 2023-2027 investment plan supports economic growth and builds a smarter, more sustainable and resilient grid for the future

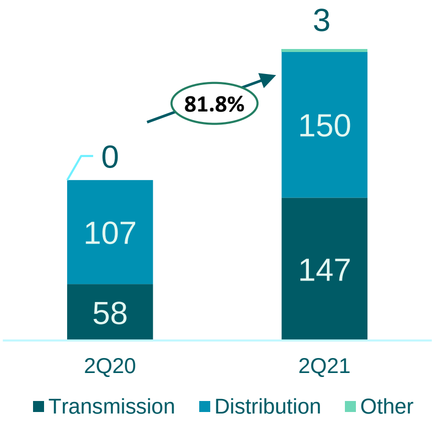
Financial Highlights ($M) –2Q21 Year over Year Comparison



Regulated Capital Investments ($M)



Assets Placed in Service ($M)



Selected Financial Highlights:

Transmission revenues decreased by 2.4% during the quarter ended June 30, 2021, primarily due to:

- Lower revenues resulting from the impacts of the OEB decision received in the prior year, including the recognition of Conservation and Demand Management (CDM) revenues; partially offset by
- Higher revenues resulting from OEB-approved 2021 rates; and
- Higher average monthly Ontario 60-minute peak demand.

Distribution revenues, net of purchased power, increased by 8.1% during the quarter ended June 30, 2021, primarily due to:

- Higher revenues resulting from OEB-approved 2021 rates;
- Higher revenues from Peterborough Distribution and Orillia Power operations; and
- Higher energy consumption.

The 11.4% decrease in transmission OM&A costs for the quarter ended June 30, 2021, was primarily due to:

- Lower COVID-19 related costs;
- Lower other post-employment benefit (OPEB) costs that are recognized in OM&A following the 2020-2022 OEB transmission decision and recovered in rates, due to timing of the OEB decision received in the prior year; and
- Lower corporate support costs; partially offset by higher volume of station maintenance related expenditures.

The 25.5% increase in distribution OM&A costs for the quarter ended June 30, 2021, was primarily due to:

- Higher work program expenditures mainly related to the timing of vegetation management execution, emergency power restoration efforts and customer programs;
- Costs of the Peterborough Distribution and Orillia Power operations; and
- Higher corporate support costs; partially offset by lower COVID-19 related costs.

Income tax expense was $26 million for the three months ended June 30, 2021, compared to income tax recovery of $849 million in the comparable period last year. The $875 million increase in income tax expense was principally attributable to the $867 million income tax recovery recognized in the second quarter of 2020 following the Ontario Divisional Court (ODC) Decision.

Hydro One makes capital investments to maintain the safety, reliability and integrity of its transmission and distribution system assets and to provide for the ongoing growth and modernization required to meet the expanding and evolving needs of its customers and the electricity market.

- Transmission capital investments increased by $114 million or 45.4% in the second quarter of 2021 compared to the second quarter of 2020.
- Distribution capital investments increased by $7 million or 4.0% in the second quarter of 2021 compared to the second quarter of 2020.

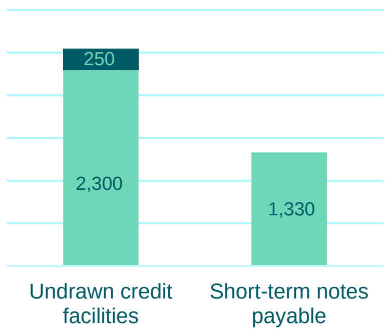
** Adjusted Net Income excludes items related to the ODC's July 2020 Decision and the Ontario Energy Board's ("OEB") Deferred Tax Asset Decision on Hydro One Networks' distribution and transmission businesses*

Strong balance sheet and liquidity

(as at June 30, 2021)

Investment grade balance sheet with one of lowest debt costs in utility sector

Significant available liquidity ($M)



Strong investment grade debt ratings (long-term/short-term/outlook)

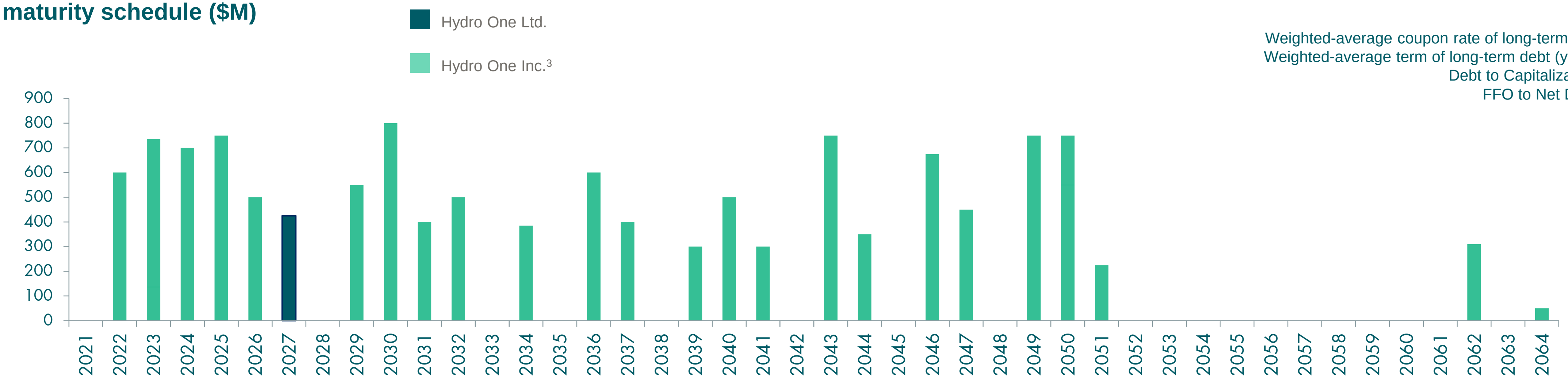
	Hydro One Ltd. (HOL)	Hydro One Inc. (HOI)
S&P	BBB+ / n/a / stable	A- / A-1 (low) / stable
DBRS	A / n/a / stable	A (high) / R-1 (low) / stable
Moody's	n/a	A3 / Prime-2 / stable

Shelf registrations

HOL
Universal shelf[1]
$2.0B

HOI
Medium term note shelf[2]
$4.0B

Debt maturity schedule ($M)



Weighted-average coupon rate of long-term debt: 3.9%
Weighted-average term of long-term debt (years): 14.9
Debt to Capitalization[4]: 56.6%
FFO to Net Debt[5]: 14.0%

1. In August 2020, HOL filed the Universal Base Shelf Prospectus with securities regulatory authorities in Canada, which allows it to offer, from time to time in one or more public offerings, up to $2.0 billion of debt, equity or other securities, or any combination thereof, and expires in September 2022. At June 30, 2021, $1.575 billion remained available for issuance under the Universal Base Shelf Prospectus.
2. In April 2020, HOI filed a Medium Term Note (MTN) Program prospectus, which has a maximum authorized principal amount of notes issuable of $4.0 billion, expiring in May 2022. At June 30, 2021, $2.8 billion remained available for issuance under the MTN Program prospectus.
3. Includes long-term debt of Hydro One Sault Ste. Marie LP, a subsidiary of Hydro One Inc., in the principal amount of $136 million due in 2023.
4. Debt to capitalization ratio is a non-GAAP measure and has been calculated as total debt (including total long-term debt, and short-term borrowings, net of cash and cash equivalents) divided by total debt plus total shareholders' equity, but excluding any amounts related to noncontrolling interest. Management believes that the debt to capitalization ratio is helpful as a measure of the proportion of debt in the Company's capital structure.
5. FFO to Net Debt for the last twelve months ending June 30, 2021.

Common share dividends

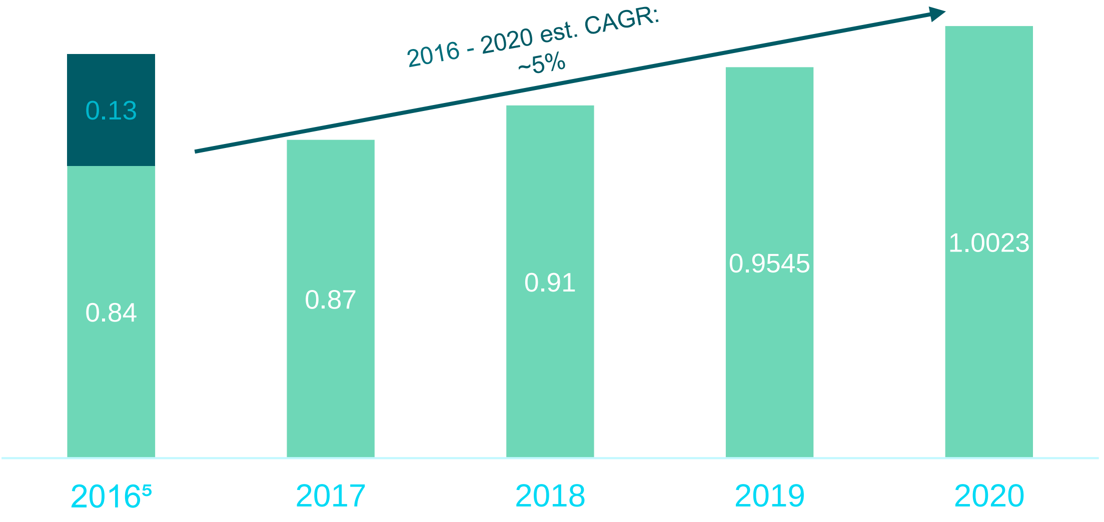
hydro One

Key Points

- Quarterly dividend declared at $0.2663 per common share ($1.0652 annualized)
- Targeted dividend payout ratio remains at 70% - 80% of net income
- Attractive and growing dividend supported by stable, regulated cash flows and planned rate base growth
- No equity issuance anticipated to fund planned capital investment program
- Non-dilutive dividend reinvestment plan (DRIP) was implemented post IPO (shares purchased on open market, not issued from treasury)

Dividend Statistics	
Yield[1]	3.6%
Annualized Dividend[2 3]	$1.0652 / share

A Growing and Sustainable Dividend[4]



Expected Quarterly Dividend Dates[3]

Declaration date	Record date	Payment date
August 9, 2021	September 8, 2021	September 30, 2021
November 8, 2021	December 8, 2021	December 31, 2021

1. Based on closing share price on June 30th, 2021
2. Unless indicated otherwise, all common share dividends are designated as "eligible" dividends for the purpose of the Income Tax Act (Canada)
3. All dividend declarations and related dates are subject to Board approval.
4. Denotes annual cash dividends paid
5. The first common share dividend declared by Hydro One Ltd. following the November 5, 2015 initial public offering of its common stock included 13 cents for the post IPO fourth quarter period of November 5 through December 31 2015.

Disclaimers

This presentation contains “forward-looking information” within the meaning of applicable Canadian securities laws that is based on current expectations, estimates, forecasts and projections about Hydro One’s business and the industry in which Hydro One operates and includes beliefs of and assumptions made by management of Hydro One. Such information includes, but is not limited to: statements related to Hydro One’s transmission and distribution business and regulatory decisions, impacts and timing; statements regarding Hydro One’s projected rate base and cash flows; statements related to Hydro One’s transition to fixed distribution rates; statements regarding Hydro One’s capital investments, and related plans, programs, funding and expectations; expectations regarding Hydro One’s maturing debt and standby credit facilities; statements related to the Universal Base Shelf Prospectus and the MTN Program prospectus; statements about the debt to capitalization ratio; statements related to dividends, including expected dividend CAGR and Hydro One Limited’s targeted dividend payout ratio of 70-80% of net income; and statements related to credit ratings.

Words such as “aim”, “could”, “would”, “expect”, “anticipate”, “intend”, “attempt”, “may”, “plan”, “will”, “believe”, “seek”, “estimate”, “goal”, “target” and variations of such words and similar expression are intended to identify such forward-looking information. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. In particular, the forward-looking information contained in this presentation is based on a variety of factors and assumptions including, but not limited to: the scope of the COVID-19 pandemic and duration thereof as well as the effect and severity of corporate and other mitigation measures on Hydro One’s operations, supply chain or employees; no unforeseen changes in the legislative and operating framework for Ontario’s electricity market or for Hydro One specifically; favourable decisions from the Ontario Energy Board and other regulatory bodies concerning outstanding and future rate and other applications; no unexpected delays in obtaining required approvals; no unforeseen changes in rate orders or rate setting methodologies for Hydro One’s distribution and transmission businesses; the continued use and availability of U.S. GAAP; no unfavourable changes in environmental regulation; a stable regulatory environment; no significant changes to Hydro One’s current credit ratings; no unforeseen impacts of new accounting pronouncements; no changes to expectations regarding electricity consumption; no unforeseen changes to economic and market conditions; recoverability of costs and expenses related to the COVID-19 pandemic, including the costs of customer defaults resulting from the pandemic; completion of operating and capital projects that have been deferred; and no significant event occurring outside the ordinary course of business. These assumptions are based on information currently available to Hydro One including information obtained by Hydro One from third-party sources. Actual results may differ materially from those predicted by such forward-looking information. While Hydro One does not know what impact any of these differences may have, Hydro One’s business, results of operations, financial condition and credit stability may be materially adversely affected if any such differences occur. Factors that could cause actual results or outcomes to differ materially from the results expressed or implied by forward-looking information are discussed in more detail in the sections entitled “Forward-Looking Information” and “Risk Factors” in Hydro One Limited’s most recent annual information form, the sections entitled “Risk Management and Risk Factors” and “Forward-Looking Statements and Information” in Hydro One Limited’s most recent annual management’s discussion and analysis of the financial condition and results of operations and the section entitled “Forward-Looking Statements and Information” in Hydro One Limited’s most recent interim management’s discussion and analysis of financial condition and results of operation of operations. Hydro One does not intend, and it disclaims any obligation to update any forward-looking information, except as required by law.

In this presentation, Hydro One presents information about future rate base growth and potential future capital investments. The purpose of providing information about future rate base growth and potential future capital investments is to give context to the nature of some of Hydro One’s future plans and may not be appropriate for other purposes. Information about future rate base growth and potential future capital investments, including the various assumptions underlying it, should be read in conjunction with “Forward-Looking Information” above and as may be found in Hydro One's filings with the securities regulatory authorities in Canada, which are available under its profile on SEDAR at www.sedar.com. Hydro One does not intend to update the information about future rate base growth or future capital investments except as required by applicable securities laws.

Non-GAAP Measures

Hydro One prepares and presents its financial statements in accordance with U.S. GAAP. “Funds from Operations” or “FFO”, “FFO to Net Debt”, “Adjusted Net Income”, [“Revenue Net of Purchased Power”][NTD: Hydro One to confirm if this term is used in presentation; is this meant to refer to ‘Consolidated Revenue (Net of Purchased Power)]], “EBIT”, “Debt to Capitalization”, and “Adjusted Earnings Per Share” are not recognized measures under U.S. GAAP and do not have standardized meanings prescribed by U.S. GAAP. These are therefore unlikely to be comparable to similar measures presented by other companies. “Funds from Operations” or “FFO” is defined as net cash from operating activities, adjusted for the following: (i) changes in non-cash balances related to operations, (ii) dividends paid on preferred shares, and (iii) distributions to non-controlling interest. “FFO to Net Debt” is calculated as the rolling twelve month FFO divided by Total debt less cash. In addition, certain of these measures are also defined in Hydro One Limited’s filings with the securities regulatory authorities in Canada which are available under its profile on SEDAR at www.sedar.com. Management believes these measures are useful for evaluating the performance of different aspects of Hydro One’s business but may not be appropriate for other purposes.