

The logo for Hydro One, featuring the word "hydro" in a black sans-serif font and "One" in a red sans-serif font, with a red circle around the letter "O".

hydro **One**

4Q15 Earnings Teleconference

February 12, 2016

One of North America's largest electric utilities

TSX: H



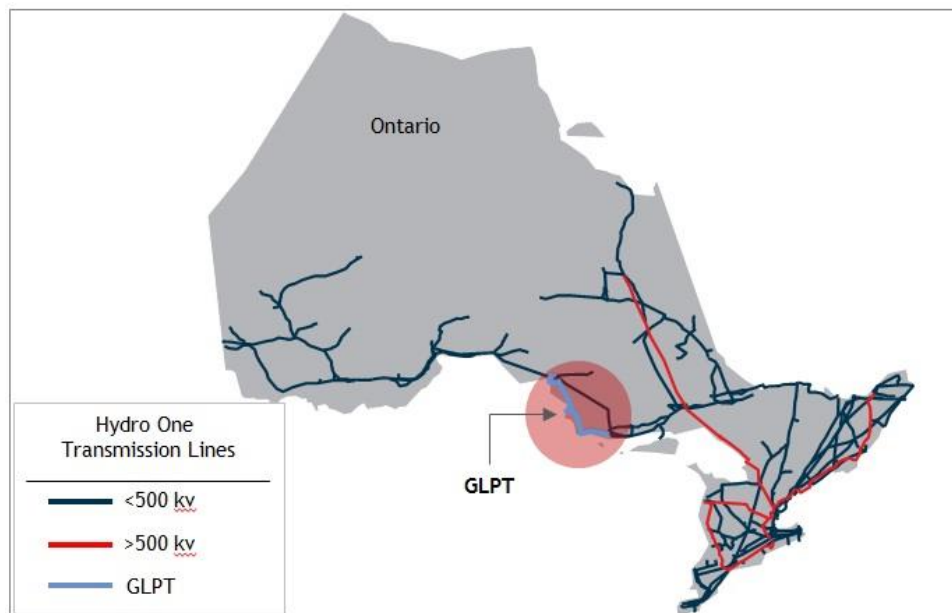
Hydro One Limited - Financial Summary



(\$ millions)	4Q15	4Q14	Change	FY15	FY14	Change
Revenue						
Transmission	\$361	\$382	(5)%	\$1,536	\$1,588	(3%)
Distribution	1,148	1,268	(9)%	4,949	4,903	1%
Distribution (Net of Power)	362	375	(3%)	1,499	1,484	1%
Other	13	12	8%	53	57	(7%)
Consolidated	1,522	1,662	(8)%	6,538	6,548	(0%)
Consolidated (Net of Power)	736	769	(4%)	3,088	3,129	(1%)
Earnings Before Financing Charges and Income Taxes (EBIT)						
Transmission	138	206	(33%)	736	848	(13%)
Distribution	119	130	(8%)	486	375	30%
Other	(15)	(4)	--	(28)	(8)	--
Consolidated	242	332	(27%)	1,194	1,215	(2%)
Capital Investments						
Transmission	251	265	(5%)	943	845	12%
Distribution	198	211	(6%)	711	680	5%
Other	2	2	0%	9	5	80%
Consolidated	451	478	(6%)	1,663	1,530	9%
Net Income*	143	216	(34%)	690	731	(6%)
Adjusted EPS	\$0.24	\$0.36	(34%)	\$1.16	\$1.23	(6%)

Note *: Net Income is attributable to common shareholders and excludes Non-controlling Interest and Dividends to Preferred Shareholders

GLP Relative to Hydro One Transmission Operations



Key Points

- Rare opportunity to expand already significant transmission footprint in Ontario
- Increases Hydro One's transmission coverage to ~98% of province-wide total capacity
- Expected to be accretive in first year
- 560km of high voltage transmission lines, towers and stations
- \$222 million cash purchase price plus \$151 million of assumed debt

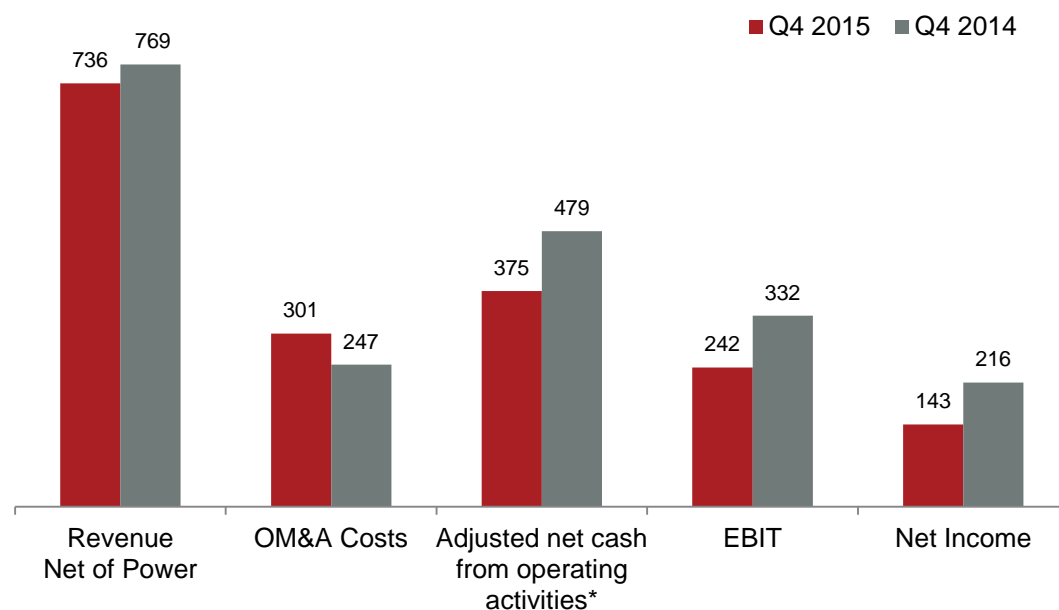
A contiguous and already interconnected strategic transmission asset

- Greater focus on customers' needs and better integration of them into business decision making
- Adapt to the emerging technology landscape in our industry and position our business appropriately to win
- Focus continuously on increased efficiency and productivity, and accelerate effectiveness of capital deployment to more quickly execute multi-year infrastructure upgrades
- Make Hydro One a rewarding and safe place to work for our employees
- Build world-class competencies and strive towards delivering best in class operating metrics to position Hydro One for accelerating growth well into the future

Powering up to take Hydro One from good to great

Financial Highlights – 4Q Year over Year Comparison

In millions \$CAD



* Excludes \$2,810 million non-cash impact of IPO-related tax adjustments

Key Points

- Unseasonably mild weather in 4Q15
- Brampton divestiture as of August 31, 2014
- Timing of operating costs in FY14 and storm related costs in 4Q15, partially offset by billing and back-office cost stabilization
- Effective tax rate of 14% partially offset by one-time tax benefit of \$19 million

Core operations remain consistent despite transitory items affecting net income

Net Income and Earnings Per Share

In millions \$CAD

	4Q15	FY2015
Net Income	\$147	\$713
Preferred Dividend	-	13
Non-controlling interest	4	10
▶ Net Income to Common Shareholders	143	690

Earnings Per Share	\$0.26	\$1.39
▶ Adjusted Earnings Per Share	\$0.24	\$1.16

- Under GAAP, Earnings Per Share (unadjusted) requires use of weighted average shares that includes the pre IPO period share count prior to the formation of Hydro One Limited
- Adjusted Earnings Per Share uses the shares outstanding at December 31, 2015 which is more relevant for shareholders

Adjusted Earnings Per Share is the relevant EPS metric for Hydro One Limited

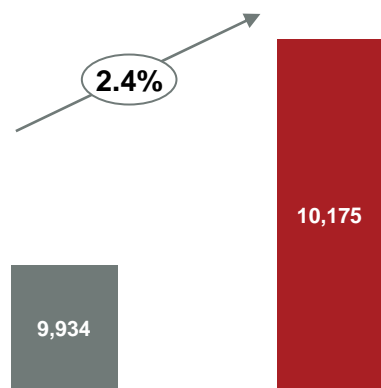
Capital Investments and Rate Base Growth

In millions \$CAD

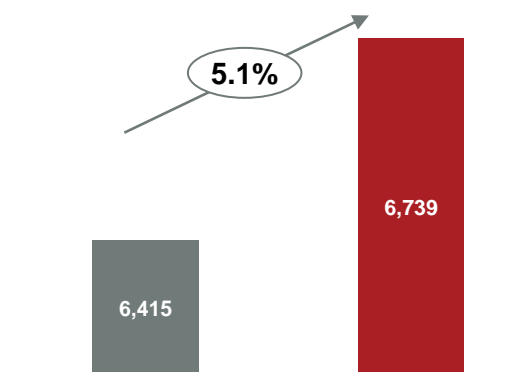
	4Q15	4Q14	Change	FY15	FY14	Change
Capital Investments	\$451	\$478	(6%)	\$1,663	\$1,530	9%
Transmission	251	265	(5%)	943	845	12%
Distribution	198	211	(6%)	711	680	5%
Other	2	2	0%	9	5	80%

FY15 Rate Base Growth

Transmission



Distribution



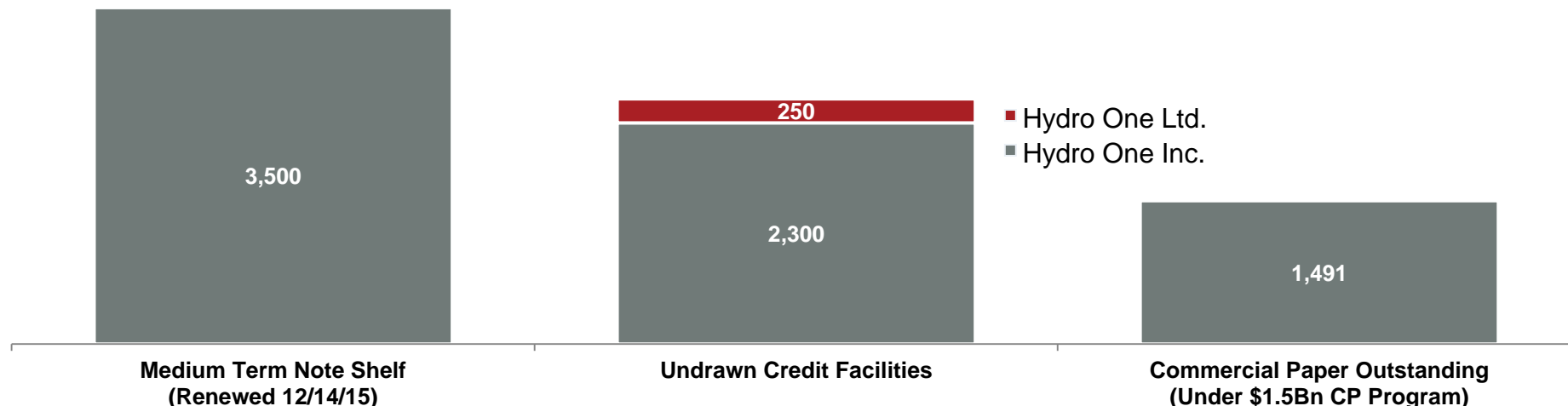
Key Points

- \$607 million of new assets were put in-service in 4Q15
- \$1,476 million of new assets were put in-service in FY15
- Total estimated rate base increased by ~3.5% year-over-year

Infrastructure renewal spending drove continued capital expenditure and rate base growth in 2015

Strong Balance Sheet and Liquidity at 12/31/2015

Significant Available Liquidity (\$M)



Strong Investment Grade Credit Ratings (LT/ST/Outlook)

Hydro One Inc.	
S&P	A / A-1/ stable
DBRS	A (high) / R-1 (low) / stable
Moody's	A3 / Prime-2 / stable

Key Points

- Weighted average cost of outstanding debt: **4.7%**
- Weighted average term of outstanding debt: **16.6 years**
- Debt to Capitalization¹: **50.7%**

Note: 1) Debt to capitalization ratio has been calculated as total debt (includes total long-term debt and short-term borrowings, net of cash) divided by total debt plus total shareholder's equity, including preferred shares but excluding any amounts related to non-controlling interest.

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

Dividend Statistics

Yield ¹	3.8%
Annualized Dividend	\$0.84 / Share
Payout ratio on 2015 Net Income	72.5%

1) Based on closing share price on December 31, 2015

2016 Expected Quarterly Dividend Dates²

Declaration Date	Record Date	Payment Date
February 11, 2016	March 17, 2016	March 31, 2016
May 5, 2016	June 14, 2016	June 30, 2016
August 11, 2016	September 14, 2016	September 30, 2016
November 10, 2016	December 14, 2016	December 30, 2016

2) All dividend declarations and related dates are subject to Board approval.

Key Points

- Hydro One Limited declared a quarterly dividend of \$0.34 to be paid on March 31st, 2016
- \$0.34 dividend comprised of:
 - \$0.13 proportionate dividend from date of IPO to end of 4Q15; plus
 - \$0.21 dividend from 1Q16
- Unless indicated otherwise, all dividends paid by Hydro One Limited to common shareholders are designated as "eligible" dividends for the purpose of the Income Tax Act (Canada)
- The target payout ratio for 2016 is between 70% - 80% of net income
- Non-dilutive dividend reinvestment plan (DRIP) being implemented

Dividend regime formally in place

DISCLAIMERS

In this presentation, all amounts are in Canadian dollars, unless otherwise indicated. Any graphs, tables or other information in this presentation demonstrating the historical performance of the Company or any other entity contained in this presentation are intended only to illustrate past performance of such entities and are not necessarily indicative of future performance of Hydro One. In this presentation, “Hydro One” refers to Hydro One Limited and its subsidiaries and other investments, taken together as a whole.

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This presentation contains “forward-looking information” within the meaning of applicable Canadian securities laws. Forward-looking information in this presentation 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. Such statements include, but are not limited to: expectations regarding the ability of capital investments in rate base to drive growth in dividends; expectations regarding the accretive nature of the Great Lakes Power transmission acquisition; expectations regarding the core priorities of the Company, including opportunities to drive growth; and expectations regarding Hydro One’s dividend policy and the Company’s intention to declare and pay dividends, based on a target payout ratio of 70% to 80% of net income, the timing and amount of 2016 dividends, and implementation of a dividend reinvestment plan.

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 expressions 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. Therefore, actual outcomes and results may differ materially from what is expressed, implied or forecasted in such forward-looking information. Hydro One does not intend, and it disclaims any obligation to update any forward-looking information, except as required by law.

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Projected capital expenditures reflect the Company’s current expectations and assumptions relating to projects contemplated in the Company’s capital expenditure programs and Ontario Energy Board approvals received to date. Actual capital expenditures may be greater or less than projected capital expenditures.

Non-GAAP Measures

Hydro One prepares and presents its financial statements in accordance with U.S. GAAP. “Funds from Operations” or “FFO” and “Adjusted Earnings Per Share” are not a recognized measures under U.S. GAAP and do not have a standardized meanings prescribed by U.S. GAAP. This is therefore unlikely to be comparable to similar measures presented by other companies. Funds from Operations should not be considered in isolation nor as a substitute for analysis of Hydro One’s financial information reported under U.S. GAAP. “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) non-controlling interest distributions. Adjusted EPS utilizes the end of period shares outstanding instead of an average which would otherwise include share amounts for a prior entity prior to Hydro One Limited’s IPO. Management believes that these measures will be helpful as a supplemental measure of the Company’s operating cash flows and earnings. For more information, see “Non-GAAP Measures” in the Initial Public Offering Prospectus.