



## HYDRO ONE LIMITED REPORTS FOURTH QUARTER 2015 RESULTS

*Quarterly results reflect a number of timing, unusual and unseasonal weather related items while core operations remain strong;*

*Board declares first quarterly dividend to public shareholders and announces establishment of dividend reinvestment plan*

Toronto, February 12, 2016 – Hydro One Limited, Ontario’s largest electricity transmission and distribution company, today announced its financial and operating results for the fourth quarter and full year ended December 31, 2015.

“Following Hydro One’s successful IPO, the recent acquisition of three Local Distribution Companies and the just announced acquisition of Great Lakes Power Transmission, management is intensely focused on delivering enhanced service for our customers and communities,” said Mayo Schmidt, President and CEO, Hydro One. “At the same time, we’re sharpening our execution and instilling a disciplined approach to leveraging strategic opportunities. While the fourth quarter’s results reflect a number of timing, unusual and unseasonal weather related items, Hydro One is at its core a strong and growing business. Under new leadership, Hydro One is moving towards strengthening its performance-based culture to generate consistent growth and value for both customers and shareholders.”

### Consolidated Financial Highlights and Statistics

<i>(millions of Canadian dollars, except as otherwise noted)</i>	2015 Q4	2014 Q4	2015 YTD	2014 YTD
Revenues	1,522	1,662	6,538	6,548
Revenues, net of purchased power	736	769	3,088	3,129
Net income attributable to common shareholders	143	216	690	731
Earnings per common share (EPS)	\$0.26	\$0.45	\$1.39	\$1.53
Adjusted EPS <sup>1</sup>	\$0.24	\$0.36	\$1.16	\$1.23
Net cash from operating activities	(2,435)	479	(1,253)	1,256
Adjusted net cash from operating activities <sup>2</sup>	375	479	1,557	1,256
Funds from operations (FFO)	(2,674)	322	(1,479)	1,293
Adjusted FFO <sup>2</sup>	136	322	1,331	1,293
Capital investments	451	478	1,663	1,530
Transmission:				
Average monthly Ontario 60-minute peak demand (MW)	18,689	19,608	20,344	20,596
Distribution:				
Units distributed to Hydro One customers (TWh)	6.4	7.4	28.9	29.8

<sup>1</sup> Calculated using the number of common shares outstanding at December 31, 2015, versus a weighted average number of shares which includes the pre-IPO share count.

<sup>2</sup> Excludes \$2,810 million non-cash impact of IPO-related tax adjustments.

## Recapitalization and Initial Public Offering

In November 2015, Hydro One Limited and the Province of Ontario completed an initial public offering on the Toronto Stock Exchange of 15% of its 595 million outstanding common shares. Both Hydro One Limited and its fully owned subsidiary Hydro One Inc. are now reporting issuers. The final prospectus associated with the public offering which contains details of the offering, recapitalization and corporate structure can be found at [www.sedar.com](http://www.sedar.com) and [www.HydroOne.com/Investors](http://www.HydroOne.com/Investors).

## Key Financial Highlights

For the three months ended December 31, 2015, Hydro One Limited (“the Company”) reported revenues of \$1,522 million, net income attributable to common shareholders of \$143 million, and adjusted earnings per share of \$0.24. For the full year, 2015 reported revenues totaled \$6,538 million while net income attributable to common shareholders was \$690 million and adjusted earnings per share was \$1.16.

The year over year change to quarterly revenues primarily reflect lower purchased power costs, lower average monthly Ontario 60-minute peak demand due to generally milder weather in the fourth quarter, and the spin-off of Hydro One Brampton, partially offset by higher OEB-approved distribution rates.

In addition to revenue impacts resulting from unseasonably warm weather during the fourth quarter together with expenses associated with multiple wind storms which also occurred during the period, a number of timing and non-recurring items impacted the comparability of results on a year over year basis. These include the timing of operating costs which, in 2014, were higher earlier in the year but significantly reduced during the fourth quarter; the divestiture of the Hydro One Brampton operations which occurred at the end of August 2015; a one-time settlement of insurance proceeds received in fourth quarter of last year; and an increase in the Company’s effective income tax rate. These items were partially offset by a one-time benefit of \$19 million recorded in the quarter associated with tax benefits related to the initial public offering.

Hydro One continues to invest to improve the reliability and performance of Ontario’s electricity transmission and distribution systems, address aging power system infrastructure, facilitate new generation, and improve service to customers. The Company made capital investments of \$451 million during the fourth quarter and approximately \$1.6 billion for 2015, and placed over \$1.4 billion of new assets in-service during the year.

## Common Share Dividends

On February 11, 2016, the Company’s Board of Directors declared a cash dividend to common shareholders of \$0.34 per share. This is the first common share dividend declared by Hydro One Limited following the completion of its initial public offering and is comprised of \$0.13 for the post initial public offering period from November 5 to December 31, 2015, and \$0.21 for the full first quarter ending March 31, 2016. The dividend will be paid on March 31, 2016 to shareholders of record on March 17, 2016. The Board of Directors has approved a non-dilutive Dividend Reinvestment Plan which the Company expects will be available to shareholders in March 2016. During the fourth quarter of 2015 and prior to the IPO the Company declared and paid a special dividend in the amount of \$800 million to the Province of Ontario.

## Selected Operating Highlights

During the quarter, the Company completed the acquisition of Woodstock Hydro Holdings Inc., an electricity distribution company that serves approximately 16,000 customers in southwestern Ontario, following receipt of approvals by the Ontario Energy Board. Hydro One is committed to delivering great service for Woodstock Hydro’s customers, as the Company continues to focus on efficient operations and improving the customer experience for everyone it serves.

Subsequent to the end of the fourth quarter, the Company entered into a purchase agreement to acquire Great Lakes Power Transmission LP from Brookfield Infrastructure for \$222 million in cash plus the assumption of approximately \$151 million in outstanding indebtedness. Great Lakes Power Transmission LP is an Ontario regulated electricity transmission business operating along the eastern shore of Lake

Superior, north and east of Sault Ste. Marie, whose grid is interconnected with Hydro One's transmission network. It has a rate base of approximately \$219 million primarily consisting of 15 transmission stations, 560 kilometers of high and medium voltage 44-230 kV transmission lines, and related infrastructure covering an area of 12,000 square kilometers. Upon completion of the transaction, Hydro One will operate approximately 98% of Ontario's transmission capacity. The transaction is conditional upon the satisfaction of customary closing conditions, including receipt of Competition Act (Canada) and Ontario Energy Board approvals.

In October, Hydro One's Board of Directors announced the appointment of Fiona Crean as Ombudsman for Hydro One. Ms. Crean will facilitate the resolution of otherwise unresolved customer complaints by providing an independent and impartial perspective and advice on any matters that are referred to her by Hydro One customers. Ms. Crean reports directly to the Hydro One Board of Directors, ensuring the independence of the Ombudsman role at Hydro One and further reinforcing the Company's commitment to serving its customers.

## Supplemental Segment Information

<i>(millions of Canadian dollars)</i>	2015 Q4	2014 Q4	2015 YTD	2014 YTD
<b>Revenues</b>				
Transmission	361	382	1,536	1,588
Distribution	1,148	1,268	4,949	4,903
Other	13	12	53	57
<b>Total revenues</b>	<b>1,522</b>	<b>1,662</b>	<b>6,538</b>	<b>6,548</b>
<b>Revenues, net of purchased power</b>				
Transmission	361	382	1,536	1,588
Distribution	362	375	1,499	1,484
Other	13	12	53	57
<b>Total revenues, net of purchased power</b>	<b>736</b>	<b>769</b>	<b>3,088</b>	<b>3,129</b>
<b>Income (loss) before financing charges and taxes</b>				
Transmission	138	206	736	848
Distribution	119	130	486	375
Other	(15)	(4)	(28)	(8)
<b>Total income before financing charges and taxes</b>	<b>242</b>	<b>332</b>	<b>1,194</b>	<b>1,215</b>
<b>Capital Investments</b>				
Transmission	251	265	943	845
Distribution	198	211	711	680
Other	2	2	9	5
<b>Total capital investments</b>	<b>451</b>	<b>478</b>	<b>1,663</b>	<b>1,530</b>

## Summary of Fourth Quarter Results of Operations

### Net Income and EPS

The changes to net income and adjusted earnings per share attributable to common shareholders were primarily due to the following:

- Milder weather resulted in a decrease in transmission revenues, mainly due to lower average monthly Ontario 60-minute peak demand, and lower net distribution revenues; and
- Although expenses related to stabilization of the Company's customer information system were significantly lower than last year, OM&A costs increased from last year, primarily due to:
  - expenses related to write-offs of project and inventory costs due to revisions of asset replacement strategies;
  - higher storm restoration efforts due to multiple windstorms in the fourth quarter of 2015;

- timing of preventative maintenance on grid infrastructure;
- non-recurring insurance proceeds receipts in the prior year; and
- expenditures related to integration of acquired local distribution companies.

Income tax expense for the quarter was reduced by an income tax recovery of \$19 million due to tax benefits related to the initial public offering. Excluding this effect, the fourth quarter 2015 effective tax rate would have been approximately 13.8% compared to the fourth quarter 2014 effective tax rate of approximately 6.6%.

## Revenues

<i>(millions of Canadian dollars)</i>	2015 Q4	2014 Q4	2015 YTD	2014 YTD
Transmission	361	382	1,536	1,588
Distribution	1,148	1,268	4,949	4,903
Other	13	12	53	57
	<b>1,522</b>	<b>1,662</b>	<b>6,538</b>	<b>6,548</b>
Transmission:				
Average monthly Ontario 60-minute peak demand (MW)	18,689	19,608	20,344	20,596
Distribution:				
Units distributed to Hydro One customers (TWh)	6.4	7.4	28.9	29.8

### Transmission Segment Revenues

The quarterly decrease of \$21 million or 5.5% in transmission revenues was primarily due to lower average monthly Ontario 60-minute peak demand associated with unseasonably warm weather during the fourth quarter of 2015.

### Distribution Segment Revenues

The quarterly decrease of \$120 million or 9.5% in distribution revenues was primarily due to lower purchased power costs, the spin-off of Hydro One Brampton, and lower consumption due primarily to milder weather, partially offset by higher OEB-approved distribution rates.

## Operation, Maintenance and Administration (OM&A) Costs

<i>(millions of Canadian dollars)</i>	2015 Q4	2014 Q4	2015 YTD	2014 YTD
Transmission	128	86	426	394
Distribution	146	148	633	742
Other	27	13	76	56
	<b>301</b>	<b>247</b>	<b>1,135</b>	<b>1,192</b>

### Transmission Segment OM&A Costs

The quarterly increase of \$42 million or 48.8% in transmission OM&A costs was primarily due to the following:

- expenses related to write-offs of project and inventory costs due to revisions of asset replacement strategies;
- higher volumes of preventative and corrective station maintenance on power equipment;
- insurance proceeds received in the fourth quarter of 2014 related to 2013 floods at the Company's Richview and Manby transformer stations which were recorded as a reduction in 2014 OM&A costs;
- higher expenditures during 2015 related to work required to adhere to the North American Electric Reliability Corporation Critical Infrastructure Protection standards; and
- increased expenditures related to forestry control and line clearing on the Company's transmission rights-of-way.

### Distribution Segment OM&A Costs

The decrease of \$2 million or 1.4% in distribution OM&A costs during the fourth quarter of 2015 was primarily due to the following:

- a decrease in bad debt expense and lower expenditures related to remediation of the Company's Customer Information System; and
- decreased vegetation management expenditures relating to distribution line clearing and forestry control; partially offset by
- increased costs associated with responding to power quality-related issues and outages as a result of multiple wind storms which occurred during the fourth quarter of 2015.

### Depreciation and Amortization

The increase of \$3 million or 1.6% in depreciation and amortization costs during the fourth quarter of 2015 compared to last year was mainly due to the growth in capital assets as the Company continues to place new assets in-service, consistent with its multi-year capital investment program.

### Income Taxes

The decrease of \$14 million in income tax expense for the fourth quarter of 2015 compared to 2014 was due to lower income before taxes, in addition to the positive effect of an income tax recovery associated with the step-up of the tax basis of the assets of Hydro One Inc. and its subsidiaries to fair market value in excess of the departure tax incurred when Hydro One exited the PILs Regime.

For the fourth quarter of 2015, the Company realized an effective tax rate of approximately 0.7%, compared to approximately 6.6% realized for the fourth quarter of 2014. The difference in the effective tax rates is due primarily to the income tax recovery on the revaluation of the assets of Hydro One on exiting the PILs Regime, partially offset by a decrease in accelerated capital cost allowance over depreciation recognized in 2014 for certain classes of assets.

### Capital Investments

During the fourth quarter of 2015, the Company made capital investments totalling \$451 million and placed \$607 million of new assets in-service. The following table presents Hydro One's capital investments by reportable segment during the fourth quarter of 2015 and 2014:

<i>(millions of Canadian dollars)</i>	2015 Q4	2014 Q4	2015 YTD	2014 YTD
Transmission	251	265	943	845
Distribution	198	211	711	680
Other	2	2	9	5
	<b>451</b>	<b>478</b>	<b>1,663</b>	<b>1,530</b>

Capital investments in the transmission system during the fourth quarter included equipment replacements at the Bruce, Richview and Pickering Transmission Stations, and continued work on the Company's major inter-area network and local area supply projects, including the Clarington Transmission Station and Guelph Area Transmission Refurbishment projects.

Capital investments in the distribution system during the fourth quarter included capital work related to station refurbishment programs and wood utility pole replacements, continued investments in new customer connections and upgrades, and increased storm restoration work as a result of two significant wind storms during the fourth quarter of 2015.

### Sale of Hydro One Brampton

On August 31, 2015, Hydro One completed the spin-off transaction of its subsidiary, Hydro One Brampton, whereby Hydro One declared a dividend on its common shares payable in all of the issued and outstanding common shares of Hydro One Brampton. Hydro One Brampton's results of operations up to August 31, 2015 are included in the consolidated results of operations of Hydro One. Prior periods have not been restated.

Hydro One continues to provide certain management, administrative and smart meter network services to Hydro One Brampton pursuant to service level agreements. These agreements will terminate no later than December 31, 2019, or the date on which the Province disposes of its interest in Hydro One Brampton, except in the case of the smart meter network services agreement, which is anticipated to continue for a transition period after the Province disposes of its interest in Hydro One Brampton.

## Consolidated Income Statements

(millions of Canadian dollars, except per share amounts)

	2015 Q4	2014 Q4	2015 YTD	2014 YTD
<b>Revenues</b>				
Distribution	1,148	1,268	4,949	4,903
Transmission	361	382	1,536	1,588
Other	13	12	53	57
	1,522	1,662	6,538	6,548
<b>Costs</b>				
Purchased power	786	893	3,450	3,419
Operation, maintenance and administration	301	247	1,135	1,192
Depreciation and amortization	193	190	759	722
	1,280	1,330	5,344	5,333
<b>Income before financing charges and taxes</b>	<b>242</b>	<b>332</b>	<b>1,194</b>	<b>1,215</b>
Financing charges	94	98	376	379
<b>Income before taxes</b>	<b>148</b>	<b>234</b>	<b>818</b>	<b>836</b>
Income tax expense	1	15	105	89
<b>Net income</b>	<b>147</b>	<b>219</b>	<b>713</b>	<b>747</b>
Other comprehensive income	1	–	1	–
<b>Comprehensive income</b>	<b>148</b>	<b>219</b>	<b>714</b>	<b>747</b>
<b>Net income attributable to:</b>				
Noncontrolling interest	4	(2)	10	(2)
Preferred shareholders	–	5	13	18
Common shareholders	143	216	690	731
	<b>147</b>	<b>219</b>	<b>713</b>	<b>747</b>
<b>Comprehensive income attributable to:</b>				
Noncontrolling interest	4	(2)	10	(2)
Preferred shareholders	–	5	13	18
Common shareholders	144	216	691	731
	<b>148</b>	<b>219</b>	<b>714</b>	<b>747</b>
<b>EPS (Basic and Diluted)</b>	<b>\$0.26</b>	<b>\$0.45</b>	<b>\$1.39</b>	<b>\$1.53</b>
<b>Adjusted EPS (Basic and Diluted)</b>	<b>\$0.24</b>	<b>\$0.36</b>	<b>\$1.16</b>	<b>\$1.23</b>

## Consolidated Balance Sheets

<i>(millions of Canadian dollars)</i>	December 31, 2015	December 31, 2014
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	94	100
Accounts receivable	776	1,016
Due from related parties	191	224
Regulatory assets	36	31
Materials and supplies	21	23
Deferred income tax assets	19	19
Derivative instruments	–	2
Prepaid expenses and other assets	29	35
	1,166	1,450
Property, plant and equipment:		
Property, plant and equipment in service	26,070	25,356
Less: accumulated depreciation	9,414	9,134
	16,656	16,222
Construction in progress	1,155	1,025
Future use land, components and spares	157	154
	17,968	17,401
Other long-term assets:		
Regulatory assets	3,015	3,200
Deferred income tax assets	1,636	7
Intangible assets	336	276
Goodwill	163	173
Deferred debt issuance costs	34	36
Derivative instruments	1	–
Other	9	7
	5,194	3,699
<b>Total assets</b>	<b>24,328</b>	<b>22,550</b>

## Consolidated Balance Sheets (continued)

	December 31, 2015	December 31, 2014
<i>(millions of Canadian dollars, except number of shares)</i>		
<b>Liabilities</b>		
Current liabilities:		
Bank indebtedness	–	2
Short-term notes payable	1,491	–
Accounts payable	155	173
Accrued liabilities	598	611
Due to related parties	138	227
Accrued interest	96	100
Regulatory liabilities	19	47
Derivative instruments	–	3
Long-term debt payable within one year	500	552
	2,997	1,715
Long-term debt	8,224	8,373
Other long-term liabilities:		
Post-retirement and post-employment benefit liability	1,560	1,533
Pension benefit liability	952	1,236
Regulatory liabilities	236	168
Deferred income tax liabilities	207	1,313
Environmental liabilities	185	221
Net unamortized debt premiums	17	18
Asset retirement obligations	9	9
Long-term accounts payable and other liabilities	17	17
	3,183	4,515
<b>Total liabilities</b>	<b>14,404</b>	<b>14,603</b>
Preferred shares	–	323
Noncontrolling interest subject to redemption	23	21
<b>Equity</b>		
Common shares	5,623	3,314
Preferred shares	418	–
Additional paid-in capital	10	–
Retained earnings	3,806	4,249
Accumulated other comprehensive loss	(8)	(9)
Total Hydro One shareholders' equity	9,849	7,554
Noncontrolling interest	52	49
<b>Total equity</b>	<b>9,901</b>	<b>7,603</b>
	<b>24,328</b>	<b>22,550</b>



## Consolidated Statements of Cash Flows

(millions of Canadian dollars)

	2015 Q4	2014 Q4	2015 YTD	2014 YTD
<b>Operating activities</b>				
Net income	147	219	713	747
Environmental expenditures	(6)	(6)	(19)	(18)
Adjustments for non-cash items:				
Depreciation and amortization	168	172	668	641
Regulatory assets and liabilities	(157)	(64)	(3)	(69)
Deferred income taxes	(2,844)	6	(2,844)	10
Other	19	–	24	–
Changes in non-cash balances related to operations	238	152	208	(55)
<b>Net cash from (used in) operating activities</b>	<b>(2,435)</b>	<b>479</b>	<b>(1,253)</b>	<b>1,256</b>
<b>Financing activities</b>				
Long-term debt issued	–	–	350	628
Long-term debt retired	(17)	(750)	(585)	(776)
Short-term notes issued	1,041	–	1,491	–
Common shares issued	2,600	–	2,600	–
Dividends paid	(800)	(29)	(888)	(287)
Contributions from noncontrolling interest	–	72	–	72
Distributions paid to noncontrolling interest	(1)	–	(5)	–
Change in bank indebtedness	(27)	(28)	(2)	(29)
Other	(6)	–	(7)	(3)
<b>Net cash from (used in) financing activities</b>	<b>2,790</b>	<b>(735)</b>	<b>2,954</b>	<b>(395)</b>
<b>Investing activities</b>				
Capital expenditures				
Property, plant and equipment	(426)	(461)	(1,595)	(1,481)
Intangible assets	(15)	(7)	(37)	(23)
Capital contributions	62	–	62	–
Acquisition of Haldimand Hydro	(8)	–	(66)	–
Acquisition of Woodstock Hydro	(24)	–	(24)	–
Investment in Hydro One Brampton	–	–	(53)	–
Acquisition of Norfolk Power	–	–	–	(66)
Proceeds from investment	–	250	–	250
Other	5	(4)	6	(6)
<b>Net cash used in investing activities</b>	<b>(406)</b>	<b>(222)</b>	<b>(1,707)</b>	<b>(1,326)</b>
<b>Net change in cash and cash equivalents</b>	<b>(51)</b>	<b>(478)</b>	<b>(6)</b>	<b>(465)</b>
Cash and cash equivalents, beginning of period	145	578	100	565
<b>Cash and cash equivalents, end of period</b>	<b>94</b>	<b>100</b>	<b>94</b>	<b>100</b>

## About Hydro One

Hydro One Limited is Ontario's largest electricity transmission and distribution company headquartered in Toronto, Ontario with approximately \$24.3 billion in assets and 2015 revenues of over \$6.5 billion. The company delivers electricity safely and reliably to over 1.3 million customers across the province of Ontario, and to large industrial customers and municipal utilities. Hydro One owns and operates Ontario's approximately 29,000 km high-voltage transmission network and an approximately 123,000 circuit km primary low-voltage distribution network. Hydro One Limited common shares are listed on the Toronto Stock Exchange (TSX: H). This Press Release should be read in conjunction with the Company's 2015 Consolidated Financial Statements and Management's Discussion and Analysis. Additional information about Hydro One, including the complete 2015 Consolidated Financial Statements and Management's Discussion and Analysis, can be accessed at [www.sedar.com](http://www.sedar.com) and [www.HydroOne.com/Investors](http://www.HydroOne.com/Investors).

## Quarterly Investment Community Teleconference

The Company's fourth quarter 2015 results teleconference with the investment community will be held on February 12, 2016 at 9:00 a.m. Eastern Time, a webcast of which will be available at [www.HydroOne.com/Investors](http://www.HydroOne.com/Investors). Members of the financial community wishing to ask questions during the call should dial 1-855-716-2690 at least ten minutes prior to the scheduled start time and request access to Hydro One's fourth quarter 2015 results teleconference. Media and other interested parties are welcome to participate on a listen-only basis.

## Forward-Looking Statements and Information

This press release may contain "forward-looking information" within the meaning of applicable securities laws. Such information includes, but is not limited to: statements related to corporate transformation, strategy, growth, service, performance, reliability, value creation, ongoing and planned investments, dividends, Hydro One Brampton, the role of Hydro One's Ombudsman, and the Company's acquisitions and integrations. Words such as "expect," "anticipate," "intend," "attempt," "may," "plan," "will", "can", "believe," "seek," "estimate," and variations of such words and similar expressions are intended to identify such forward-looking information. These statements are not guarantees of future performance or actions 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. Some of the factors that could cause actual results or outcomes to differ materially from the results expressed, implied or forecasted by such forward-looking information, including some of the assumptions used in making such statements, is discussed more fully in Hydro One's filings with the securities regulatory authorities in Canada, which are available on SEDAR at [www.sedar.com](http://www.sedar.com). 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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