



# Second Quarter 2016 Earnings Teleconference

August 12, 2016

One of North America's largest electric utilities

TSX: H



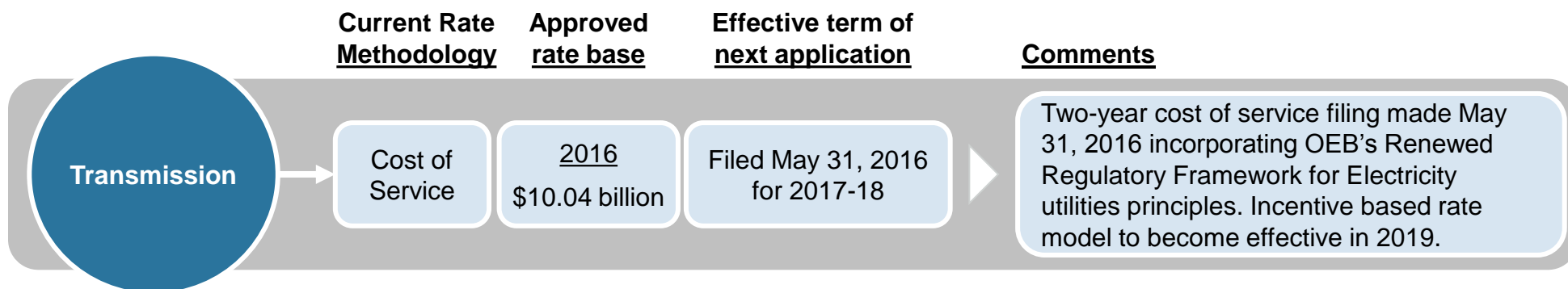
# Hydro One Limited – Second Quarter Financial Summary



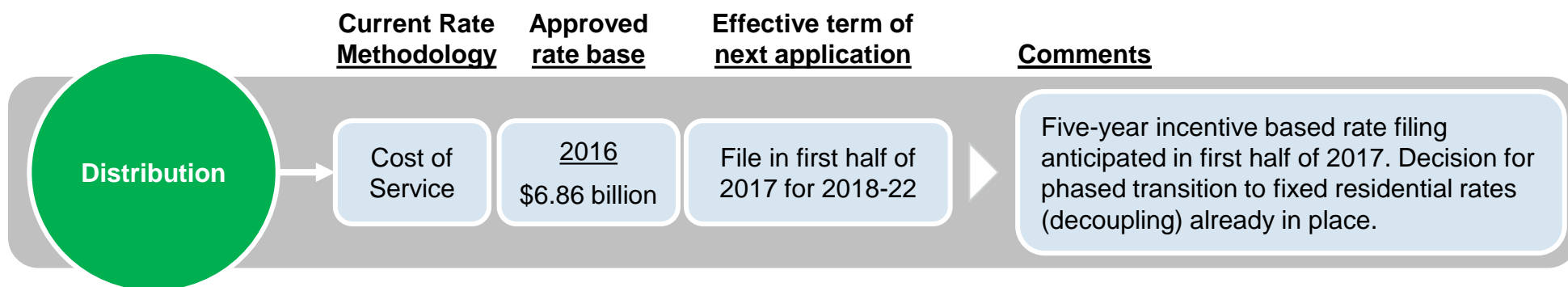
(\$ millions)	Second Quarter			Year to Date		
	2016	2015	Change	2016	2015	Change
<b>Revenue</b>						
Transmission	\$381	\$364	4.7%	767	770	(0.4%)
Distribution (Gross)	1,152	1,185	(2.8%)	2,438	2,574	(5.3%)
Distribution (Net of Purchased Power)	349	347	0.6%	739	766	(3.5%)
Other	13	14	(7.1%)	27	27	–
Consolidated (Gross)	1,546	1,563	(1.1%)	3,232	3,371	(4.1%)
<b>Consolidated (Net of Purchased Power)</b>	<b>743</b>	<b>725</b>	<b>2.5%</b>	<b>1,533</b>	<b>1,563</b>	<b>(1.9%)</b>
<b>Earnings Before Financing Charges and Income Taxes (EBIT)</b>						
Transmission	195	172	13.4%	390	385	1.3%
Distribution	108	85	27.1%	264	246	7.3%
Other	(15)	(4)	–	(22)	(5)	–
<b>Consolidated</b>	<b>288</b>	<b>253</b>	<b>13.8%</b>	<b>632</b>	<b>626</b>	<b>1.0%</b>
<b>Capital Investments</b>						
Transmission	238	234	1.7%	473	445	6.3%
Distribution	178	192	(7.3%)	321	324	(0.9%)
Other	1	3	–	2	5	–
<b>Consolidated</b>	<b>417</b>	<b>429</b>	<b>(2.8%)</b>	<b>796</b>	<b>774</b>	<b>2.8%</b>
<b>Net Income<sup>1</sup></b>	<b>152</b>	<b>131</b>	<b>16.0%</b>	<b>360</b>	<b>359</b>	<b>0.3%</b>
<b>Adjusted EPS</b>	<b>\$0.26</b>	<b>\$0.22</b>	<b>16.0%</b>	<b>\$0.61</b>	<b>\$0.60</b>	<b>0.3%</b>
<b>Diluted Adjusted EPS</b>	<b>\$0.25</b>	<b>\$0.22</b>	<b>13.6%</b>	<b>\$0.60</b>	<b>\$0.60</b>	<b>–</b>

Financial Statements reported under U.S. GAAP

(1) Net Income is attributable to common shareholders and is after non-controlling interest and dividends to preferred shareholders



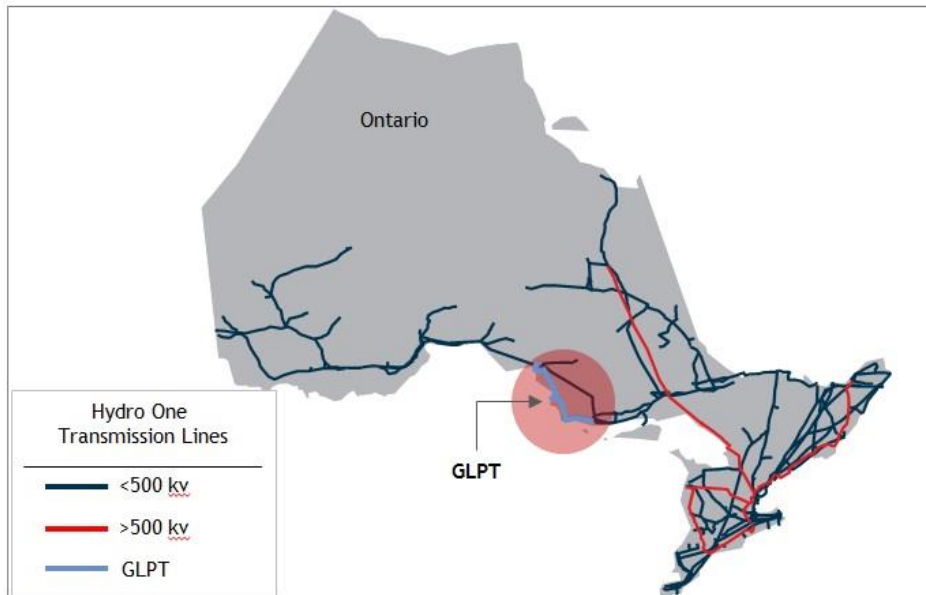
- Capital investment supported by rigorous customer consultations, risk based metrics, total-cost benchmarking and asset condition assessments
- OM&A expected to remain flat despite upward pressure from inflation, a growing rate base, and various compliance obligations



- Deemed debt / equity capital structure of 60% / 40% in both transmission and distribution segments
- Allowed ROE reset annually by a formula linked to long-term government bond yields and corporate bond spreads

Road map for transitions to incentive based regulatory model now set for both Transmission and Distribution segments

## GLPT Relative to Hydro One Transmission Operations



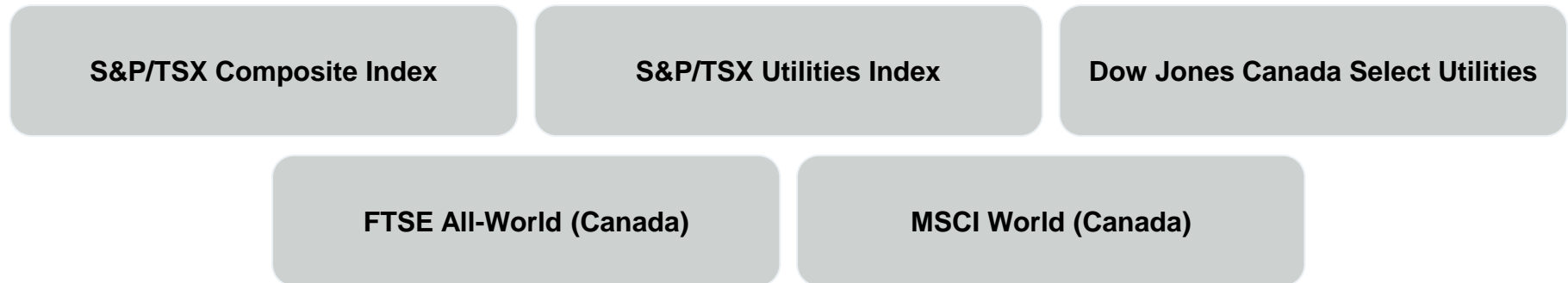
## Key Points

- “No-action” letter received from the Competition Bureau in July, 2016
- Rare opportunity to expand already significant transmission footprint in Ontario
- Increases Hydro One’s transmission coverage to ~98% of province-wide grid
- Expected to be earnings accretive in first year
- 560km of high voltage transmission lines, towers and stations
- \$222 million cash purchase price plus \$151 million of assumed debt
- Targeted transaction closing second half of 2016 subject to OEB approval

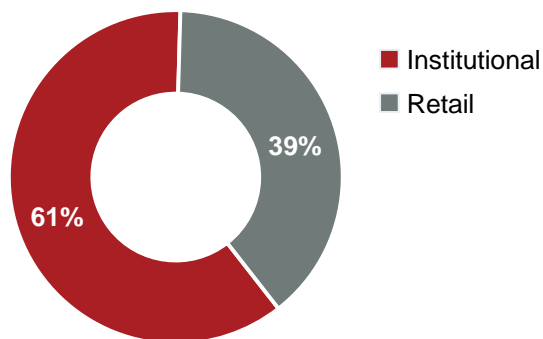
**A contiguous and already interconnected strategic transmission asset**

# Equity Market Cap Overview

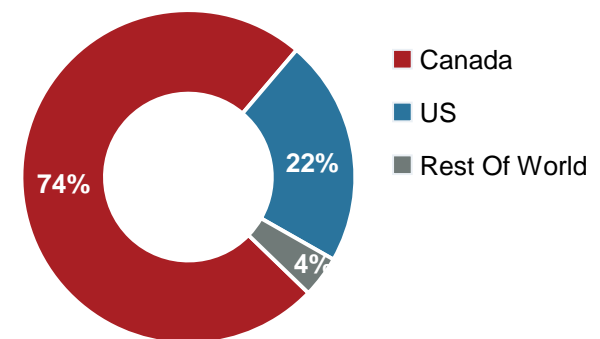
- Equity market capitalization of ~\$15 billion and public float of ~\$4.5 billion
- Average daily trading volume of approximately 1.3 million shares
- Equity market capitalization amongst the top 30 of all listed Canadian companies
- Secondary offerings by Province increase liquidity without diluting public shareholders
- Equity index inclusions to date:



## Approximate Ownership of Public Float

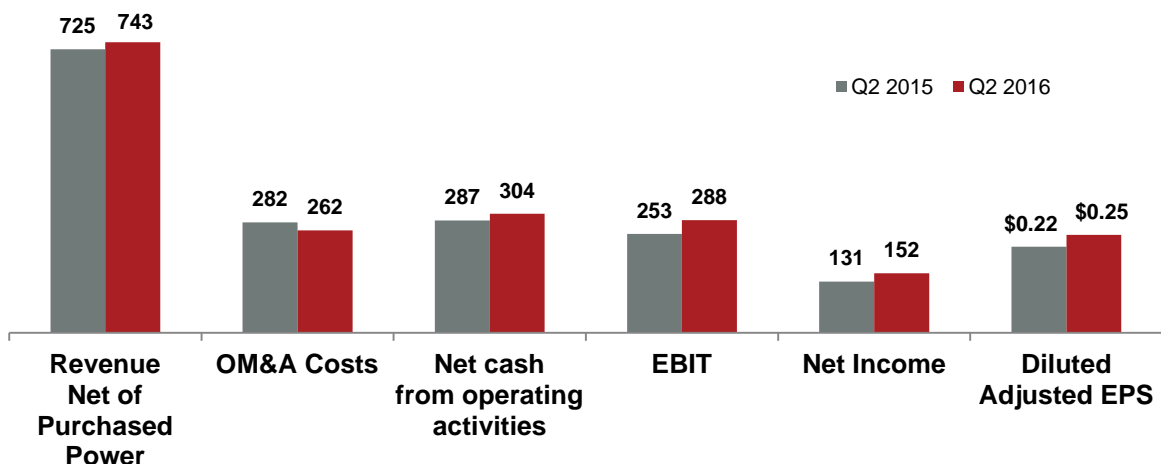


## Approximate Geographic Dispersion of Public Float



# 2016 Second Quarter Financial Highlights

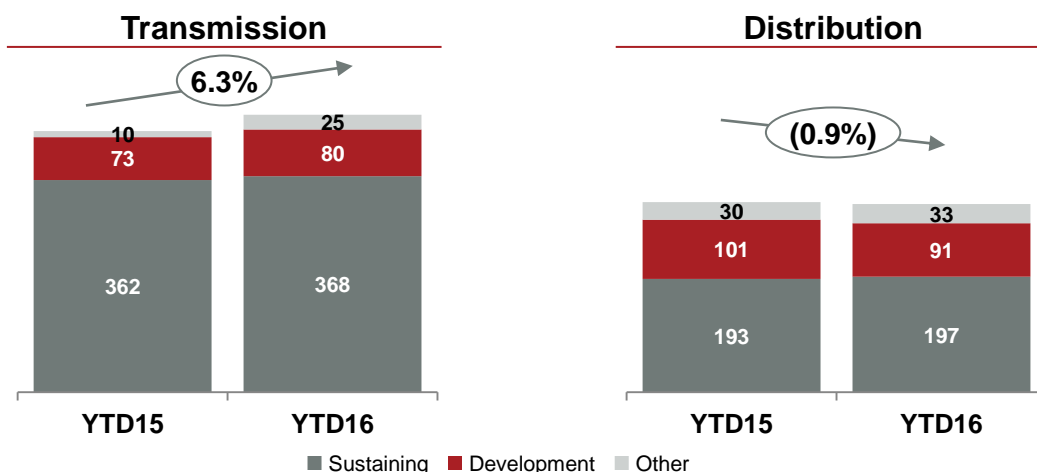
## Financial Highlights (\$M) – 2Q16 Year over Year Comparison



### Key drivers

- Revenue growth driven by Dx rate changes and higher average monthly Tx peak demand, partially offset by lower pension cost deferral
- Operating cost improvements from:
  - Lower bad debt costs
  - Lower outsourcing support related costs
  - Lower transformer refurbishment and station maintenance costs
- Lower pension costs due to actuarial revaluation (offset in Revenue)
- Hydro One Brampton divestiture (rev. net of purchased power: -\$18mn, net income: -\$7mn)
- Higher interest expense on IPO recapitalization

## Regulated Capital Investments (\$M) – Year to Date Comparison



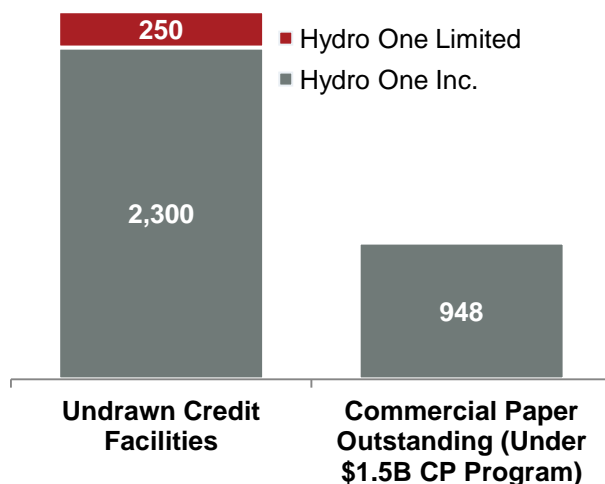
### Key drivers

- Capital investment growth in every category of the Tx segment
- Dx segment capital investment up \$17mn YTD adjusting for -\$20mn impact of Hydro One Brampton in 2015
- \$518mn of new regulated assets placed in-service YTD 2016

Revenue, efficiencies and earnings all positive year over year

# Strong Balance Sheet and Liquidity

## Significant Available Liquidity (\$M)



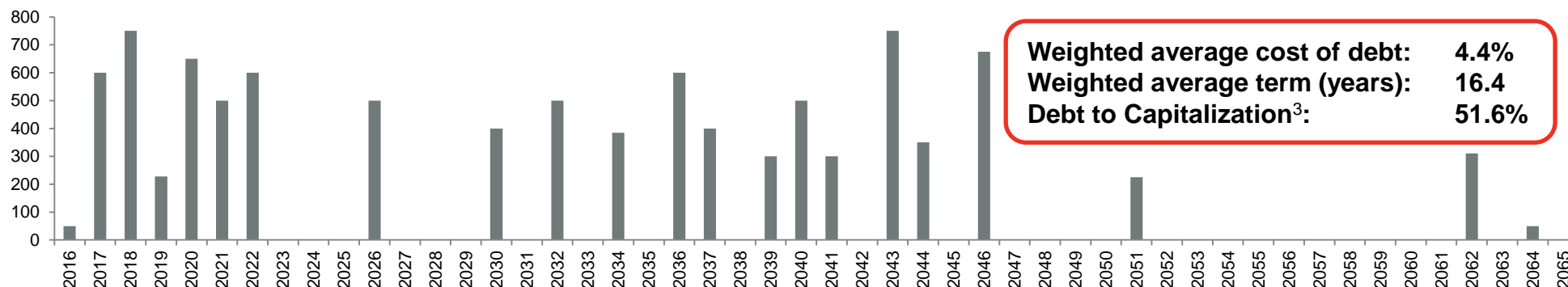
## Strong Investment Grade Credit Ratings (LT/ST/Outlook)

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

## Shelf Registrations

HOL: Universal Shelf <sup>1</sup> \$8B
HOI: Medium Term Note Shelf <sup>2</sup> \$3.5B

## Debt Maturity Schedule (\$M)



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

(1) \$1,970 million was drawn from the Universal Shelf during April 2016 with respect to a secondary share offering by the Province, leaving \$6,030 million remaining available until April 2018.

(2) \$1,350 million was drawn from the Medium Term Note Shelf on February 24, 2016, leaving \$2,150 million remaining available until January 2018.

(3) 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.

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