HYDRO ONE INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (unaudited)

For the three and six months ended June 30, 2025 and 2024

(millions of Canadian dollars, except per share amounts)	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Revenues				
Distribution (includes related party revenues of $111 and $222 (2024 - $107 and $213) for the three and six months ended June 30, respectively) *(Note 22)*	1,434	1,436	3,195	3,041
Transmission (includes related party revenues of $614 and $1,236 (2024 - $580 and $1,131) for the three and six months ended June 30, respectively) *(Note 22)*	622	583	1,258	1,136
	2,056	2,019	4,453	4,177
Costs				
Purchased power (includes related party costs of $459 and $1,389 (2024 - $488 and $1,313) for the three and six months ended June 30, respectively) *(Note 22)*	899	940	2,119	2,036
Operation, maintenance and administration *(Note 22)*	307	308	627	620
Depreciation, amortization and asset removal costs *(Note 4)*	285	260	546	511
	1,491	1,508	3,292	3,167
Income before financing charges and income tax expense	**565**	**511**	**1,161**	**1,010**
Financing charges *(Note 5)*	165	155	327	302
Income before income tax expense	**400**	**356**	**834**	**708**
Income tax expense *(Note 6)*	64	57	133	110
Net income	**336**	**299**	**701**	**598**
Other comprehensive income (loss)	2	(1)	1	3
Comprehensive income	**338**	**298**	**702**	**601**
Net income attributable to:				
Noncontrolling interest	2	3	5	5
Common shareholder	334	296	696	593
	336	**299**	**701**	**598**
Comprehensive income attributable to:				
Noncontrolling interest	2	3	5	5
Common shareholder	336	295	697	596
	338	**298**	**702**	**601**
Basic earnings per common share *(Note 20)*	$2,348	$2,081	$4,893	$4,169

See accompanying notes to Condensed Interim Consolidated Financial Statements (unaudited).

HYDRO ONE INC.
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS (unaudited)
As at June 30, 2025 and December 31, 2024

As at *(millions of Canadian dollars)*	**June 30, 2025**	**December 31, 2024**
Assets		
Current assets:		
Cash and cash equivalents	48	690
Accounts receivable *(Note 7)*	975	909
Due from related parties	634	571
Other current assets *(Note 8)*	151	159
	1,808	2,329
Property, plant and equipment *(Note 9)*	30,133	28,969
Other long-term assets:		
Regulatory assets *(Note 11)*	3,633	3,503
Deferred income tax assets	7	7
Intangible assets *(Note 10)*	642	656
Goodwill	373	373
Other assets *(Note 12)*	1,127	761
	5,782	5,300
Total assets	**37,723**	**36,598**
Liabilities		
Current liabilities:		
Short-term notes payable *(Note 15)*	1,371	200
Long-term debt payable within one year *(Notes 15, 16)*	900	1,150
Accounts payable and other current liabilities *(Note 13)*	1,918	1,779
Due to related parties	221	409
	4,410	3,538
Long-term liabilities:		
Long-term debt *(Notes 15, 16)*	15,405	15,905
Regulatory liabilities *(Note 11)*	1,727	1,476
Deferred income tax liabilities	1,644	1,452
Other long-term liabilities *(Note 14)*	1,751	1,750
	20,527	20,583
Total liabilities	**24,937**	**24,121**
Contingencies and Commitments (Notes 24, 25)		
Subsequent Events (Note 27)		
Noncontrolling interest subject to redemption	19	19
Equity		
Common shares *(Note 18)*	2,957	2,957
Retained earnings	9,756	9,454
Accumulated other comprehensive loss	(17)	(18)
Hydro One shareholder’s equity	12,696	12,393
Noncontrolling interest	71	65
Total equity	**12,767**	**12,458**
	37,723	**36,598**

See accompanying notes to Condensed Interim Consolidated Financial Statements (unaudited).

HYDRO ONE INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)
For the six months ended June 30, 2025 and 2024

Six months ended June 30, 2025 *(millions of Canadian dollars)*	Common Shares	Retained Earnings	Accumulated Other Comprehensive Loss	Hydro One Shareholder's Equity	Non-controlling Interest	Total Equity
January 1, 2025	2,957	9,454	(18)	12,393	65	12,458
Net income	—	696	—	696	4	700
Other comprehensive income (loss)	—	—	1	1	—	1
Distributions to noncontrolling interest	—	—	—	—	(6)	(6)
Contributions from sale of noncontrolling interest	—	—	—	—	8	8
Dividends on common shares *(Note 19)*	—	(394)	—	(394)	—	(394)
June 30, 2025	**2,957**	**9,756**	**(17)**	**12,696**	**71**	**12,767**

Six months ended June 30, 2024 *(millions of Canadian dollars)*	Common Shares	Retained Earnings	Accumulated Other Comprehensive Loss	Hydro One Shareholder's Equity	Non-controlling Interest	Total Equity
January 1, 2024	2,957	9,033	(9)	11,981	65	12,046
Net income	—	593	—	593	4	597
Other comprehensive income (loss)	—	—	3	3	—	3
Distributions to noncontrolling interest	—	—	—	—	(4)	(4)
Dividends on common shares *(Note 19)*	—	(363)	—	(363)	—	(363)
June 30, 2024	**2,957**	**9,263**	**(6)**	**12,214**	**65**	**12,279**

See accompanying notes to Condensed Interim Consolidated Financial Statements (unaudited).

HYDRO ONE INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
For the three and six months ended June 30, 2025 and 2024

	Three months ended June 30		Six months ended June 30	
(millions of Canadian dollars)	**2025**	**2024**	**2025**	**2024**
Operating activities				
Net income	336	299	701	598
Environmental expenditures	—	(4)	(1)	(7)
Adjustments for non-cash items:				
Depreciation and amortization *(Note 4)*	229	220	459	439
Regulatory assets and liabilities	16	(37)	71	15
Deferred income tax expense	36	48	71	91
Other	5	(7)	5	(8)
Changes in non-cash balances related to operations *(Note 23)*	(11)	311	(192)	153
Net cash from operating activities	**611**	**830**	**1,114**	**1,281**
Financing activities				
Long-term debt issued	—	—	—	800
Long-term debt repaid	(350)	(700)	(750)	(700)
Short-term notes issued	2,065	1,095	3,140	1,595
Short-term notes repaid	(1,350)	(715)	(1,965)	(995)
Dividends paid *(Note 19)*	(207)	(187)	(394)	(363)
Distributions paid to noncontrolling interest	(2)	(2)	(7)	(6)
Contributions received from sale of noncontrolling interest	8	—	8	—
Change in bank indebtedness	—	—	—	(17)
Costs to obtain financing	(1)	(2)	(1)	(7)
Net cash from (used in) financing activities	**163**	**(511)**	**31**	**307**
Investing activities				
Capital expenditures *(Note 23)*				
Property, plant and equipment	(783)	(708)	(1,401)	(1,350)
Intangible assets	(8)	(26)	(29)	(48)
Additions to future use assets	(43)	(110)	(102)	(129)
Investment in East-West Tie Limited Partnership *(Note 12)*	—	—	(261)	—
Capital contributions received	—	—	4	2
Other	1	1	2	1
Net cash used in investing activities	**(833)**	**(843)**	**(1,787)**	**(1,524)**
Net change in cash and cash equivalents	(59)	(524)	(642)	64
Cash and cash equivalents, beginning of period	107	588	690	—
Cash and cash equivalents, end of period	**48**	**64**	**48**	**64**

See accompanying notes to Condensed Interim Consolidated Financial Statements (unaudited).

1. DESCRIPTION OF THE BUSINESS

Hydro One Inc. (Hydro One or the Company) was incorporated on December 1, 1998, under the Business Corporations Act (Ontario) and is wholly-owned by Hydro One Limited. The businesses of Hydro One are comprised of the following three segments:

- The Transmission segment owns and operates Hydro One's transmission system which transmits high voltage electricity across the province, interconnecting local distribution companies and certain large directly connected industrial customers throughout the Ontario electricity grid. The transmission business consists of the transmission system operated by Hydro One's rate-regulated subsidiaries, Hydro One Networks Inc. (Hydro One Networks), Hydro One Sault Ste. Marie LP (HOSSM), and an approximate 90% interest in Chatham x Lakeshore Limited Partnership (CLLP), an approximate 66% interest in B2M Limited Partnership (B2M LP), and an approximate 55% interest in Niagara Reinforcement Limited Partnership (NRLP). The Transmission segment also includes Hydro One Network's approximate 48% minority interest in the East-West Tie Limited Partnership (EWT LP) which was completed on March 4, 2025.
- The Distribution segment owns and operates Hydro One's distribution system which delivers electricity to end customers and certain other municipal electricity distributors within Ontario. The distribution business consists of the distribution systems operated by Hydro One's rate-regulated subsidiaries, Hydro One Networks and Hydro One Remote Communities Inc. (Hydro One Remotes).
- The Other segment consists of certain corporate activities and is not rate-regulated.

Earnings for interim periods are impacted by seasonal weather conditions affecting customer demand, market pricing, and the timing of regulatory decisions.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation and Presentation

These unaudited condensed interim consolidated financial statements (Consolidated Financial Statements) include the accounts of the Company and its subsidiaries. Inter-company transactions and balances have been eliminated.

Basis of Accounting

These Consolidated Financial Statements are prepared and presented in accordance with United States (U.S.) generally accepted accounting principles (GAAP) for interim financial statements and all financial information is presented in Canadian dollars.

The accounting policies applied are consistent with those outlined in Hydro One's annual audited consolidated financial statements for the year ended December 31, 2024, with the exception of the adoption of new accounting standards as described in Note 3 - New Accounting Pronouncements, and the inclusion of Equity Method Investments following Hydro One Networks' acquisition of a minority interest in EWT LP in the first quarter of this year. These Consolidated Financial Statements reflect adjustments, that are, in the opinion of management, necessary to fairly reflect the financial position and results of operations for the respective periods. These Consolidated Financial Statements do not include all disclosures required in the annual financial statements and should be read in conjunction with Hydro One's annual audited consolidated financial statements for the year ended December 31, 2024.

Equity Method Investments

The Company accounts for its investments in entities over which it has significant influence but not a controlling interest using the equity method of accounting. Significant influence is generally presumed to exist when the Company owns 20% to 50% of the voting stock of the investee, but can also exist when the Company owns less than 20% if it has the ability to exercise significant influence through other means. Under this method, the investment is initially recorded at cost and subsequently adjusted to recognize the Company's share of the earnings or losses of the investee, as well as any distributions received from the investee.

3. NEW ACCOUNTING PRONOUNCEMENTS

The following table presents Accounting Standard Updates (ASUs) issued by the Financial Accounting Standards Board (FASB) that are applicable to Hydro One:

Accounting Guidance To Be Adopted in 2025

Guidance	Date issued	Description	ASU Effective Date	Impact on Hydro One
ASU 2024-02	March 2024	The amendments contain modifications to the codification that remove various concept statements which may be extraneous and not required to understand or apply the guidance or references used in prior statements to provide guidance in certain topical areas.	Fiscal years beginning after December 15, 2024.	No impact upon adoption
ASU 2023-09	December 2023	The amendments address investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information.	Annual periods beginning after December 15, 2024.	Under assessment

Recently Issued Accounting Guidance Not Yet Adopted

Guidance	Date issued	Description	ASU Effective Date	Impact on Hydro One
ASU 2023-06	October 2023	The amendments represent changes to clarify or improve disclosure or presentation requirements of a variety of subtopics in the FASB Codification. Many of the amendments allow users to more easily compare entities subject to the U.S. Securities and Exchange's (SEC) existing disclosures with those entities that were not previously subject to the SEC's requirements. Also, the amendments align the requirements in the Codification with the SEC's regulations. Applicable to all entities, if by June 30, 2027 the SEC has not removed the applicable requirement from Regulation S-X or Regulation S-K, the pending content of the related amendment will be removed from the Codification and will not become effective for any entity.	Two years subsequent to the date on which the SEC's removal of that related disclosure becomes effective.	Under assessment
ASU 2024-03	November 2024	The amendments require public business entities to disclose additional information about specific expense categories in the notes to financial statements at interim and annual reporting periods, which are not generally presented in the current financial statements.	Annual periods beginning after December 15, 2026, and interim periods beginning after December 15, 2027.	Under assessment
ASU 2025-03	May 2025	The amendments require entities to apply the guidance for identifying the accounting acquirer in transactions where a business that qualifies as a Variable Interest Entity (VIE) is acquired through the exchange of equity interests.	Annual and interim periods beginning after December 15, 2026.	Under assessment
ASU 2025-05	July 2025	The amendments allow all entities to use a practical expedient when estimating expected credit losses for current accounts receivable and contract assets under Topic 606, by assuming that current conditions as of the balance sheet date remain unchanged over the asset's life. Additionally, entities other than public business entities that elect this expedient may adopt an accounting policy to consider post–balance sheet date collection activity in their credit loss estimates.	Annual and interim periods beginning after December 15, 2025.	Under assessment

4. DEPRECIATION, AMORTIZATION AND ASSET REMOVAL COSTS

	Three months ended June 30		Six months ended June 30	
(millions of dollars)	2025	2024	2025	2024
Depreciation of property, plant and equipment	207	197	415	394
Amortization of intangible assets	22	19	43	38
Amortization of regulatory assets	—	4	1	7
Depreciation and amortization	229	220	459	439
Asset removal costs	56	40	87	72
	285	260	546	511

5. FINANCING CHARGES

	Three months ended June 30		Six months ended June 30	
(millions of dollars)	2025	2024	2025	2024
Interest on long-term debt	179	161	356	324
Interest on regulatory accounts	6	8	13	14
Interest on short-term notes	6	7	9	12
Realized loss (gain) on cash flow hedges (interest-rate swap agreements) *(Note 16)*	1	(2)	2	(3)
Other	3	6	6	9
Less: Interest capitalized on construction and development in progress	(27)	(22)	(51)	(41)
Interest earned on cash and cash equivalents	(3)	(3)	(8)	(13)
	165	155	327	302

6. INCOME TAXES

As a rate-regulated utility company, the Company recovers income taxes from its ratepayers based on estimated current income tax expense in respect of its regulated business. The amounts of deferred income taxes related to regulated operations which are considered to be more likely-than-not to be recoverable from, or refundable to, ratepayers in future periods are recognized as deferred income tax regulatory assets or deferred income tax regulatory liabilities, with an offset to deferred income tax recovery or deferred income tax expense, respectively. The Company's consolidated income tax expense or income tax recovery for the period includes all current and deferred income tax expenses for the period net of the regulated accounting offset to deferred income tax expense arising from temporary differences to be recovered from, or refunded to, customers in future rates. Thus, the Company's income tax expense or income tax recovery differs from the amount that would have been recorded using the combined Canadian federal and Ontario statutory income tax rate.

The reconciliation between the statutory and the effective tax rates is provided as follows:

	Three months ended June 30		Six months ended June 30	
(millions of dollars)	2025	2024	2025	2024
Income before income tax expense	400	356	834	708
Income tax expense at statutory rate of 26.5% (2024 - 26.5%)	106	94	221	188
Increase (decrease) resulting from:				
Net temporary differences recoverable in future rates charged to customers:				
Capital cost allowance in excess of depreciation and amortization	(22)	(19)	(44)	(41)
Overheads capitalized for accounting but deducted for tax purposes	(12)	(9)	(24)	(20)
Interest capitalized for accounting but deducted for tax purposes	(8)	(5)	(17)	(11)
Pension and post-retirement benefit contributions in excess of expense	(2)	(1)	(3)	(2)
Environmental expenditures	—	(1)	—	(2)
Other	1	(1)	(1)	(1)
Net temporary differences attributable to regulated business	(43)	(36)	(89)	(77)
Net permanent differences	1	(1)	1	(1)
Total income tax expense	64	57	133	110
Effective income tax rate	16.0%	16.0%	15.9%	15.5%

7. ACCOUNTS RECEIVABLE

As at *(millions of dollars)*	June 30, 2025	December 31, 2024
Accounts receivable - billed	514	432
Accounts receivable - unbilled	524	538
Accounts receivable, gross	1,038	970
Allowance for doubtful accounts	(63)	(61)
Accounts receivable, net	975	909

The following table shows the movements in the allowance for doubtful accounts for the six months ended June 30, 2025 and the year ended December 31, 2024:

As at *(millions of dollars)*	June 30, 2025	December 31, 2024
Allowance for doubtful accounts – beginning	(61)	(57)
Write-offs	8	18
Additions to allowance for doubtful accounts	(10)	(22)
Allowance for doubtful accounts – ending	(63)	(61)

8. OTHER CURRENT ASSETS

As at *(millions of dollars)*	June 30, 2025	December 31, 2024
Prepaid expenses and other assets	90	88
Regulatory assets *(Note 11)*	31	42
Materials and supplies	30	29
	151	159

9. PROPERTY, PLANT AND EQUIPMENT

As at *(millions of dollars)*	June 30, 2025	December 31, 2024
Property, plant and equipment	42,008	41,150
Less: accumulated depreciation	(14,632)	(14,281)
	27,376	26,869
Construction in progress	2,757	2,100
	30,133	28,969

10. INTANGIBLE ASSETS

As at *(millions of dollars)*	June 30, 2025	December 31, 2024
Intangible assets	1,536	1,481
Less: accumulated depreciation	(919)	(876)
	617	605
Development in progress	25	51
	642	656

11. REGULATORY ASSETS AND LIABILITIES

Regulatory assets and liabilities arise as a result of the rate-setting process. Hydro One has recorded the following regulatory assets and liabilities:

As at *(millions of dollars)*	June 30, 2025	December 31, 2024
Regulatory assets:		
Deferred income tax regulatory asset	3,389	3,263
Broadband deferral	63	48
Post-retirement and post-employment benefits - non-service cost	61	72
Environmental	43	44
Getting Ontario Connected Act variance	25	24
Stock-based compensation	18	24
Rural and remote rate protection variance	10	18
Other	55	52
Total regulatory assets	3,664	3,545
Less: current portion	(31)	(42)
	3,633	3,503
Regulatory liabilities:		
Pension benefit regulatory liability	744	647
Post-retirement and post-employment benefits	376	376
Retail settlement variance (RSVA)	203	157
Earnings sharing mechanism (ESM) deferral	145	150
Distribution rate riders	58	45
External revenue variance	52	31
Other post-employment benefits (OPEB) asymmetrical carrying charge variance	41	33
Capitalized overhead tax variance	38	38
Tax rule changes variance	35	34
Asset removal costs cumulative variance	27	26
Pension cost differential	22	21
Deferred income tax regulatory liability	8	4
Other	32	36
Total regulatory liabilities	1,781	1,598
Less: current portion	(54)	(122)
	1,727	1,476

Distribution Rate Riders

As part of the Joint Rate Application (JRAP) Decision, the Ontario Energy Board (OEB) approved the disposition of certain deferral and variance account balances as at December 31, 2020, including accrued interest. These approved balances, including those for RSVA, tax rule changes variance, and pension cost differential were accumulated in distribution rate riders. The amounts are being disposed of over a three-year period ending December 31, 2025. As part of Hydro One Networks' application for 2025 distribution rates, the OEB approved the disposition of certain balances as at December 31, 2023, including accrued interest on an interim basis. This amount is being disposed of over a one-year period ending December 31, 2025. This rider, together with those approved in JRAP, make up the majority of this balance.

12. OTHER LONG-TERM ASSETS

As at *(millions of dollars)*	June 30, 2025	December 31, 2024
Deferred pension assets	744	647
Investments in associates[1]	262	—
Right-of-Use assets	47	54
Other long-term assets	74	60
	1,127	761

[1] On March 4, 2025, Hydro One Networks completed the acquisition of an approximate 48% interest in the EWT LP for approximately $261 million in cash, including closing adjustments.

13. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

As at *(millions of dollars)*	June 30, 2025	December 31, 2024
Accrued liabilities	970	776
Accounts payable	350	339
Unearned revenue	334	335
Accrued interest	179	178
Regulatory liabilities *(Note 11)*	54	122
Lease obligations	14	14
Environmental liabilities	11	11
Derivative liabilities *(Note 16)*	6	4
	1,918	1,779

14. OTHER LONG-TERM LIABILITIES

As at *(millions of dollars)*	June 30, 2025	December 31, 2024
Post-retirement and post-employment benefit liability	1,592	1,574
Asset retirement obligations	38	38
Environmental liabilities	34	36
Lease obligations	33	40
Due to related parties	11	17
Derivative liabilities *(Note 16)*	1	3
Other long-term liabilities	42	42
	1,751	1,750

15. DEBT AND CREDIT AGREEMENTS

Short-Term Notes and Credit Facilities

Hydro One meets its short-term liquidity requirements in part through the issuance of commercial paper under its commercial paper program which has a maximum authorized amount of $2,300 million. These short-term notes are denominated in Canadian dollars with varying maturities up to 365 days. The commercial paper program is supported by the Company's committed and unsecured revolving standby credit facilities totalling $3,050 million (Operating Credit Facilities). On June 1, 2025, Hydro One extended the maturity date of the Operating Credit Facilities from 2029 to 2030. As at June 30, 2025, no amounts have been drawn on the Operating Credit Facilities.

The Company may use the Operating Credit Facilities for working capital and general corporate purposes. If used, interest on the Operating Credit Facilities would apply based on Canadian benchmark rates. The Operating Credit Facilities include a pricing adjustment which can increase or decrease Hydro One's cost of borrowing based on its performance on certain sustainability performance measures, which are related to Hydro One's sustainability goals. The obligation of each lender to extend credit under its credit facility is subject to various conditions including that no event of default has occurred or would result from such credit extension.

Long-Term Debt

The following table presents long-term debt outstanding as at June 30, 2025 and December 31, 2024:

As at *(millions of dollars)*	June 30, 2025	December 31, 2024
Hydro One long-term debt	16,320	17,070
Add: Net unamortized debt premiums	41	41
Add: Realized mark-to-market gain[1]	1	3
Less: Unamortized deferred debt issuance costs	(57)	(59)
Total long-term debt	16,305	17,055
Less: Long-term debt payable within one year	(900)	(1,150)
	15,405	15,905

[1] In October 2023, Hydro One entered into a $400 million fixed-to-floating interest-rate swap agreement to convert the $400 million Medium-Term Note (MTN) Series 57 notes maturing October 20, 2025, into a variable rate debt. This swap was accounted for as a fair value hedge. In December 2023, this swap was terminated with a payment received of $6 million on settlement, which is being amortized over the term of the related note.

As at June 30, 2025, long-term debt of $16,320 million (December 31, 2024 - $17,070 million) was outstanding, the majority of which was issued under Hydro One's MTN Program. In February 2024, Hydro One filed a short form base shelf prospectus in connection with its MTN Program, which expires in March 2026. During the three and six months ended June 30, 2025, no long-term debt was issued (2024 - $nil and $800 million) and $350 million and $750 million long-term debt was repaid (2024 - $700 million in both periods).

Principal and Interest Payments

As at June 30, 2025, future principal repayments, interest payments, and related weighted-average interest rates were as follows:

	Long-Term Debt Principal Repayments *(millions of dollars)*	Interest Payments *(millions of dollars)*	Weighted-Average Interest Rate *(%)*
Year 1	900	694	4.0
Year 2	425	659	3.3
Year 3	750	655	4.9
Year 4	550	618	3.0
Year 5	1,350	591	4.4
	3,975	3,217	4.1
Years 6-10	3,810	2,459	4.3
Thereafter	8,535	4,367	4.4
	16,320	10,043	4.3

16. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Non-Derivative Financial Assets and Liabilities

As at June 30, 2025 and December 31, 2024, the Company's carrying amounts of cash and cash equivalents, accounts receivable, due from related parties, short-term notes payable, accounts payable, and due to related parties are representative of fair value due to the short-term nature of these instruments.

Fair Value Measurements of Long-Term Debt

The carrying values and fair values of the Company's long-term debt as at June 30, 2025 and December 31, 2024 are as follows:

	June 30, 2025		December 31, 2024	
As at *(millions of dollars)*	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, including current portion	16,305	16,160	17,055	16,959

Fair Value Measurements of Derivative Instruments

Fair Value Hedges

As at June 30, 2025 and December 31, 2024, Hydro One had no fair value hedges.

Cash Flow Hedges

As at June 30, 2025 and December 31, 2024, Hydro One had a $425 million, pay-fixed, receive-floating interest-rate swap agreement designated as a cash flow hedge. This cash flow hedge is intended to offset the variability of interest rates between December 21, 2023 and September 21, 2026.

As at June 30, 2025 and December 31, 2024, the Company had no derivative instruments classified as undesignated contracts.

Fair Value Hierarchy

The fair value hierarchy of financial assets and liabilities as at June 30, 2025 and December 31, 2024 is as follows:

As at June 30, 2025 *(millions of dollars)*	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Liabilities:					
Long-term debt, including current portion	16,305	16,160	—	16,160	—
Derivative instruments *(Notes 13 & 14)*					
Cash flow hedges, including current portion	7	7	—	7	—
	16,312	16,167	—	16,167	—

As at December 31, 2024 *(millions of dollars)*	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Liabilities:					
Long-term debt, including current portion	17,055	16,959	—	16,959	—
Derivative instruments *(Notes 13 &14)*					
Cash flow hedges, including current portion	7	7	—	7	—
	17,062	16,966	—	16,966	—

The fair value of the interest rate swaps designated as cash flow hedges is determined using a discounted cash flow method based on period-end swap yield curves.

The fair value of the long-term debt is based on unadjusted period-end market prices for the same or similar debt of the same remaining maturities.

There were no transfers between any of the fair value levels during the six months ended June 30, 2025 or the year ended December 31, 2024.

Risk Management

Exposure to market risk, credit risk and liquidity risk arises in the normal course of the Company's business.

Market Risk

Market risk refers primarily to the risk of loss which results from changes in values, foreign exchange rates and interest rates. The Company is exposed to fluctuations in interest rates, as its regulated return on equity is derived using a formulaic approach that takes anticipated interest rates into account. The Company is not currently exposed to material commodity price risk or material foreign exchange risk.

The Company uses a combination of fixed and variable-rate debt to manage the mix of its debt portfolio. The Company also uses derivative financial instruments to manage interest-rate risk. The Company may utilize interest-rate swaps designated as fair value hedges as a means to manage its interest rate exposure to achieve a lower cost of debt. The Company may also utilize interest-rate derivative instruments, such as cash flow hedges, to manage its exposure to short-term interest rates or to lock in interest-rate levels on forecasted financing.

A hypothetical 100 basis points increase in interest rates associated with variable-rate debt would not have resulted in a significant decrease to Hydro One's net income for the three and six months ended June 30, 2025 and 2024, respectively.

For derivative instruments that are designated and qualify as cash flow hedges, the unrealized gain or loss, after tax, on the derivative instrument is recorded as other comprehensive income (OCI) or other comprehensive loss (OCL) and is reclassified to net income or net loss in the same period during which the hedged transaction affects results of operations. The following table shows the amounts recorded in OCL and reclassified to financing charges for the three and six months ended June 30, 2025 and 2024:

	Three months ended June 30		Six months ended June 30	
(millions of dollars)	2025	2024	2025	2024
Amounts recorded in OCL/OCI				
Before tax loss (gain)	(1)	—	2	(6)
After tax loss (gain)	(1)	—	1	(4)
Amounts reclassified to financing charges				
Before tax loss (gain)	1	(2)	2	(3)
After tax loss (gain)	—	(1)	1	(2)

This resulted in an accumulated other comprehensive loss (AOCL) of $5 million related to cash flow hedges as at June 30, 2025 (December 31, 2024 - $5 million).

The Company estimates that the amount of AOCL, after tax, related to cash flow hedges to be reclassified to results of operations in the next 12 months is approximately $4 million. Actual amounts reclassified to results of operations depend on the interest rate in effect until the derivative contracts mature. For all forecasted transactions, as at June 30, 2025, the maximum term over which the Company is hedging exposures to the variability of cash flows is approximately one year.

The Pension Plan manages market risk by diversifying investments in accordance with the Pension Plan's Statement of Investment Policies and Procedures. Interest rate risk arises from the possibility that changes in interest rates will affect the fair value of the Pension Plan's financial instruments. In addition, changes in interest rates can also impact discount rates which impact the valuation of the pension and post-retirement and post-employment liabilities. Currency risk is the risk that the value of the Pension Plan's financial instruments will fluctuate due to changes in foreign currencies relative to the Canadian dollar. Other price risk is the risk that the value of the Pension Plan's investments in equity securities will fluctuate as a result of changes in market prices, other than those arising from interest risk or currency risk. All three factors may contribute to changes in values of the Pension Plan investments. See Note 17 - Pension and Post-Retirement and Post-Employment Benefits for further details.

<u>Credit Risk</u>

Financial assets create a risk that a counterparty will fail to discharge an obligation, causing a financial loss. As at June 30, 2025 and 2024, there were no significant concentrations of credit risk with respect to any class of financial assets. The Company's revenue is earned from a broad base of customers. As a result, Hydro One did not earn a material amount of revenue from any single customer. As at June 30, 2025 and 2024, there was no material accounts receivable balance due from any single customer.

As at June 30, 2025, the Company's allowance for doubtful accounts was $63 million (December 31, 2024 - $61 million). The allowance for doubtful accounts reflects the Company's current expected credit loss for all accounts receivable balances, which are based on historical overdue balances, customer payments and write-offs. As at June 30, 2025, approximately 8% (December 31, 2024 - 7%) of the Company's net accounts receivable were outstanding for more than 60 days.

Hydro One manages its counterparty credit risk through various techniques including (i) entering into transactions with highly rated counterparties, (ii) limiting total exposure levels with individual counterparties, (iii) entering into master agreements which enable net settlement and the contractual right of offset, and (iv) monitoring the financial condition of counterparties. The Company monitors current credit exposure to counterparties on both an individual and an aggregate basis. The Company's credit risk for accounts receivable is limited to the carrying amounts on the consolidated balance sheets.

Derivative financial instruments result in exposure to credit risk since there is a risk of counterparty default. The maximum credit exposure of derivative contracts, before collateral, is represented by the fair value of contracts in an asset position at the reporting date. As at June 30, 2025 and 2024, Hydro One's credit exposure for all derivative instruments and applicable payables was with one financial institution with investment grade credit ratings as counterparty.

The Pension Plan manages its counterparty credit risk with respect to bonds by investing in investment-grade corporate and government bonds and with respect to derivative instruments by transacting only with highly rated financial institutions and by ensuring that exposure is diversified across counterparties.

Liquidity Risk

Liquidity risk refers to the Company's ability to meet its financial obligations as they come due. Hydro One meets its short-term operating liquidity requirements using cash and cash equivalents on hand, funds from operations, the issuance of commercial paper, and the Operating Credit Facilities. The short-term liquidity under the commercial paper program, the Operating Credit Facilities, and anticipated levels of funds from operations are expected to be sufficient to fund the Company's operating requirements.

In February 2024, Hydro One filed a short form base shelf prospectus in connection with its MTN Program, which expires in March 2026. Hydro One's Universal Base Shelf Prospectus allows it to offer, from time to time in one or more public offerings, debt, equity or other securities, or any combination thereof, during the 25-month period ending on September 19, 2026.

The Pension Plan's short-term liquidity is provided through cash and cash equivalents, contributions, investment income and proceeds from investment transactions. In the event that investments must be sold quickly to meet current obligations, the majority of the Pension Plan's assets are invested in securities that are traded in an active market and can be readily disposed of as liquidity needs arise.

17. PENSION AND POST-RETIREMENT AND POST-EMPLOYMENT BENEFITS

The following table provides the components of the net periodic benefit (recovery) costs for the three and six months ended June 30, 2025 and 2024:

	Pension Benefits		Post-Retirement and Post-Employment Benefits	
Three months ended June 30 *(millions of dollars)*	**2025**	**2024**	**2025**	**2024**
Current service cost	37	34	15	14
Interest cost	103	100	20	19
Expected return on plan assets, net of expenses[1]	(166)	(151)	—	—
Amortization of prior service (credit) cost	(1)	(1)	2	2
Amortization of actuarial losses (gains)	(4)	4	(4)	(5)
Net periodic benefit (recovery) costs	(31)	(14)	33	30
Charged to results of operations[2]	4	5	24	22

	Pension Benefits		Post-Retirement and Post-Employment Benefits	
Six months ended June 30 *(millions of dollars)*	**2025**	**2024**	**2025**	**2024**
Current service cost	74	68	30	28
Interest cost	206	200	39	37
Expected return on plan assets, net of expenses[1]	(332)	(302)	—	—
Amortization of prior service (credit) cost	(2)	(2)	4	4
Amortization of actuarial losses (gains)	(8)	8	(8)	(10)
Net periodic benefit (recovery) costs	(62)	(28)	65	59
Charged to results of operations[2]	10	11	46	42

[1] The expected long-term rate of return on pension plan assets for the year ending December 31, 2025 is 7.20% (2024 - 7.00%).
[2] The Company accounts for pension costs consistent with their inclusion in OEB-approved rates. During the three and six months ended June 30, 2025, pension costs of $15 million (2024 - $16 million) and $35 million (2024 - $34 million), respectively, were attributed to labour, of which $4 million (2024 - $5 million) and $10 million (2024 - $11 million), respectively was charged to operations, and $11 million (2024 - $11 million) and $25 million (2024 - $23 million), respectively, was capitalized as part of the cost of property, plant and equipment and intangible assets.

18. SHARE CAPITAL

Common Shares

The Company is authorized to issue an unlimited number of common shares. As at June 30, 2025 and December 31, 2024, the Company had 142,239 common shares issued and outstanding.

Preferred Shares

The Company is authorized to issue an unlimited number of preferred shares, issuable in series. As at June 30, 2025 and December 31, 2024, the Company had no preferred shares issued and outstanding.

19. DIVIDENDS

During the three months ended June 30, 2025, common share dividends in the amount of $207 million (2024 - $187 million) were declared and paid.

During the six months ended June 30, 2025, common share dividends in the amount of $394 million (2024 - $363 million) were declared and paid. See Note 27 - Subsequent Events for dividends declared subsequent to June 30, 2025.

20. EARNINGS PER COMMON SHARE

Basic earnings per common share (EPS) is calculated by dividing net income attributable to the common shareholder of Hydro One by the weighted-average number of common shares outstanding. The weighted-average number of common shares outstanding during the three and six months ended June 30, 2025 and 2024 were 142,239. There were no dilutive securities during the three and six months ended June 30, 2025 and 2024.

21. STOCK-BASED COMPENSATION

Share Grant Plans

Hydro One has two share grant plans (Share Grant Plans), one for the benefit of certain members of the Power Workers' Union (the PWU Share Grant Plan) and one for the benefit of certain members of the Society of United Professionals (the Society Share Grant Plan). A summary of share grant activity under the Share Grant Plans during the three and six months ended June 30, 2025 and 2024 is presented below:

	Three months ended June 30		Six months ended June 30	
(number of share grants)	2025	2024	2025	2024
Share grants outstanding - beginning	1,381,577	1,751,025	1,381,577	1,751,025
Granted	114	—	114	—
Vested and issued[1]	(330,302)	(342,556)	(330,302)	(342,556)
Share grants outstanding - ending	1,051,389	1,408,469	1,051,389	1,408,469

[1] During the three and six months ended June 30, 2025, Hydro One Limited issued 330,302 (2024 - 342,556) common shares from treasury to eligible employees in accordance with provisions of the PWU and the Society Share Grant Plans.

Directors' Deferred Share Unit (DSU) Plan

A summary of DSU awards activity under the Hydro One Limited Directors' DSU Plan during the three and six months ended June 30, 2025 and 2024 is presented below:

	Three months ended June 30		Six months ended June 30	
(number of DSUs)	2025	2024	2025	2024
DSUs outstanding - beginning	113,198	100,087	107,296	94,624
Granted	5,315	6,102	11,217	11,565
Settled	(15,977)	—	(15,977)	—
DSUs outstanding - ending	102,536	106,189	102,536	106,189

As at June 30, 2025, a liability of $5 million (December 31, 2024 - $5 million) related to Directors' DSUs has been recorded at the closing price of Hydro One Limited's common shares of $49.07 (December 31, 2024 - $44.27). This liability is included in other long-term liabilities on the consolidated balance sheets.

Management DSU Plan

A summary of DSU awards activity under the Hydro One Limited Management DSU Plan during the three and six months ended June 30, 2025 and 2024 is presented below:

	Three months ended June 30		Six months ended June 30	
(number of DSUs)	2025	2024	2025	2024
DSUs outstanding - beginning	98,261	148,632	85,690	134,370
Granted	589	1,168	13,160	15,430
Paid	(11,425)	(313)	(11,425)	(313)
DSUs outstanding - ending	87,425	149,487	87,425	149,487

As at June 30, 2025, a liability of $4 million (December 31, 2024 - $4 million) related to Management DSUs has been recorded at the closing price of Hydro One Limited's common shares of $49.07 (December 31, 2024 - $44.27). This liability is included in other long-term liabilities on the consolidated balance sheets.

Long-term Incentive Plan (LTIP)

Performance Share Units (PSU) and Restricted Share Units (RSU)

A summary of PSU and RSU awards activity under the Hydro One Limited LTIP during the three and six months ended June 30, 2025 and 2024 is presented below:

	PSUs		RSUs	
Three months ended June 30 *(number of units)*	2025	2024	2025	2024
Units outstanding - beginning	424,498	297,939	419,122	313,819
Granted	2,937	13,222	6,596	2,308
Forfeited	(10,174)	(21,595)	(15,290)	(11,097)
Vested	—	(19,921)	(5,051)	(251)
Units outstanding - ending	417,261	269,645	405,377	304,779

	PSUs		RSUs	
Six months ended June 30 *(number of units)*	2025	2024	2025	2024
Units outstanding - beginning	283,106	141,188	304,393	176,989
Granted	168,719	171,171	133,304	142,487
Forfeited	(27,380)	(22,793)	(24,200)	(14,446)
Vested	(7,184)	(19,921)	(8,120)	(251)
Units outstanding - ending	417,261	269,645	405,377	304,779

The total grant date fair value of the awards granted during the three and six months ended June 30, 2025 was $1 million and $14 million, respectively (2024 – $1 million and $13 million, respectively). The compensation expense related to these awards during the three and six months ended June 30, 2025 was $5 million and $8 million, respectively (2024 – $3 million and $4 million, respectively).

22. RELATED PARTY TRANSACTIONS

Hydro One is owned by Hydro One Limited. The Province is a shareholder of Hydro One Limited with approximately 47.1% (2024 - 47.1%) ownership as at June 30, 2025. The Ministry of Infrastructure (MOI) is a related party to Hydro One because it is controlled by the Province. The Independent Electricity System Operator (IESO), Ontario Power Generation Inc. (OPG), Ontario Electricity Financial Corporation (OEFC), the OEB and Acronym Solutions Inc. (Acronym) are related parties to Hydro One because they are controlled or significantly influenced by the Ministry of Energy and Mines or by Hydro One Limited. Hydro One also has transactions in the normal course of business with various government ministries and organizations in Ontario that fall under the purview of the Province. The following is a summary of the Company's related party transactions during the three and six months ended June 30, 2025 and 2024:

(millions of dollars)		Three months ended June 30		Six months ended June 30	
Related Party	**Transaction**	**2025**	**2024**	**2025**	**2024**
MOI	Broadband subsidy[1]	6	—	19	—
IESO	Power purchased	456	482	1,374	1,301
	Revenues for transmission services	613	579	1,234	1,129
	Amounts related to electricity rebates	233	280	508	607
	Distribution revenues related to rural rate protection	64	63	127	126
	Distribution revenues related to Wataynikaneyap Power LP	33	30	66	60
	Distribution revenues related to supply of electricity to remote northern communities	13	12	25	24
	Funding received related to Conservation and Demand Management programs	—	1	—	1
OPG	Power purchased	3	5	14	11
	Transmission revenues related to provision of services and supply of electricity	—	—	1	1
	Distribution revenues related to provision of services and supply of electricity	1	2	4	3
	Capital contribution received from OPG	6	—	16	1
	Costs related to the purchase of services	1	—	1	—
OEFC	Power purchased from power contracts administered by the OEFC	—	1	1	1
OEB	OEB fees	3	3	6	6
Hydro One Limited	Dividends paid	207	187	394	363
	Cost recovery for services provided	3	3	6	6
	Stock-based compensation costs	2	2	3	3
Acronym	Services received – costs incurred	7	8	14	16
	Revenues for services provided	1	1	1	1

[1] On October 31, 2024, the Ministry of Infrastructure announced that it has developed a program to deliver up to $400 million in subsidies to internet service providers (ISPs) for work associated with designated broadband projects. The program is intended to enable ISPs to successfully and safely attach their material and equipment to the Company's poles to bring connectivity to rural communities as part of a designated broadband project as defined under *Building Broadband Faster Act (Ontario)*. A portion of these subsidies is used to reimburse Hydro One Networks on behalf of ISPs for their share of enablement costs incurred to facilitate the program to date.

Sales to and purchases from related parties are based on the requirements of the OEB's Affiliate Relationships Code. Outstanding balances as at period end from external related parties are interest-free and settled in cash. Invoices are issued monthly, and amounts are due and paid on a monthly basis.

23. CONSOLIDATED STATEMENTS OF CASH FLOWS

The changes in non-cash balances related to operations consist of the following:

	Three months ended June 30		Six months ended June 30	
(millions of dollars)	2025	2024	2025	2024
Accounts receivable *(Note 7)*	24	77	(66)	33
Due from related parties	(41)	(33)	(63)	(62)
Materials and supplies *(Note 8)*	(1)	1	(1)	3
Prepaid expenses and other assets	3	(22)	(2)	(36)
Other long-term assets	(7)	1	(15)	—
Accounts payable	28	103	11	34
Accrued liabilities	48	73	103	101
Unearned revenue *(Note 13)*	29	52	(1)	72
Due to related parties	(102)	59	(188)	(31)
Accrued interest *(Note 13)*	1	(16)	1	6
Long-term accounts payable and other long-term liabilities *(Note 14)*	(1)	1	—	(1)
Post-retirement and post-employment benefit liability	8	15	29	34
	(11)	311	(192)	153

Capital Expenditures

The following tables reconcile investments in property, plant and equipment and intangible assets and the amounts presented in the consolidated statements of cash flows for the three and six months ended June 30, 2025 and 2024. The reconciling items include net change in accruals, transfers, and capitalized depreciation.

	Three months ended June 30, 2025			Six months ended June 30, 2025		
(millions of dollars)	Property, Plant and Equipment	Intangible Assets	Total	Property, Plant and Equipment	Intangible Assets	Total
Capital investments	(901)	(9)	(910)	(1,615)	(26)	(1,641)
Reconciling items	118	1	119	214	(3)	211
Cash outflow for capital expenditures	(783)	(8)	(791)	(1,401)	(29)	(1,430)

	Three months ended June 30, 2024			Six months ended June 30, 2024		
(millions of dollars)	Property, Plant and Equipment	Intangible Assets	Total	Property, Plant and Equipment	Intangible Assets	Total
Capital investments	(790)	(26)	(816)	(1,436)	(50)	(1,486)
Reconciling items	82	—	82	86	2	88
Cash outflow for capital expenditures	(708)	(26)	(734)	(1,350)	(48)	(1,398)

Supplementary Information

	Three months ended June 30		Six months ended June 30	
(millions of dollars)	2025	2024	2025	2024
Net interest paid	181	170	355	299
Income taxes paid	10	8	22	24

24. CONTINGENCIES

Hydro One is involved in various lawsuits and claims in the normal course of business. In the opinion of management, the outcome of such matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

25. COMMITMENTS

The following table presents a summary of Hydro One's commitments under outsourcing and other agreements due in the next five years and thereafter:

As at June 30, 2025 *(millions of dollars)*	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Outsourcing and other agreements	66	22	9	3	3	12
Long-term software/meter agreement	6	2	2	2	2	—

The following table presents a summary of Hydro One's other commercial commitments by year of expiry in the next five years and thereafter:

As at June 30, 2025 *(millions of dollars)*	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Operating Credit Facilities[1]	—	—	—	—	3,050	—
Letters of credit[2]	163	—	—	—	—	—
Guarantees[3]	475	—	—	—	—	—

[1] On June 1, 2025, the maturity date for the Operating Credit Facilities was extended to June 1, 2030.
[2] Letters of credit consist of $153 million letters of credit related to retirement compensation arrangements, a $3 million letter of credit provided to the IESO for prudential support, and $7 million in letters of credit for various operating purposes.
[3] Guarantees consist of $475 million prudential support provided to the IESO by Hydro One on behalf of its subsidiaries.

26. SEGMENTED REPORTING

The Company has three reportable segments: Transmission, Distribution, and Other. The composition of these segments is described in Note 1 to the consolidated financial statements.

The designation of segments has been based on a combination of regulatory status and the nature of the services provided. Operating segments of the Company are determined based on information used by the Chief Operating Decision Maker (CODM) in deciding how to allocate resources and evaluate the performance of each of the segments. Hydro One's CODM consists of its Chief Executive Officer and certain members of the executive leadership team. The CODM evaluates segment performance based on income before financing charges and income tax expense from continuing operations (excluding certain allocated corporate governance costs) (EBIT). The CODM considers the key components of EBIT to understand the variances to prior period on a quarterly basis and measures them against the Company's budget and forecast across each of the three segments on a monthly basis in order to properly allocate resources between and within the operating segments.

Three months ended June 30, 2025 *(millions of dollars)*	Transmission	Distribution	Other	Consolidated
Revenues	622	1,434	—	2,056
Purchased power	—	899	—	899
Operation, maintenance and administration	134	164	9	307
Depreciation, amortization and asset removal costs	139	146	—	285
Income (loss) before financing charges and income tax expense	349	225	(9)	565
Capital investments	490	420	—	910

Three months ended June 30, 2024 *(millions of dollars)*	Transmission	Distribution	Other	Consolidated
Revenues	583	1,436	—	2,019
Purchased power	—	940	—	940
Operation, maintenance and administration	118	182	8	308
Depreciation, amortization and asset removal costs	134	126	—	260
Income (loss) before financing charges and income tax expense	331	188	(8)	511
Capital investments	502	314	—	816

Six months ended June 30, 2025 *(millions of dollars)*	Transmission	Distribution	Other	Consolidated
Revenues	1,258	3,195	—	4,453
Purchased power	—	2,119	—	2,119
Operation, maintenance and administration	267	346	14	627
Depreciation, amortization and asset removal costs	278	268	—	546
Income (loss) before financing charges and income tax expense	713	462	(14)	1,161
Capital investments	949	692	—	1,641

Six months ended June 30, 2024 *(millions of dollars)*	Transmission	Distribution	Other	Consolidated
Revenues	1,136	3,041	—	4,177
Purchased power	—	2,036	—	2,036
Operation, maintenance and administration	243	365	12	620
Depreciation, amortization and asset removal costs	267	244	—	511
Income (loss) before financing charges and income tax expense	626	396	(12)	1,010
Capital investments	923	563	—	1,486

Total Assets by Segment:

As at *(millions of dollars)*	June 30, 2025	December 31, 2024
Transmission	22,795	21,586
Distribution	14,571	14,019
Other	357	993
Total assets	37,723	36,598

Total Goodwill by Segment:

As at *(millions of dollars)*	June 30, 2025	December 31, 2024
Transmission	157	157
Distribution	216	216
Total goodwill	373	373

All revenues, assets and costs are earned, held or incurred in Canada.

27. SUBSEQUENT EVENTS

Dividends

On August 12, 2025, common share dividends of $199 million were declared.