



FIRST QUARTER FINANCIAL REPORT  
MARCH 31, 2025

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2025 and 2024

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### EXECUTIVE SUMMARY

- Net income after net movements in regulatory balances for the three months ended March 31, 2025 was \$53.2 million, compared to \$33.9 million for the comparative period in 2024;
- Capital expenditures were primarily related to the renewal of the electricity distribution infrastructure of Toronto Hydro-Electric System Limited (THESL) and were \$244.7 million for the three months ended March 31, 2025, compared to \$199.5 million for the comparative period in 2024;
- On January 2, 2025, Toronto Hydro Corporation (Corporation) issued 14 common shares to the City incorporated under the *City of Toronto Act, 1997* (Ontario), as amended (City) for total proceeds of \$25.0 million in relation to an annual equity contribution from the City;
- Effective March 19, 2025, James Hinds resigned from the Board of Directors of the Corporation and as a member of the Audit Committee for personal reasons;
- On April 8, 2025, Baoqin Guo was named Executive Vice President and Chief Financial Officer (CFO) effective May 12, 2025. Ms. Guo replaces Federico Zeni, who served as Interim CFO since November 2024;
- On April 25, 2025, DBRS Limited (DBRS) confirmed the Corporation's issuer rating and senior unsecured debentures rating at "A" and the Corporation's commercial paper rating at R-1 (low), each with stable trends;
- Effective April 29, 2025, as a result of her election to the Parliament of Canada, Councillor Jennifer McKelvie resigned from the Board of Directors of the Corporation; and
- On May 8, 2025, the Board of Directors of the Corporation declared a dividend in the amount of \$15.0 million with respect to the second quarter of 2025 (second quarter of 2024 – \$21.0 million), payable to the City by June 30, 2025.

### INTRODUCTION

This Management's Discussion and Analysis (MD&A) should be read in conjunction with:

- the Corporation's unaudited condensed interim consolidated financial statements and accompanying notes for the three months ended March 31, 2025 and 2024 (Interim Financial Statements), which were prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. The Interim Financial Statements have been prepared following the same accounting policies and methods of computation as those described in note 25 to the Corporation's audited consolidated financial statements for the years ended December 31, 2024 and 2023 (2024 Annual Financial Statements);
- 2024 Annual Financial Statements;
- the Corporation's MD&A for the years ended December 31, 2024 and 2023 (2024 Annual MD&A); and
- the Corporation's Annual Information Form for the year ended December 31, 2024 (2024 Annual Information Form).

Copies of these documents are available on the System for Electronic Data Analysis and Retrieval+ (SEDAR+) website at [sedarplus.ca](https://sedarplus.ca) and the Corporation's website ([torontohydro.com/corporate-reports](https://torontohydro.com/corporate-reports)).

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2025 and 2024

### BUSINESS OF TORONTO HYDRO CORPORATION

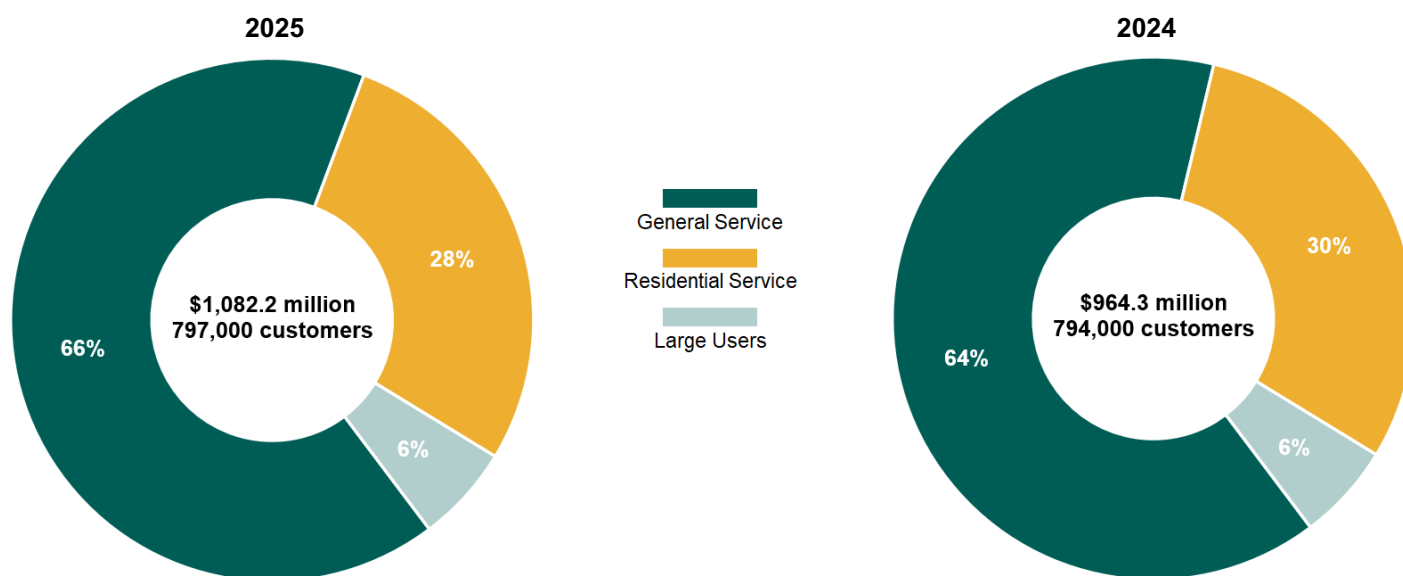
The Corporation is a holding company which wholly owns two subsidiaries:

- THESL – distributes electricity; and
- Toronto Hydro Energy Services Inc. (TH Energy) – provides street lighting and expressway lighting services in the city of Toronto.

The Corporation supervises the operations of, and provides corporate, management services and strategic direction to its subsidiaries. The City is the sole shareholder of the Corporation. The Corporation and its subsidiaries, collectively, are referred to herein as “Toronto Hydro”.

The principal business of Toronto Hydro is the distribution of electricity by THESL as a Local Distribution Company. THESL owns and operates an electricity distribution system that delivers electricity to approximately 797,000 customers located in the city of Toronto. THESL serves the largest city in Canada and distributes approximately 17% of the electricity consumed in Ontario. The business of THESL is regulated by the Ontario Energy Board (OEB), which has broad powers relating to licensing, standards of conduct and service, and the regulation of electricity distribution rates charged by electricity distributors in Ontario. For the three months ended March 31, 2025, THESL recognized energy sales and distribution revenue of \$1,082.2 million from General Service Users<sup>(1)</sup>, Residential Service Users<sup>(2)</sup> and Large Users<sup>(3)</sup>.

**THESL Energy Sales and Distribution Revenue by Class**  
Three months ended March 31, 2025 and 2024



<sup>(1)</sup> “General Service” means a service supplied to premises other than those receiving “Residential Service” and “Large Users” and typically includes small businesses and bulk-metered multi-unit residential establishments. This service is provided to customers with a monthly peak demand of less than 5,000 kilowatt (kW) averaged over a 12-month period.

<sup>(2)</sup> “Residential Service” means a service that is for domestic or household purposes, including single family or individually metered multi-family units and seasonal occupancy.

<sup>(3)</sup> “Large Users” means a service provided to a customer with a monthly peak demand of 5,000 kW or greater averaged over a 12-month period.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2025 and 2024

### RESULTS OF OPERATIONS

#### *Net Income after Net Movements in Regulatory Balances*

#### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME

(in millions of Canadian dollars, unaudited)

	Three months ended March 31,			
	2025 \$	2024 \$	Change \$	Change %
<b>Revenues</b>				
Energy sales	842.0	739.1	102.9	13.9 %
Distribution revenue	240.2	225.2	15.0	6.7 %
Other	28.0	27.7	0.3	1.1 %
	1,110.2	992.0	118.2	11.9 %
<b>Expenses</b>				
Energy purchases	786.4	731.7	54.7	7.5 %
Operating expenses	98.0	93.5	4.5	4.8 %
Depreciation and amortization	75.5	71.5	4.0	5.6 %
	959.9	896.7	63.2	7.0 %
Finance costs	(33.0)	(34.0)	1.0	(2.9)%
<b>Income before income taxes</b>	117.3	61.3	56.0	91.4 %
Income tax expense	(4.4)	(6.9)	2.5	(36.2)%
<b>Net income</b>	112.9	54.4	58.5	>100%
Net movements in regulatory balances	(63.3)	(28.7)	(34.6)	>100%
Net movements in regulatory balances arising from deferred taxes	3.6	8.2	(4.6)	(56.1)%
<b>Net income after net movements in regulatory balances</b>	53.2	33.9	19.3	56.9 %

For the three months ended March 31, 2025, net income after net movements in regulatory balances was higher by \$19.3 million. The increase was primarily due to higher distribution revenue (\$15.0 million), lower net credit amounts deferred into regulatory accounts (\$13.6 million), partially offset by higher operating expenses (\$4.5 million) as well as higher depreciation and amortization expenses (\$4.0 million).

The variances in energy sales and energy purchases do not impact net income after net movements in regulatory balances as there is a corresponding offset in net movements in regulatory balances. The difference between energy sales and energy purchases is recorded as a settlement variance within regulatory balances on the Corporation's condensed interim consolidated balance sheets (Consolidated Balance Sheets) and represents amounts to be recovered from or refunded to customers through future rates approved by the OEB.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

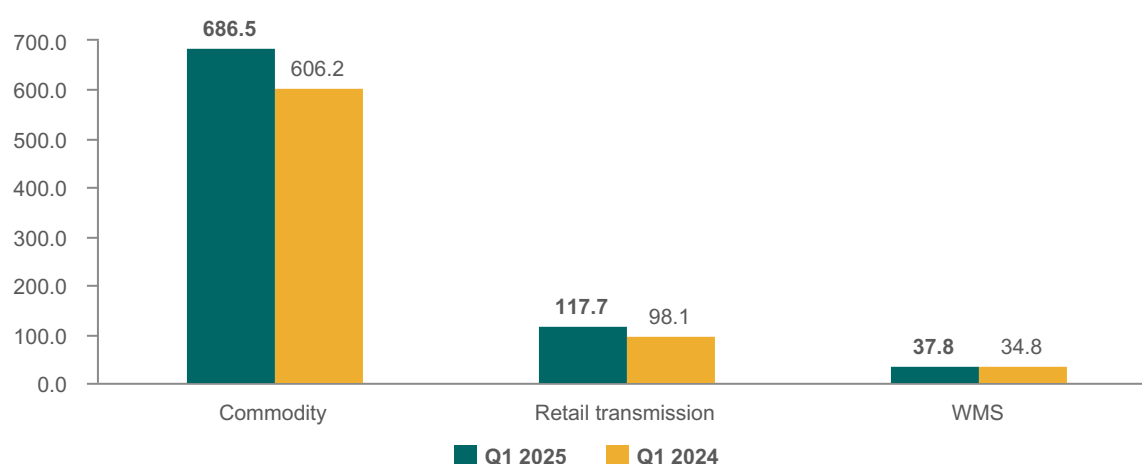
For the three months ended March 31, 2025 and 2024

### Energy Sales, Energy Purchases and Settlement Variances

#### Energy Sales

THESL's energy sales arise from charges to customers for electricity consumed, based on regulated rates. Energy sales include amounts billed or billable to customers for commodity charges, retail transmission charges, and Wholesale Market Service (WMS) charges at current rates. These charges are passed through to customers over time and are considered revenue by THESL.

Energy sales for the three months ended March 31, 2025 and 2024 (in millions of Canadian dollars) were comprised of:



Energy sales for the three months ended March 31, 2025 were \$842.0 million, compared to \$739.1 million for the comparative period in 2024. The increase was due to higher commodity charges (\$80.3 million), higher retail transmission charges (\$19.6 million) and higher WMS charges (\$3.0 million).

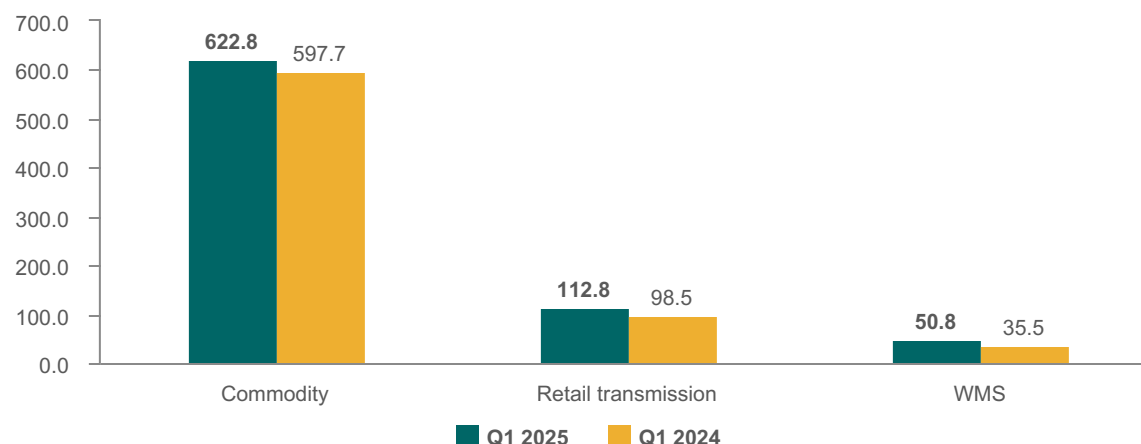
#### Energy Purchases

THESL's energy purchases consist of actual charges for electricity generated by third parties, which are passed through to customers over time in the form of energy sales. Energy purchases are billed monthly by the Independent Electricity System Operator (IESO) and include commodity charges, retail transmission charges and WMS charges.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2025 and 2024

Energy purchases for the three months ended March 31, 2025 and 2024 (in millions of Canadian dollars) were comprised of:



Energy purchases for the three months ended March 31, 2025 were \$786.4 million compared to \$731.7 million for the comparative period in 2024. The increase was due to higher commodity charges (\$25.1 million), higher WMS charges (\$15.3 million) and higher retail transmission charges (\$14.3 million).

### Settlement Variances

(in millions of Canadian dollars, unaudited)	Three months ended March 31,	
	2025 \$	2024 \$
Commodity charges	63.7	8.5
Retail transmission charges	4.9	(0.4)
WMS charges	(13.0)	(0.7)
<b>Total</b>	<b>55.6</b>	<b>7.4</b>

Settlement variances arise when there is a difference between energy sales and energy purchases. For any given period, energy sales should be equal to the cost of energy purchased, however a settlement variance arises when there is a timing difference between the amounts charged by THESL to customers, based on regulated rates, and the electricity and non-competitive electricity service costs billed monthly by the IESO to THESL. These settlement variances represent amounts to be recovered from or refunded to customers through future rates approved by the OEB. In accordance with International Financial Reporting Standards (IFRS) 14 *Regulatory Deferral Accounts* (IFRS 14), this settlement variance is presented within regulatory balances on the Corporation's Consolidated Balance Sheets and within net movements in regulatory balances on the Corporation's consolidated statements of income (Consolidated Statements of Income).

For the three months ended March 31, 2025, THESL recognized \$842.0 million in energy sales to customers and was billed \$786.4 million for energy purchases from the IESO. The difference between energy sales and energy purchases represents a \$55.6 million settlement variance for the period. The settlement variance was recorded as a decrease to the regulatory debit balance (\$54.6 million including carrying charges on the accumulated settlement variance balance) on the Consolidated Balance Sheets, and presented within net movements in regulatory balances on the Consolidated Statements of Income.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2025 and 2024

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### ***Distribution Revenue***

Distribution revenue is recorded based on OEB-approved distribution rates to recover the costs incurred by THESL in delivering electricity to customers and includes revenue collected through OEB-approved rate riders.

Distribution revenue for the three months ended March 31, 2025 was \$240.2 million, compared to \$225.2 million for the comparative period in 2024.

The increase of \$15.0 million in distribution revenue for the three months ended March 31, 2025 was driven by higher 2025 distribution rates (\$17.2 million), higher electricity consumption (\$4.7 million), partially offset by lower revenue collected through OEB-approved rate riders (\$6.9 million).

### ***Other Revenue***

Other revenue includes revenue from services ancillary to electricity distribution, delivery of street lighting services, pole and duct rentals, amortization of deferred revenue related to capital contributions and other regulatory service charges.

Other revenue for the three months ended March 31, 2025 was \$28.0 million, compared to \$27.7 million for the comparative period in 2024.

Other revenue for the three months ended March 31, 2025 was largely in line with the comparative period in 2024.

### ***Operating Expenses***

Operating expenses for the three months ended March 31, 2025 were \$98.0 million, compared to \$93.5 million for the comparative period in 2024.

The increase of \$4.5 million in operating expenses for the three months ended March 31, 2025 was primarily due to higher administrative expenses, bad debt and consulting fees, partially offset by lower system maintenance costs and ancillary services.

### ***Depreciation and Amortization***

Depreciation and amortization expense, including derecognition of assets removed from service, for the three months ended March 31, 2025 was \$75.5 million, compared to \$71.5 million for the comparative period in 2024.

The increase of \$4.0 million in depreciation and amortization expense for the three months ended March 31, 2025 was primarily due to in-service asset additions, partially offset by lower derecognition of assets removed from service and assets being fully depreciated.

### ***Finance Costs***

Finance costs for the three months ended March 31, 2025 were \$33.0 million, compared to \$34.0 million for the comparative period in 2024.

The decrease of \$1.0 million in finance costs for the three months ended March 31, 2025 was primarily due to a lower weighted average interest rate of 3.19% (compared to 5.19% for the comparative period in 2024) for commercial paper, partially offset by a higher average amount of outstanding debentures and a decrease in interest income due to lower short-term interest rates.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2025 and 2024

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### ***Income Tax Expense and Income Tax Recorded in Net Movements in Regulatory Balances***

Income tax expense (recovery) and income tax recorded in net movements in regulatory balances for the three months ended March 31, 2025 was \$0.8 million, compared to a recovery of \$1.3 million for the comparative period in 2024.

The increase in income tax expense and income tax recorded in net movements in regulatory balances for the three months ended March 31, 2025 was primarily due to higher income before taxes, partially offset by higher net deductions in permanent and temporary differences between accounting and tax treatments.

### ***Net Movements in Regulatory Balances***

In accordance with IFRS 14, the Corporation separately presents regulatory balances and related net movements on the Consolidated Balance Sheets and the Consolidated Statements of Income.

The decrease of \$74.6 million in the regulatory debit and decrease of \$17.5 million in the regulatory credit balances for the three months ended March 31, 2025 equals the sum of \$(57.1) million of net movements in regulatory balances, net movements in regulatory balances arising from deferred taxes and net movements in regulatory balances related to other comprehensive income (OCI) for the period (refer to discussion under "Financial Position"). Energy purchases record the actual cost of power purchased, which varies from month to month. Since the selling price of power within energy sales is fixed for set periods of time, a gain or loss usually results and is part of the calculation of net income. However, under OEB regulations, such gains or losses on energy sales are deferred within regulatory variance accounts for later disposition to or from rate payers via rate riders after approval by the OEB. Deferrals of gains or losses on energy sales (refer to discussion on settlement variance under "Results of Operations"), or disposition of past deferrals in electricity rates will usually represent the largest single element of the net movements in regulatory balances for a given period.

Net movements in regulatory balances for the three months ended March 31, 2025 were \$(63.3) million, compared to \$(28.7) million for the comparative period in 2024. The \$(63.3) million for the three months ended March 31, 2025 was primarily due to the amounts disposed through OEB-approved rate riders and settlement variances between the electricity costs billed monthly by the IESO and THESL's billing to customers, gain on disposals resulting from variable consideration in connection with the disposal of two properties in prior years and the changes to the useful lives of property, plant and equipment (PP&E). The \$(28.7) million for the three months ended March 31, 2024 was primarily due to the changes to the useful lives of PP&E, amounts disposed through OEB-approved rate riders and settlement variances between the electricity costs billed monthly by the IESO and THESL's billing to customers, partially offset by amounts being deferred into capital related regulatory accounts.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2025 and 2024

### SUMMARY OF QUARTERLY RESULTS OF OPERATIONS

The table below presents a summary of Toronto Hydro's results of operations for eight quarters including and immediately preceding March 31, 2025.

	March 31, 2025	December 31, 2024	September 30, 2024	June 30, 2024
(in millions of Canadian dollars, unaudited)	\$	\$	\$	\$
<b>Revenues</b>				
Energy sales	842.0	719.1	794.0	671.1
Distribution revenue	240.2	232.5	246.4	233.7
Other	28.0	30.1	30.7	30.4
	1,110.2	981.7	1,071.1	935.2
<b>Net income after net movements in regulatory balances</b>	53.2	9.0	45.0	42.4

	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023
(in millions of Canadian dollars, unaudited)	\$	\$	\$	\$
<b>Revenues</b>				
Energy sales	739.1	691.4	726.8	640.8
Distribution revenue	225.2	210.4	219.9	207.9
Other	27.7	32.6	27.8	31.0
	992.0	934.4	974.5	879.7
<b>Net income after net movements in regulatory balances</b>	33.9	20.4	39.3	36.2

Toronto Hydro's revenues, all other things being equal, are impacted by temperature fluctuations and unexpected weather conditions, including increased frequency of extreme weather events, such as heat waves, intense rain events, snow storms and higher average temperatures. Generally, revenues would tend to be higher in the first quarter as a result of higher energy consumption for winter heating, and in the third quarter due to air conditioning/cooling. Toronto Hydro's revenues are also impacted by fluctuations in electricity prices and the timing and recognition of regulatory decisions.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2025 and 2024

### FINANCIAL POSITION

The following table outlines the significant changes in the Consolidated Balance Sheet as at March 31, 2025 compared to December 31, 2024.

Balance Sheet Account (in millions of Canadian dollars, unaudited)	Increase (Decrease) \$	Explanation of Significant Change
<b>Assets</b>		
Accounts receivable and unbilled revenue	(38.9)	The decrease was primarily due to the payment received in relation to the properties disposed in previous years as well as timing of billing and collection activities, partially offset by higher electricity costs and higher electricity consumption.
PP&E and intangible assets	169.0	The increase was largely due to capital expenditures (refer to "Investing Activities"), partially offset by the depreciation and amortization during the period.
<b>Liabilities and Equity</b>		
Commercial paper	(75.0)	The decrease was due to the lower commercial paper required for general corporate purposes (refer to "Liquidity and Capital Resources").
Customer deposits	20.9	The increase was primarily due to expansion security deposits received.
Deferred revenue	55.4	The increase was mainly due to capital contributions received, partially offset by amortization during the period.
Share capital	25.0	The increase was related to the proceeds of \$25.0 million in relation to an equity contribution from the City (refer to "New Equity Investment from the City").
Retained earnings	38.2	The increase was due to net income after net movements in regulatory balances (\$53.2 million), net of dividends paid (\$15.0 million).
<b>Regulatory Balances</b>		
Regulatory debit balances	(74.6)	The decrease was primarily related to settlement variances between the electricity costs billed monthly by the IESO and THESL's billing to customers, and the amounts disposed through OEB-approved rate riders, partially offset by an increase in deferred taxes.
Regulatory credit balances	(17.5)	The decrease was primarily due to the amounts disposed of through OEB-approved rate riders and a decrease in post-employment benefits, partially offset by changes in gain on disposals and useful lives of PP&E.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2025 and 2024

### LIQUIDITY AND CAPITAL RESOURCES

The Corporation is a party to an amended and restated credit agreement dated November 17, 2023 (as amended) with a syndicate of Canadian chartered banks which provides for a revolving credit facility in an amount up to \$1.0 billion (Revolving Credit Facility), of which up to \$210.0 million is available in the form of letters of credit. On September 18, 2024, the maturity date of the Revolving Credit Facility was extended from September 18, 2028 to September 18, 2029. Borrowings under the Revolving Credit Facility bear interest at fluctuating rates plus an applicable margin based on the Corporation's credit rating.

The Corporation has a commercial paper program allowing unsecured short-term promissory notes (Commercial Paper Program) to be issued in various maturities of no more than one year. The Commercial Paper Program is supported by liquidity facilities available under the Revolving Credit Facility; hence, available borrowing under the Revolving Credit Facility is reduced by the amount of commercial paper outstanding at any point in time. Proceeds from the Commercial Paper Program are used for general corporate purposes. Borrowings under the Commercial Paper Program bear interest based on the prevailing market conditions at the time of issuance.

Additionally, the Corporation is a party to a \$100.0 million demand facility with a Canadian chartered bank for the purpose of issuing letters of credit. As at March 31, 2025, letters of credit totalling \$54.3 million had been issued under this facility (December 31, 2024 – \$54.3 million).

The Corporation is a party to a \$20.0 million demand facility with a Canadian chartered bank for the purpose of working capital management (Working Capital Facility). As at March 31, 2025, \$7.9 million had been drawn under the Working Capital Facility (December 31, 2024 – \$5.2 million). The condensed interim consolidated statements of cash flows, cash and cash equivalents (working capital balances) includes bank overdrafts that are repayable on demand and form an integral part of the Corporation's cash management.

Toronto Hydro's current assets and current liabilities amounted to \$578.0 million and \$1,010.3 million, respectively, as at March 31, 2025, resulting in a working capital deficit of \$432.3 million. The deficit was primarily attributable to the Corporation's preference for utilizing its Commercial Paper Program and Working Capital Facility. The Corporation seeks to maintain an optimal mix of short-term and long-term debt in order to lower overall financing costs and to enhance borrowing flexibility.

The Corporation's primary sources of liquidity and capital resources are cash provided by operating activities, issuance of commercial paper, amounts available to be drawn against its credit facilities, and borrowings from debt capital markets. The Corporation's liquidity and capital resource requirements are mainly for capital expenditures to maintain and improve the electricity distribution system of THESL, for energy purchases and to refinance debt obligations at maturity.

The amount available under the Revolving Credit Facility and the Commercial Paper Program are as follows:

	Revolving Credit Facility Limit	Commercial Paper Outstanding	Revolving Credit Facility Availability
(in millions of Canadian dollars, unaudited)	\$	\$	\$
<b>Balance as at March 31, 2025</b>	<b>1,000.0</b>	<b>405.0</b>	<b>595.0</b>
Balance as at December 31, 2024	1,000.0	480.0	520.0

As at March 31, 2025 and December 31, 2024, there were no borrowings under the Revolving Credit Facility.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2025 and 2024

The table below represents condensed interim consolidated statements of cash flow data for the periods indicated:

(in millions of Canadian dollars, unaudited)	Three months ended March 31,	
	2025 \$	2024 \$
Working capital facility, beginning of period	(5.2)	(7.3)
Net cash provided by operating activities	305.7	174.5
Net cash used in investing activities	(219.7)	(214.6)
Net cash provided by (used in) financing activities	(88.7)	45.4
<b>Working capital facility, end of period</b>	<b>(7.9)</b>	<b>(2.0)</b>

### Operating Activities

Net cash provided by operating activities for the three months ended March 31, 2025 was \$305.7 million, compared to \$174.5 million for the comparative period in 2024.

The increase in net cash provided by operating activities for the three months ended March 31, 2025 was primarily due to timing differences in the settlement of receivables and payables, higher net income before net movements in regulatory balances, higher capital contributions received and an increase in customer deposits, partially offset by lower other current assets.

### Investing Activities

Net cash used in investing activities for the three months ended March 31, 2025 was \$219.7 million, compared to \$214.6 million for the comparative period in 2024.

Electricity distribution is a capital-intensive business. As THESL is the municipal electricity distribution company serving the largest city in Canada, it continues to invest in expanding, modernizing and sustaining the grid and its operations to meet the current and future needs of its customers, and to prepare the grid and its operations to serve the City's growth and net zero objectives.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2025 and 2024

The following table summarizes the Toronto Hydro's capital expenditures (on an accrual basis) for the periods indicated.

(in millions of Canadian dollars, unaudited)	Three months ended March 31,	
	2025 \$	2024 \$
Regulated THESL		
Distribution system		
Planned <sup>(1)</sup>	204.0	162.4
Reactive <sup>(2)</sup>	17.4	13.2
Technology assets	15.8	15.3
Other <sup>(3)</sup>	5.6	7.2
Regulated capital expenditures	242.8	198.1
Unregulated capital expenditures <sup>(4)</sup>	1.9	1.4
<b>Total capital expenditures</b>	<b>244.7</b>	<b>199.5</b>

<sup>(1)</sup> Includes, among other initiatives, the delivery of customer connections, replacement of overhead and underground infrastructures, critical capital equipment, metering and customer-initiated plant relocations.

<sup>(2)</sup> Non-discretionary replacement of failed or failing assets across the distribution system.

<sup>(3)</sup> Includes fleet capital and building enhancements.

<sup>(4)</sup> Primarily relates to street lighting, behind-the-meter battery storage projects and generation equipment.

The total regulated capital expenditures for the three months ended March 31, 2025 were \$242.8 million, compared to \$198.1 million for the comparative period in 2024.

For the three months ended March 31, 2025, the increase of \$44.7 million in regulated capital expenditures was primarily due to higher spending on customer connections (\$32.3 million), metering (\$10.8 million), critical capital equipment (\$9.9 million), replacement of overhead infrastructure (\$6.6 million) and reactive capital (\$4.2 million), partially offset by lower spending on stations programs (\$9.0 million) and network infrastructure (\$8.8 million).

The largest capital initiatives in 2025 include the delivery of customer connections, and replacement of overhead and underground infrastructures.

The delivery of customer connections includes spending related to new service and upgrades to existing service for specific commercial customers. For the three months ended March 31, 2025, capital expenditures for the delivery of customer connections were \$65.7 million.

The replacement of overhead infrastructure includes replacing poles, overhead transformers, conductors, overhead switches, and other aging overhead infrastructure and equipment. The replacement of underground infrastructure includes replacing direct buried cables, transformers, switches and other aging underground infrastructure. Both initiatives will allow THESL to continue to provide ongoing safe and reliable service to its customers. For the three months ended March 31, 2025, capital expenditures for overhead and underground infrastructure were \$38.4 million and \$28.6 million, respectively.

### Financing Activities

Net cash provided by (used in) financing activities for the three months ended March 31, 2025 was \$(88.7) million, compared to \$45.4 million for the comparative period in 2024. The decrease in net cash provided by (used in) financing activities for the three months ended March 31, 2025 was primarily due to lower net commercial paper issuances, partially offset by the issuance of common shares and lower dividends paid.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2025 and 2024

As at March 31, 2025, the Corporation had debentures outstanding in the principal amount of \$3.2 billion. These debentures will mature between 2026 and 2063. As at March 31, 2025, the Corporation was in compliance with all covenants included in its trust indenture and supplemental trust indentures.

The following table sets out the current credit ratings.

Issuer rating	A	Stable	A+	Stable
Senior unsecured debentures	A	Stable	A+	—
Commercial paper	R-1 (low)	Stable	—	—

On April 25, 2025, DBRS confirmed the Corporation's issuer rating and senior unsecured debentures rating at "A" and the Corporation's commercial paper rating at R-1 (low), each with stable trends.

The Corporation believes that it has sufficient available sources of liquidity and capital to satisfy working capital requirements for the next 12 months.

### Dividends

On February 26, 2025, the Board of Directors of the Corporation declared a dividend in the amount of \$15.0 million with respect to the first quarter of 2025 (first quarter of 2024 – \$21.0 million), paid to the City on March 31, 2025.

On May 8, 2025, the Board of Directors of the Corporation declared a dividend in the amount of \$15.0 million with respect to the second quarter of 2025 (second quarter of 2024 – \$21.0 million), payable to the City by June 30, 2025.

### Summary of Contractual Obligations and Other Commitments

The following table presents a summary of the Corporation's debentures, major contractual obligations and other commitments.

(in millions of Canadian dollars, unaudited)	Total \$	2025 <sup>(1)</sup> \$	2026 / 2027 \$	2028 / 2029 \$	After 2029 \$
Commercial paper <sup>(2)</sup>	405.0	405.0	—	—	—
Debentures - principal repayment	3,195.0	—	200.0	400.0	2,595.0
Debentures - interest payments	2,061.7	100.1	232.4	217.2	1,512.0
Other commitments <sup>(3)</sup>	6.6	0.7	2.3	1.0	2.6
<b>Total contractual obligations and other commitments</b>	<b>5,668.3</b>	<b>505.8</b>	<b>434.7</b>	<b>618.2</b>	<b>4,109.6</b>

<sup>(1)</sup> Due over the period from April 1, 2025 to December 31, 2025.

<sup>(2)</sup> The notes under the Commercial Paper Program were issued at a discount and are repaid at their principal amount.

<sup>(3)</sup> Primarily relates to commitments for asset management and Information Technology (IT) service contracts.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2025 and 2024

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### CORPORATE DEVELOPMENTS

#### ***Changes to the Corporation's Board of Directors and Executive Appointments***

Effective March 19, 2025, James Hinds resigned from the Board of Directors of the Corporation and as a member of the Audit Committee for personal reasons.

On April 8, 2025, Baoqin Guo was named CFO effective May 12, 2025. Ms. Guo replaces Federico Zeni, who served as Interim CFO since November 2024.

Effective April 29, 2025, as a result of her election to the Parliament of Canada, Councillor Jennifer McKelvie resigned from the Board of Directors of the Corporation.

#### ***New Equity Investment from the City***

On January 2, 2025, the Corporation issued 14 common shares to the City for total proceeds of \$25.0 million in relation to an annual equity contribution from the City.

#### ***Toronto Hydro Climate Action Plan***

In April 2021, City Council requested that Toronto Hydro prepare an action plan regarding what more Toronto Hydro could do to support the City's TransformTO Net Zero Strategy, which outlines a pathway to achieve net zero missions in Toronto by 2040. Toronto Hydro submitted its Climate Action Plan in September 2021 and its first Climate Action Plan Status Report in June 2022. In July 2022, City Council adopted the recommendations of these reports, including a request that Toronto Hydro establish a new climate advisory services business. At this meeting, City Council also directed that Toronto Hydro and the City enter into a memorandum of understanding with respect to coordinating City and Climate Advisory Services' climate mitigation efforts. The memorandum of understanding was signed in April 2023 and presented to City Council in May 2023.

Climate Advisory Services is designed to facilitate reductions in Greenhouse Gas (GHG) emissions via electrification by reducing stakeholder-identified barriers that prevent or inhibit customers from participating in the energy transition. The Climate Action Plan sets out examples of these services to customers, including to: identify their situation-specific opportunities; help in choosing particular climate actions and the timing of implementation; provide recommendations on potential clean tech products and services to vendors; assist in applying for government or institutional funding such as grants and/or loans; remove barriers faced by low income customers; as well as assist with monitoring implementation and evaluating the results. In sum, Toronto Hydro employees use their knowledge and experience to ease and support the energy transition for customers.

#### ***Electricity Distribution Rates***

On November 12, 2024, the OEB issued its 2025-2029 Custom Incentive Rate-setting (CIR) Decision, and on December 12, 2024, issued its CIR Final Rate Order (together, the 2025-2029 CIR Decision and Rate Order), both in relation to the rate application filed by THESL on November 17, 2023. The 2025-2029 CIR Decision and Rate Order approved the negotiated settlement proposal as filed, final electricity distribution rates for the first year of the five-year rate period effective January 1, 2025, a CIR index for the period commencing on January 1, 2026 and ending on December 31, 2029 and the final clearance of various deferral and variance account balances for the 2020-2024 period through rate riders. The 2025-2029 CIR Decision and Rate Order approved funding for capital and operating expenditures of approximately \$5.1 billion for the 2025-2029 period. The financial considerations of the OEB's 2025-2029 CIR Decision and Rate Order are reflected in the Interim Financial Statements (refer note 6). The approved rates for 2025 were implemented on January 1, 2025.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2025 and 2024

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### ENVIRONMENTAL MATTERS

During the second quarter of 2024, an unknown third-party trespasser illegally broke into a transformer owned by THESL, causing oil to be released into a nearby catch basin and, potentially, a waterway. THESL is working cooperatively with the applicable regulators to review and assess the matter, and to address any potential impacts arising from this event. As with any release to the natural environment, potential regulatory and civil liabilities could result, and at this time, it is not possible to accurately or reasonably assess or estimate the potential extent of any applicable costs, liabilities or other implications, of any, on THESL or on the Corporation.

### CONTROLS AND PROCEDURES

For purposes of certain Canadian securities regulations, the Corporation is a "Venture Issuer". As such, it is exempt from certain requirements of National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*. The President and Chief Executive Officer (CEO) and CFO, or the employee fulfilling the role on an interim basis have reviewed the Interim Financial Statements and the MD&A for the three months ended March 31, 2025 and 2024. Based on their knowledge and exercise of reasonable diligence, they have concluded that these documents fairly present in all material respects the financial condition, financial performance and cash flows of the Corporation as at the date of and for the period presented.

### USE OF JUDGMENTS AND ESTIMATES

The preparation of the Corporation's Interim Financial Statements requires management to make judgments, estimates and assumptions which affect the application of accounting policies, reported assets, liabilities and regulatory balances, disclosure of contingent assets and liabilities at the date of the Interim Financial Statements, and the reported revenues and expenses for the period. The estimates are based on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities as well as for identifying and assessing the accounting treatment with respect to commitments and contingencies. Actual results could differ from those estimates, including changes as a result of future decisions made by the OEB, the IESO, the Ontario Ministry of Energy, or the Ontario Ministry of Finance. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. The significant judgments made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those described in note 25(b) to the 2024 Annual Financial Statements.

### FUTURE ACCOUNTING PRONOUNCEMENTS

The IASB has issued a number of standards and amendments to existing standards that are not yet effective. The Corporation has determined that the following standard and amendments could have an impact on the Corporation's consolidated financial statements when adopted.

#### ***IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18)***

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 *Presentation of Financial Statements* and introduces limited amendments to IAS 7 *Statement of Cash Flows*. IFRS 18 aims to improve communication of financial information in the financial statements, with a focus on information about financial performance in the statement of profit or loss. To meet this objective, IFRS 18 introduces additional defined subtotals in the statement of profit or loss, disclosures about management-defined performance measures, and enhanced requirements for grouping (aggregation and disaggregation) of information. The standard is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. The standard is to be applied retrospectively.

The Corporation is currently assessing the impact of the above standard on the Corporation's consolidated financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2025 and 2024

### ***Classification and Measurement of Financial Instruments (Amendments to IFRS 9 Financial Instruments (IFRS 9) and IFRS 7 Financial Instruments: Disclosures (IFRS 7))***

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 relating to the classification and measurement of financial instruments. The amendments clarify that a financial liability is derecognized on the 'settlement date' and introduce an accounting policy choice to derecognize financial liabilities settled using an electronic payment system before the settlement date, if specified criteria are met. Other clarifications include the classification of financial assets with environmental, social, and governance linked features and other similar contingent features, financial assets with non-recourse features, and contractually linked instruments. The amendments also introduce additional disclosures for financial instruments with contingent features and equity instruments designated at fair value through OCI. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with early adoption permitted. The amendments are to be applied retrospectively.

The Corporation is currently assessing the impact of the above amendments on the Corporation's consolidated financial statements.

## FORWARD-LOOKING INFORMATION

Certain information included in this MD&A constitutes "forward-looking information" within the meaning of applicable securities legislation. All information, other than statements of historical fact, which address activities, events or developments that we expect or anticipate may or will occur in the future, are forward-looking information. The words "anticipates", "as a result", "beginning", "believes", "budgets", "can", "committed", "continues", "continual", "could", "estimates", "expects", "focus", "forecasts", "further notice", "future", "impact", "increasingly", "if", "intends", "may", "meet", "might", "objective", "ongoing", "once", "outlook", "over time", "plans", "prepare", "propose", "projects", "schedule", "seek", "should", "tend to", "trend", "will", "would", or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking information, although not all forward-looking information contains these identifying words. The purpose of the forward-looking information (including any financial outlook) contained herein is to provide the Corporation's current expectations regarding future results of operations, performance, business prospects and opportunities and readers are cautioned that such information may not be appropriate for other purposes. All forward-looking information is given pursuant to the "safe harbour" provisions of applicable Canadian securities legislation.

Specific forward-looking information in the MD&A includes, but is not limited to, the statements regarding: the settlement variance and other regulatory balance variances as described in the section entitled "Results of Operations"; the effect of changes in weather conditions and energy consumption on future revenue as described in the section entitled "Summary of Quarterly Results of Operations"; the Corporation's plans to lower overall financing costs and enhance borrowing flexibility as described in the section entitled "Liquidity and Capital Resources"; the planned capital expenditures, including the delivery of customer connections, replacement of overhead and underground infrastructures, critical capital equipment, metering and customer-initiated plant relocations as described in the section entitled "Investing Activities"; the Corporation's available sources of liquidity and capital resources and the sufficiency thereof to satisfy working capital requirements for the next 12 months as described in the section entitled "Financing Activities"; expectations with respect to increase in demand for electricity; the completion of the deferrals and rate setting as described in the section entitled "Electricity Distribution Rates"; receipt of the equity investment from the City of Toronto and payment of dividends to the City as shareholder; THESL's ability to address any potential impacts arising from the trespassing event and assess the potential regulatory and civil liabilities resulting from this incident as described in the section entitled "Environmental Matters"; any judgments, assumptions and estimates that management had to make in the preparation of the consolidated financial statements as described in the section entitled "Use of Judgments and Estimates"; the Corporation's assessment of the impact on adoption of IFRS 18 and the amendments to IFRS 7 and IFRS 9, if any, as described in the sections entitled "Future Accounting Pronouncements"; the impact on Toronto Hydro's operating results and financial position in the future due to uncertain economic factors, an elevated interest rate cost environment, and indeterminate levels of customer consumption; the Corporation's reliance on debt financing through its medium term note program, Commercial Paper Program, Revolving Credit Facility or existing credit facilities to finance Toronto Hydro's daily operations, repayment of existing indebtedness, and funding of capital expenditures; the continued ability of the Corporation to arrange sufficient

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2025 and 2024

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and cost-effective debt financing in order to meet its short-term and long-term obligations; increases in liquidity risk due to reduced or delayed customer payments as a result of economic conditions; the impact on Toronto Hydro's financial health and performance due to changes in economic policy, customer preference or technological conditions that reduce the demand for electricity; the effect of changes in interest rates and discount rates on future revenue requirements and future post-employment benefit obligations, respectively; risk that aging infrastructure may lead to potential hazards.

The forward-looking information reflects the Corporation's current beliefs and is based on information currently available to the Corporation. The forward-looking information is based on estimates and assumptions made by the Corporation's management in light of past experience and perception of historical trends, current conditions and expected future developments, as well as other factors that management believes to be reasonable in the circumstances, including, but not limited to, the amount of indebtedness of the Corporation, changes in funding requirements, the future course of the economy and financial markets, no unforeseen delays and costs in the Corporation's capital projects, no unforeseen changes to project plans, no significant changes to the seasonal weather patterns in accordance with historical seasonal trends because of climate change, no unforeseen changes in the legislative and operating framework for electricity distribution in Ontario, the receipt of applicable regulatory approvals and requested rate orders, no unexpected delays in obtaining required approvals, the ability of the Corporation to obtain and retain qualified staff, materials, equipment and services in a timely and cost efficient manner, continued contractor performance, compliance with covenants, the receipt of favourable judgments, no unforeseen changes in electricity distribution rate orders or rate setting methodologies, no unfavourable changes in environmental regulation, the ratings issued by credit rating agencies, the level of interest rates and the Corporation's ability to borrow and assumptions regarding general business and economic conditions.

Forward-looking information is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. The factors which could cause results or events to differ from current expectations include, but are not limited to, risks associated with the execution of THESL's capital and maintenance programs necessary to maintain the performance of aging distribution assets and make required infrastructure improvements, including to deliver a modernized grid and meet electrification requirements to achieve government net zero GHG emissions targets; risks associated with capital projects; risks associated with electricity industry regulatory developments and other governmental policy changes including factors relating to THESL's distribution activities and to climate change; risks associated with increased competition from regulated and unregulated entities; risk of external threats to THESL's facilities and operations posed by unexpected weather conditions caused by climate change and other factors; risks of changing government policy and regulatory requirements, including in respect of climate change and energy transition; risks associated with changing weather patterns due to climate change and resultant impacts to electricity consumption based on historical seasonal trends, risks associated with terrorism and pandemics, and THESL's limited insurance coverage for losses resulting from these events; risks of municipal government activity, including the risk that the City could introduce rules, policies or directives, including those relating to net zero GHG emissions targets, that can potentially limit Toronto Hydro's ability to meet its business objectives as laid out in the Shareholder Direction; risks of being unable to retain necessary qualified external contracting forces relating to its capital, maintenance and reactive infrastructure program; risk that Toronto Hydro is not able to arrange sufficient and cost-effective debt financing to repay maturing debt and to fund capital expenditures and other obligations; risk that the Corporation is unable to maintain its financial health and performance at acceptable levels; risk that insufficient debt or equity financing will be available to meet the Corporation's requirements, objectives, or strategic opportunities; risk of downgrades to the Corporation's credit rating; risks related to the timing and extent of changes in prevailing interest rates and discount rates and their effect on future revenue requirements and future post-employment benefit obligations; risks arising from inflation, the course of the economy and other general macroeconomic factors; risk associated with the impairment to the Corporation's image in the community, public confidence or brand; risk associated with the Corporation failing to meet its material compliance obligations under legal and regulatory instruments; and risks associated with market expectations with respect to increase in demand for electricity.

The Corporation cautions the reader that the above list of factors is not exhaustive, and there may be other factors that cause actual events or results to differ materially from those described in forward-looking information. Some of the other factors are discussed more fully under the heading "Risk Management and Risk Factors" in the Corporation's 2024 Annual MD&A.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2025 and 2024

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All forward-looking information in this document is qualified in its entirety by the above cautionary statements. Furthermore, unless otherwise stated, all forward-looking information contained herein is made as of the date hereof and the Corporation undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise, except as required by law.

## ADDITIONAL INFORMATION

Additional information about Toronto Hydro, including the Corporation's Annual Information Form, is available on the SEDAR+ website ([sedarplus.ca](https://www.sedarplus.ca)) and the Corporation's website ([torontohydro.com/corporate-reports](https://torontohydro.com/corporate-reports)).

Toronto, Canada

May 8, 2025



UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024

## CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars, unaudited)

	Note	As at March 31, 2025 \$	As at December 31, 2024 \$
<b>ASSETS</b>			
<b>Current</b>			
Accounts receivable and unbilled revenue		544.6	583.5
Income tax receivable		1.7	2.3
Materials and supplies		10.0	9.0
Other assets		21.7	21.6
<b>Total current assets</b>		<b>578.0</b>	<b>616.4</b>
Property, plant and equipment	4	6,929.3	6,757.8
Intangible assets	5	418.6	421.1
Deferred tax assets		1.0	0.9
Other assets		14.8	16.1
<b>Total assets</b>		<b>7,941.7</b>	<b>7,812.3</b>
Regulatory balances	6	247.9	322.5
<b>Total assets and regulatory balances</b>		<b>8,189.6</b>	<b>8,134.8</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current</b>			
Working capital facility	7	7.9	5.2
Commercial paper	7	405.0	480.0
Accounts payable and accrued liabilities		500.6	499.9
Customer deposits		58.6	57.7
Deferred revenue	8	38.2	32.4
<b>Total current liabilities</b>		<b>1,010.3</b>	<b>1,075.2</b>
Debentures	9(a)	3,176.8	3,176.6
Customer deposits		79.7	59.7
Deferred revenue	8	1,068.8	1,019.2
Post-employment benefits		250.3	247.7
Deferred tax liabilities		130.2	128.7
Other liabilities		3.7	3.6
<b>Total liabilities</b>		<b>5,719.8</b>	<b>5,710.7</b>
<b>Equity</b>			
Share capital	10	892.8	867.8
Retained earnings		1,370.4	1,332.2
<b>Total equity</b>		<b>2,263.2</b>	<b>2,200.0</b>
<b>Total liabilities and equity</b>		<b>7,983.0</b>	<b>7,910.7</b>
Regulatory balances	6	206.6	224.1
<b>Total liabilities, equity and regulatory balances</b>		<b>8,189.6</b>	<b>8,134.8</b>

Subsequent events

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See accompanying notes to the condensed interim consolidated financial statements.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME

(in millions of Canadian dollars, unaudited)

		Months ended March 31, 2024 \$
	Note	
<b>Revenues</b>		
Energy sales		739.1
Distribution revenue		225.2
Other		27.7
		992.0
<b>Expenses</b>		
Energy purchases		731.7
Operating expenses		93.5
Depreciation and amortization		71.5
		896.7
Finance costs		(34.0)
<b>Income before income taxes</b>		61.3
Income tax expense		(6.9)
<b>Net income</b>		54.4
Net movements in regulatory balances		(28.7)
Net movements in regulatory balances arising from deferred taxes		8.2
<b>Net income after net movements in regulatory balances</b>		33.9

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars, unaudited)

		Three months ended March 31, 2025 2024 \$	
	Note		
<b>Net income after net movements in regulatory balances</b>		53.2	33.9
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to income or loss</b>			
Remeasurements of post-employment benefits, net of tax (2025 - \$1.0, 2024 - (\$2.5))		(2.6)	7.0
Net movements in regulatory balances related to OCI, net of tax (2025 - (\$1.0), 2024 - \$2.5)	6	2.6	(7.0)
<b>Other comprehensive income, net of tax</b>		—	—
<b>Total comprehensive income</b>		53.2	33.9

See accompanying notes to the condensed interim consolidated financial statements.



## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in millions of Canadian dollars, unaudited)

	Note	Three months ended March 31,	
		2025 \$	2024 \$
<b>Share capital, beginning of period</b>		867.8	817.8
Common shares issued	10	25.0	—
<b>Share capital, end of period</b>		892.8	817.8
<b>Retained earnings, beginning of period</b>		1,332.2	1,285.8
Net income after net movements in regulatory balances		53.2	33.9
Dividends	10	(15.0)	(21.0)
<b>Retained earnings, end of period</b>		1,370.4	1,298.7
<b>Total equity</b>		2,263.2	2,116.5

See accompanying notes to the condensed interim consolidated financial statements.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars, unaudited)

		Three months ended March 31,	
	Note	2025 \$	2024 \$
<b>OPERATING ACTIVITIES</b>			
Net income after net movements in regulatory balances		53.2	33.9
Net movements in regulatory balances	6	63.3	28.7
Net movements in regulatory balances arising from deferred taxes	6, 12	(3.6)	(8.2)
Adjustments			
Depreciation and amortization	4, 5	75.5	71.5
Non-cash contributed assets		(1.0)	—
Amortization of deferred revenue	8	(5.5)	(4.7)
Finance costs		33.0	34.0
Income tax expense	12	4.4	6.9
Post-employment benefits		(1.0)	0.7
Other		(1.1)	(0.6)
Capital contributions received	8	61.8	33.7
Net change in other non-current assets and liabilities		1.1	(0.6)
Increase (decrease) in customer deposits		20.9	(2.5)
Changes in non-cash operating working capital balances	13(a)	6.0	(15.3)
Income tax paid		(1.3)	(3.0)
<b>Net cash provided by operating activities</b>		<b>305.7</b>	<b>174.5</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	13(b)	(233.3)	(184.2)
Purchase of intangible assets	13(b)	(10.0)	(30.9)
Proceeds from variable consideration	6	23.6	—
Proceeds on disposals of property, plant and equipment		—	0.5
<b>Net cash used in investing activities</b>		<b>(219.7)</b>	<b>(214.6)</b>
<b>FINANCING ACTIVITIES</b>			
Increase (decrease) in commercial paper, net	7	(75.0)	89.0
Common shares issued	10	25.0	—
Dividends paid	10	(15.0)	(21.0)
Interest paid		(23.7)	(22.6)
<b>Net cash provided by (used in) financing activities</b>		<b>(88.7)</b>	<b>45.4</b>
<b>Net change in cash and cash equivalents during the period</b>		<b>(2.7)</b>	<b>5.3</b>
Working capital facility, beginning of period		(5.2)	(7.3)
<b>Working capital facility, end of period</b>		<b>(7.9)</b>	<b>(2.0)</b>

See accompanying notes to the condensed interim consolidated financial statements.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2025 and 2024 (unaudited)

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### 1. NATURE OF BUSINESS

Toronto Hydro Corporation (Corporation) was incorporated on June 23, 1999 under the *Business Corporations Act* (Ontario) in accordance with the *Electricity Act, 1998* (Ontario), as amended. The Corporation is wholly owned by the city incorporated under the *City of Toronto Act, 1997* (Ontario), as amended (City) and is domiciled in Canada, with its registered office located at 14 Carlton Street, Toronto, Ontario, M5B 1K5.

The Corporation and its subsidiaries distribute electricity to customers and provide street lighting and expressway lighting services in the city of Toronto.

### 2. BASIS OF PRESENTATION

The Corporation's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2025 and 2024 (Interim Financial Statements) have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. These Interim Financial Statements have been prepared following the same accounting policies and methods of computation as those described in note 25 to the Corporation's audited consolidated financial statements for the years ended December 31, 2024 and 2023 (2024 Annual Financial Statements). The notes presented in these Interim Financial Statements include only the significant transactions and changes occurring during the three months since the year-end of December 31, 2024. These Interim Financial Statements do not include all the disclosures required in the annual consolidated financial statements prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB). Accordingly, they should be read in conjunction with the 2024 Annual Financial Statements.

These Interim Financial Statements are presented in Canadian dollars, the Corporation's functional and presentation currency, and have been prepared on the historical cost basis, except for post-employment benefits which are measured at the present value of the post-employment benefit obligation.

The Corporation's revenues, all other things being equal, are impacted by temperature fluctuations and unexpected weather conditions. Generally, revenues would tend to be higher in the first quarter as a result of higher energy consumption for winter heating, and in the third quarter due to air conditioning/cooling. The Corporation's revenues are also impacted by fluctuations in electricity prices and the timing and recognition of regulatory decisions.

### 3. REGULATION

#### ***Electricity distribution rates***

On November 12, 2024, the Ontario Energy Board (OEB) issued its 2025-2029 Custom Incentive Rate-setting (CIR) Decision, and on December 12, 2024, issued its CIR Final Rate Order (together, the 2025-2029 CIR Decision and Rate Order), both in relation to the rate application filed by Toronto Hydro-Electric System Limited (THESL) on November 17, 2023. The 2025-2029 CIR Decision and Rate Order approved the negotiated settlement proposal as filed, final electricity distribution rates for the first year of the five-year rate period effective January 1, 2025, a CIR index for the period commencing on January 1, 2026 and ending on December 31, 2029 and the final clearance of various deferral and variance account balances for the 2020-2024 period through rate riders. The approved rates for 2025 were implemented on January 1, 2025. The financial considerations of the OEB's 2025-2029 CIR Decision and Rate Order are reflected in the Interim Financial Statements (note 6).

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2025 and 2024 (unaudited)

### 4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (PP&E) consists of the following:

(in millions of Canadian dollars)	Distribution assets \$	Land and buildings \$	Equipment and other \$	Construction in progress \$	Total \$
<b>Cost</b>					
Balance as at December 31, 2024	6,975.4	556.1	566.8	717.8	8,816.1
Additions	—	—	—	234.4	234.4
Transfers into service	105.6	2.1	6.5	(114.2)	—
Disposals, retirements and other	(7.9)	—	(0.2)	—	(8.1)
<b>Balance as at March 31, 2025</b>	<b>7,073.1</b>	<b>558.2</b>	<b>573.1</b>	<b>838.0</b>	<b>9,042.4</b>
<b>Accumulated depreciation</b>					
Balance as at December 31, 2024	1,573.0	161.6	323.7	—	2,058.3
Depreciation	43.1	5.8	9.4	—	58.3
Disposals, retirements and other	(3.4)	—	(0.1)	—	(3.5)
<b>Balance as at March 31, 2025</b>	<b>1,612.7</b>	<b>167.4</b>	<b>333.0</b>	<b>—</b>	<b>2,113.1</b>
<b>Carrying amount</b>					
Balance as at December 31, 2024	5,402.4	394.5	243.1	717.8	6,757.8
<b>Balance as at March 31, 2025</b>	<b>5,460.4</b>	<b>390.8</b>	<b>240.1</b>	<b>838.0</b>	<b>6,929.3</b>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2025 and 2024 (unaudited)

### 5. INTANGIBLE ASSETS

Intangible assets consist of the following:

	Computer software	Contributions <sup>(1)</sup>	Software in development	Contributions for work in progress	Total
(in millions of Canadian dollars)	\$	\$	\$	\$	\$
<b>Cost</b>					
Balance as at December 31, 2024	424.5	272.5	37.4	35.2	769.6
Additions	—	—	9.9	0.4	10.3
Transfers into service	5.8	—	(5.8)	—	—
<b>Balance as at March 31, 2025</b>	<b>430.3</b>	<b>272.5</b>	<b>41.5</b>	<b>35.6</b>	<b>779.9</b>
<b>Accumulated amortization</b>					
Balance as at December 31, 2024	283.9	64.6	—	—	348.5
Amortization	10.0	2.8	—	—	12.8
<b>Balance as at March 31, 2025</b>	<b>293.9</b>	<b>67.4</b>	<b>—</b>	<b>—</b>	<b>361.3</b>
<b>Carrying amount</b>					
Balance as at December 31, 2024	140.6	207.9	37.4	35.2	421.1
<b>Balance as at March 31, 2025</b>	<b>136.4</b>	<b>205.1</b>	<b>41.5</b>	<b>35.6</b>	<b>418.6</b>

<sup>(1)</sup> Contributions represent payments made to Hydro One Networks Inc. for dedicated infrastructure in order to receive connections to transmission facilities.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2025 and 2024 (unaudited)

### 6. REGULATORY BALANCES

Debit balances consist of the following:

	As at December 31, 2024	Balances arising in the period	Recovery/ reversal	Other movements	As at March 31, 2025	Remaining recovery/ reversal period (months)
(in millions of Canadian dollars)	\$	\$	\$	\$	\$	
Deferred taxes	139.1	2.6	—	—	141.7	(3)
Settlement variances	160.8	(54.6)	(21.9)	—	84.3	(3)
Externally driven capital	8.5	0.1	—	—	8.6	(3)
Wireline pole attachment	4.3	—	(0.2)	—	4.1	(3)
Cloud computing	4.0	—	(0.7)	—	3.3	(3)
Getting Ontario Connected Act ( <i>note 6(a)</i> )	2.2	—	—	—	2.2	(3)
Other	3.6	0.1	—	—	3.7	—
<b>Total</b>	<b>322.5</b>	<b>(51.8)</b>	<b>(22.8)</b>	<b>—</b>	<b>247.9</b>	

Credit balances consist of the following:

	As at December 31, 2024	Balances arising in the period	Recovery/ reversal	Other movements	As at March 31, 2025	Remaining recovery/ reversal period (months)
(in millions of Canadian dollars)	\$	\$	\$	\$	\$	
Useful life changes	135.2	1.2	(6.3)	—	130.1	(3)
Gain on disposals <sup>(1)</sup>	36.1	2.5	(8.3)	—	30.3	(3)
Other post-employment benefits net actuarial gain <sup>(2)</sup>	19.5	(3.6)	—	—	15.9	(3)
Development charges	11.8	0.2	(0.5)	—	11.5	(3)
Renewable enabling investments	6.1	0.4	—	—	6.5	(3)
Wireless attachment ( <i>note 6(b)</i> )	3.3	0.2	(0.1)	—	3.4	(3)
Capital-related revenue requirement variance	5.2	(0.1)	(2.8)	—	2.3	(3)
Smart metering entity	2.4	—	(0.5)	—	1.9	(3)
Tax-related variances	2.1	—	(0.7)	—	1.4	(3)
Other	2.4	1.4	(0.5)	—	3.3	—
<b>Total</b>	<b>224.1</b>	<b>2.2</b>	<b>(19.7)</b>	<b>—</b>	<b>206.6</b>	

<sup>(1)</sup> This account included amounts recognized in connection with the variable consideration recognized for the disposition of properties in prior years upon achievement of conditions, of which proceeds received have been presented as “proceeds from variable consideration” on the condensed interim consolidated statements of cash flows.

<sup>(2)</sup> Actuarial loss of \$3.6 million (\$2.6 million, net of tax) was recognized as a result of the remeasurement of post-employment benefits to reflect the decrease in discount rate (March 31, 2025 – 4.60%; December 31, 2024 – 4.70%).

<sup>(3)</sup> There were no significant changes to the disposition period for the three months ended March 31, 2025. Refer to note 8 to the 2024 Annual Financial Statements.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2025 and 2024 (unaudited)

The “Balances arising in the period” column consists of new additions to regulatory balances (for both debits and credits). The “Recovery/reversal” column consists of amounts disposed through OEB-approved rate riders. The “Other movements” column consists of impairment and reclassification between the regulatory balances and other regulatory deferral accounts considered to be insignificant. Carrying charges were added to the regulatory balances in accordance with the OEB’s direction, at a rate of 3.64% for January 1, 2025 to March 31, 2025 (January 1, 2024 to June 30, 2024 - 5.49%; July 1, 2024 to September 30, 2024 - 5.20% and October 1, 2024 to December 31, 2024 - 4.40%).

The 2025-2029 CIR Decision and Rate Order (*note 3*) approved modifications to various regulatory deferral accounts effective January 1, 2025.

### a) *Getting Ontario Connected Act (GOCA)*

THESL was directed to use the existing GOCA variance account to capture the variances between the 2025-2029 revenue funded in rates associated with underground locates and incremental costs to enable locates activities driven by the *Getting Ontario Connected Act, 2022* and the *Ontario Underground Infrastructure Notification System Act, 2012* and related legislative and regulatory amendments.

### b) *Wireless attachment*

The wireless attachment account was converted from a deferral account to a variance account, to capture the variances between the forecast of relevant revenues and costs associated with wireless pole attachments and the actual revenues and costs associated with these types of attachments.

## 7. SHORT-TERM BORROWINGS

The amount available under the Revolving Credit Facility and the Commercial Paper Program are as follows:

(in millions of Canadian dollars)	Revolving Credit Facility Limit \$	Commercial Paper Outstanding \$	Revolving Credit Facility Availability \$
<b>Balance as at March 31, 2025</b>	<b>1,000.0</b>	<b>405.0</b>	<b>595.0</b>
Balance as at December 31, 2024	1,000.0	480.0	520.0

As at March 31, 2025 and December 31, 2024, there were no borrowings under the Revolving Credit Facility.

As at March 31, 2025, \$7.9 million had been drawn under the Working Capital Facility (December 31, 2024 – \$5.2 million) and letters of credit totalling \$54.3 million had been issued (December 31, 2024 – \$54.3 million).

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2025 and 2024 (unaudited)

### 8. DEFERRED REVENUE

Deferred revenue consists of the following:

	As at and three months ended March 31, 2025 \$	As at and year ended December 31, 2024 \$
<b>(in millions of Canadian dollars)</b>		
Capital contributions, beginning of period	1,044.9	890.7
Capital contributions received <sup>(1)</sup>	55.4	173.8
Amortization	(5.5)	(19.6)
<b>Capital contributions, end of period</b>	<b>1,094.8</b>	<b>1,044.9</b>
Other deferred revenue	12.2	6.7
<b>Total deferred revenue</b>	<b>1,107.0</b>	<b>1,051.6</b>
Less: Current portion of deferred revenue relating to:		
Capital contributions	27.0	26.7
Other deferred revenue	11.2	5.7
<b>Current portion of deferred revenue</b>	<b>38.2</b>	<b>32.4</b>
<b>Non-current portion of deferred revenue</b>	<b>1,068.8</b>	<b>1,019.2</b>

<sup>(1)</sup> Includes non-cash reversal of \$6.4 million (year ended December 31, 2024 – \$21.4 million non-cash contribution).

### 9. FINANCIAL INSTRUMENTS

#### a) Fair value

As at March 31, 2025 and December 31, 2024, the fair values of accounts receivable and unbilled revenue, Working Capital Facility, commercial paper, and accounts payable and accrued liabilities approximated their carrying amounts due to the short maturity of these instruments. The fair value of customer deposits approximates their carrying amount taking into account interest accrued on the outstanding balance.

Debentures are measured at amortized cost, based on the fair value of the debentures at issuance, which was the fair value of the consideration received adjusted for transaction costs. The fair values of the debentures are based on the present value of contractual cash flows, discounted at the Corporation's current borrowing rate for similar debt instruments, and is included in Level 2 of the fair value hierarchy. As at March 31, 2025, the total fair value of the Corporation's debentures was determined to be approximately \$3,063.4 million (December 31, 2024 – \$3,027.3 million), with a total carrying amount of \$3,176.8 million (December 31, 2024 – \$3,176.6 million).



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2025 and 2024 (unaudited)

### b) Financial risks

The following is a discussion of certain financial risks identified by the Corporation for its financial instruments and related mitigation strategies. This is not an exhaustive list of all risks, nor will the mitigation strategies eliminate all risks listed.

#### Credit risk

The Corporation is exposed to credit risk with respect to customer non-payment of electricity bills. The Corporation considers the current economic and credit conditions to determine the expected credit loss allowance of its accounts receivable and unbilled revenue. Due to the changing economic environment, the estimates and judgments made by management in the preparation of the expected credit loss allowance are subject to estimation uncertainty. The Corporation determines the expected credit loss allowance based on current estimates and assumptions, including, but not limited to, recent trends for customer collections and current and forecasted economic conditions. The Corporation continues to actively monitor its exposure to credit risk.

#### Liquidity risk

The Corporation is exposed to liquidity risk related to its ability to fund its obligations as they become due. The Corporation relies on debt financing through the debt capital markets and existing credit facilities to finance its daily operations, repay existing indebtedness and fund capital expenditures. A changing economic environment created by factors including, but not limited to, uncertain macroeconomic conditions may lead to material adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct negative impact on the Corporation's operating results and financial position in the future. Accordingly, the Corporation continues to monitor liquidity risk and adapt its plans as the economic climate evolves.

## 10. SHARE CAPITAL

Share capital consists of the following:

(in millions of Canadian dollars, except share amounts)	As at March 31, 2025		As at December 31, 2024	
	Number of Shares	\$	Number of Shares	\$
<b>Issued and outstanding <sup>(1)</sup></b>				
Beginning of period	1,228	867.8	1,200	817.8
Common shares issued	14	25.0	28	50.0
<b>End of period</b>	<b>1,242</b>	<b>892.8</b>	<b>1,228</b>	<b>867.8</b>

<sup>(1)</sup> The authorized share capital of the Corporation consists of an unlimited number of common shares with no par value. All shares issued were fully paid.

#### Dividends

On February 26, 2025, the Board of Directors of the Corporation declared a dividend in the amount of \$15.0 million with respect to the first quarter of 2025 (first quarter of 2024 – \$21.0 million), paid to the City on March 31, 2025.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2025 and 2024 (unaudited)

### 11. REVENUES

Revenues consist of the following:

(in millions of Canadian dollars)	Three months ended March 31,	
	2025 \$	2024 \$
<b>Revenue from contracts with customers</b>		
Energy sales	842.0	
Distribution revenue	240.2	
Street lighting services		
Pole and duct rentals		
Ancillary services revenue		
Other regulatory service charges		
Miscellaneous		
<b>Revenue from other sources</b>		
Capital contributions - developers and other	5.2	
Street lighting contributed assets	1.1	
Other		
<b>Total revenues</b>	<b>1,110.2</b>	

### 12. INCOME TAXES

The Corporation's effective tax rate after net movements in regulatory balances for the three months ended March 31, 2025 was 1.5% (three months ended March 31, 2024 – (4.0)%).

Income tax (expense) recovery as presented in the condensed interim consolidated statements of income and the condensed interim consolidated statements of comprehensive income are as follows:

(in millions of Canadian dollars)	Three months ended March 31,	
	2025 \$	2024 \$
Income tax expense	(4.4)	(6.9)
Income tax recorded in net movements in regulatory balances	3.6	8.2
<b>Income tax (expense) recovery and income tax recorded in net movements in regulatory balances</b>	<b>(0.8)</b>	<b>1.3</b>
Income tax (expense) recovery in other comprehensive income (OCI)	1.0	(2.5)
Income tax (expense) recovery in OCI recorded in net movements in regulatory balances	(1.0)	2.5
<b>Income tax in OCI</b>	<b>—</b>	<b>—</b>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2025 and 2024 (unaudited)

### 13. CONSOLIDATED STATEMENTS OF CASH FLOWS

#### a) *Changes in non-cash operating working capital*

Changes in non-cash operating working capital consist of the following:

(in millions of Canadian dollars)	Three months ended March 31,	
	2025 \$	2024 \$
Accounts receivable and unbilled revenue	5.1	
Income tax receivable	0.6	(0.5)
Materials and supplies	(1.0)	
Other current assets	(0.1)	87.3
Accounts payable and accrued liabilities	(4.4)	
Income tax payable	—	
Deferred revenue	5.8	
Deferred conservation credit	—	
<b>Total changes in non-cash operating working capital</b>	<b>6.0</b>	

#### b) *Reconciliation of additions to PP&E and intangible assets*

Reconciliation of the amounts presented on the condensed interim consolidated statements of cash flows to the additions to PP&E and intangible assets is as follows:

(in millions of Canadian dollars)	Three months ended March 31,	
	2025 \$	2024 \$
Purchase of PP&E, cash basis	233.3	184.2
Net change in accounts payable and accruals related to PP&E	(5.0)	(11.1)
Non-cash contributed assets	5.8	1.4
Other	0.3	0.2
<b>Additions to PP&amp;E</b>	<b>234.4</b>	<b>174.7</b>
Purchase of intangible assets, cash basis	10.0	30.9
Net change in accounts payable and accruals related to intangible assets	0.3	(6.1)
<b>Additions to intangible assets</b>	<b>10.3</b>	<b>24.8</b>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2025 and 2024 (unaudited)

### 14. SUMMARY OF MATERIAL ACCOUNTING POLICIES

#### ***a) Use of judgments and estimates***

The preparation of the Corporation's Interim Financial Statements requires management to make judgments, estimates and assumptions which affect the application of accounting policies, reported assets, liabilities and regulatory balances, disclosure of contingent assets and liabilities at the date of the Interim Financial Statements, and the reported revenues and expenses for the period. The estimates are based on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities as well as for identifying and assessing the accounting treatment with respect to commitments and contingencies. Actual results could differ from those estimates, including changes as a result of future decisions made by the OEB, the Independent Electricity System Operator, the Ontario Ministry of Energy, or the Ontario Ministry of Finance. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. The significant judgments made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those described in note 25(b) to the 2024 Annual Financial Statements.

#### ***b) Future accounting pronouncements***

The IASB has issued a number of standards and amendments to existing standards that are not yet effective. The Corporation has determined that the following standard and amendments could have an impact on the Corporation's consolidated financial statements when adopted.

##### **IFRS 18 *Presentation and Disclosure in Financial Statements* (IFRS 18)**

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 *Presentation of Financial Statements* and introduces limited amendments to IAS 7 *Statement of Cash Flows*. IFRS 18 aims to improve communication of financial information in the financial statements, with a focus on information about financial performance in the statement of profit or loss. To meet this objective, IFRS 18 introduces additional defined subtotals in the statement of profit or loss, disclosures about management-defined performance measures, and enhanced requirements for grouping (aggregation and disaggregation) of information. The standard is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. The standard is to be applied retrospectively.

The Corporation is currently assessing the impact of the above standard on the Corporation's consolidated financial statements.

##### **Classification and Measurement of Financial Instruments (Amendments to IFRS 9 *Financial Instruments* (IFRS 9) and IFRS 7 *Financial Instruments: Disclosures* (IFRS 7))**

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 relating to the classification and measurement of financial instruments. The amendments clarify that a financial liability is derecognized on the 'settlement date' and introduce an accounting policy choice to derecognize financial liabilities settled using an electronic payment system before the settlement date, if specified criteria are met. Other clarifications include the classification of financial assets with environmental, social, and governance linked features and other similar contingent features, financial assets with non-recourse features, and contractually linked instruments. The amendments also introduce additional disclosures for financial instruments with contingent features and equity instruments designated at fair value through OCI. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with early adoption permitted. The amendments are to be applied retrospectively.

The Corporation is currently assessing the impact of the above amendments on the Corporation's consolidated financial statements.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2025 and 2024 (unaudited)

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### 15. SUBSEQUENT EVENTS

The Corporation has evaluated the events and transactions occurring after the balance sheet date through to May 8, 2025 when the Corporation's Interim Financial Statements were authorized for issuance by the Corporation's Board of Directors, and has identified the following events and transactions which required disclosure in the notes to the Interim Financial Statements.

#### ***Dividends***

On May 8, 2025, the Board of Directors of the Corporation declared a dividend in the amount of \$15.0 million with respect to the second quarter of 2025 (second quarter of 2024 – \$21.0 million), payable to the City by June 30, 2025.