



THIRD QUARTER FINANCIAL REPORT
SEPTEMBER 30, 2025

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2025 AND 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2025 and 2024 (unaudited)

THIRD QUARTER HIGHLIGHTS

Financial Performance

- Toronto Hydro Corporation (the Corporation) and its subsidiaries (collectively, Toronto Hydro) continued to deliver strong financial performance for the three and nine months ended September 30, 2025, reporting net income after net movements in regulatory balances of \$67.5 million and \$178.1 million, respectively, compared to \$45.0 million and \$121.3 million for the comparative periods in 2024;
- Toronto Hydro remained focused on enhancing its capital investment strategy, with a primary emphasis on renewing the electricity distribution infrastructure of Toronto Hydro-Electric System Limited (THESL). Capital expenditures were \$237.8 million and \$719.7 million for the three and nine months ended September 30, 2025, respectively, compared to \$204.4 million and \$621.1 million for the comparative periods in 2024; and
- On November 19, 2025, the Board of Directors of the Corporation declared a dividend of \$15.0 million, payable to the City of Toronto (the City) by December 31, 2025.

Financing and Liquidity

- On July 18, 2025, the Corporation filed a base shelf prospectus with provincial securities regulators in Canada, allowing offerings of unsecured debentures in an aggregate amount of up to \$1.5 billion over a 25-month period;
- On September 18, 2025, the maturity date of the Revolving Credit Facility was extended from September 18, 2029 to September 18, 2030;
- On September 24, 2025, the Corporation successfully issued \$400 million of senior unsecured debentures in two tranches; and
- On November 4, 2025, S&P Global Ratings announced its decision to maintain the Corporation's issuer rating and senior unsecured debentures rating at "A+" as well as the Corporation's issuer rating outlook as "stable".

Innovation and Industry Recognition

- In August 2025, Toronto Hydro's GenAI Agent, a generative AI-powered chatbot agent, was recognized as a Chief Information Officer Awards Canada winner; and
- In September 2025, Toronto Hydro received the Innovation Award from the Ontario Energy Association in recognition for its significant contributions to industry advancements in the energy sector.

Regulatory and Governance

- On August 12, 2025, THESL filed its 2026 rate application seeking the Ontario Energy Board's (OEB) approval to finalize distribution rates and other charges for the period commencing on January 1, 2026 and ending on December 31, 2026; and
- At its meeting held on November 12-14, 2025, Toronto City Council appointed Councillor Neethan Shan to the Corporation's Board of Directors as Mayor's designate for a term of office until November 14, 2026, and until a successor is appointed.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2025 and 2024 (unaudited)

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 and nine months ended September 30, 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 and Toronto Hydro's website (torontohydro.com/corporate-reports).

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2025 and 2024 (unaudited)

BUSINESS OF TORONTO HYDRO CORPORATION

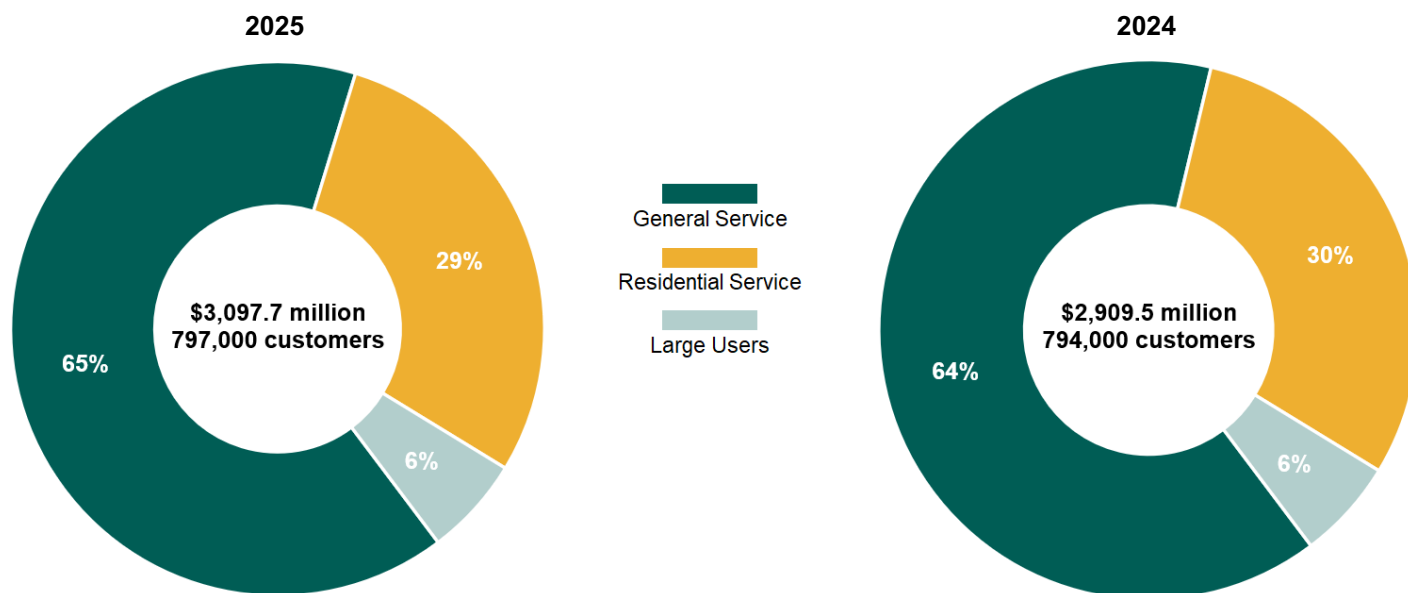
The Corporation is a holding company which wholly owns two subsidiaries:

- 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 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 18% of the electricity consumed in Ontario. The business of THESL is regulated by the 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 nine months ended September 30, 2025, THESL recognized energy sales and distribution revenue of \$3,097.7 million from General Service Users⁽¹⁾, Residential Service Users⁽²⁾ and Large Users⁽³⁾.

**THESL Energy Sales and Distribution Revenue by Class
Nine months ended September 30, 2025 and 2024**



⁽¹⁾ "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.

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

⁽³⁾ "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 and nine months ended September 30, 2025 and 2024 (unaudited)

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 September 30,		Change	Change
	2025 \$	2024 \$	\$	%
Revenues				
Energy sales	843.9	794.0	49.9	6.3 %
Distribution revenue	250.9	246.4	4.5	1.8 %
Other	33.9	30.7	3.2	10.4 %
	1,128.7	1,071.1	57.6	5.4 %
Expenses				
Energy purchases	832.6	835.6	(3.0)	(0.4)%
Operating expenses	91.6	88.0	3.6	4.1 %
Depreciation and amortization	77.6	73.1	4.5	6.2 %
	1,001.8	996.7	5.1	0.5 %
Finance costs	(34.7)	(35.1)	0.4	(1.1)%
Income before income taxes	92.2	39.3	52.9	>100%
Income tax expense	(15.9)	(10.1)	(5.8)	57.4 %
Net income	76.3	29.2	47.1	>100%
Net movements in regulatory balances	(19.5)	6.5	(26.0)	>100%
Net movements in regulatory balances arising from deferred taxes	10.7	9.3	1.4	15.1 %
Net income after net movements in regulatory balances	67.5	45.0	22.5	50.0 %

For the three months ended September 30, 2025, net income after net movements in regulatory balances was higher by \$22.5 million. The increase was primarily due to lower net credit amounts deferred into regulatory accounts (\$26.9 million), higher distribution revenue (\$4.5 million) and higher other revenue (\$3.2 million), partially offset by higher depreciation and amortization expense (\$4.5 million), higher income taxes (\$4.4 million) and higher operating expenses (\$3.6 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 and nine months ended September 30, 2025 and 2024 (unaudited)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME

(in millions of Canadian dollars, unaudited)

	Nine months ended September 30,		Change \$	Change %
	2025 \$	2024 \$		
Revenues				
Energy sales	2,370.2	2,204.2	166.0	7.5 %
Distribution revenue	727.5	705.3	22.2	3.1 %
Other	101.8	88.8	13.0	14.6 %
	3,199.5	2,998.3	201.2	6.7 %
Expenses				
Energy purchases	2,389.6	2,285.8	103.8	4.5 %
Operating expenses	278.1	272.7	5.4	2.0 %
Depreciation and amortization	232.3	214.8	17.5	8.1 %
	2,900.0	2,773.3	126.7	4.6 %
Finance costs	(101.0)	(102.9)	1.9	(1.8)%
Income before income taxes	198.5	122.1	76.4	62.6 %
Income tax expense	(28.6)	(23.3)	(5.3)	22.7 %
Net income	169.9	98.8	71.1	72.0 %
Net movements in regulatory balances	(10.5)	(4.0)	(6.5)	>100%
Net movements in regulatory balances arising from deferred taxes	18.7	26.5	(7.8)	(29.4)%
Net income after net movements in regulatory balances	178.1	121.3	56.8	46.8 %

For the nine months ended September 30, 2025, net income after net movements in regulatory balances was higher by \$56.8 million. The increase was primarily due to lower net credit amounts deferred into regulatory accounts (\$55.7 million), higher distribution revenue (\$22.2 million) and higher other revenue (\$13.0 million), partially offset by higher depreciation and amortization expense (\$17.5 million), higher income taxes (\$13.1 million) and higher operating expenses (\$5.4 million).

MANAGEMENT'S DISCUSSION AND ANALYSIS

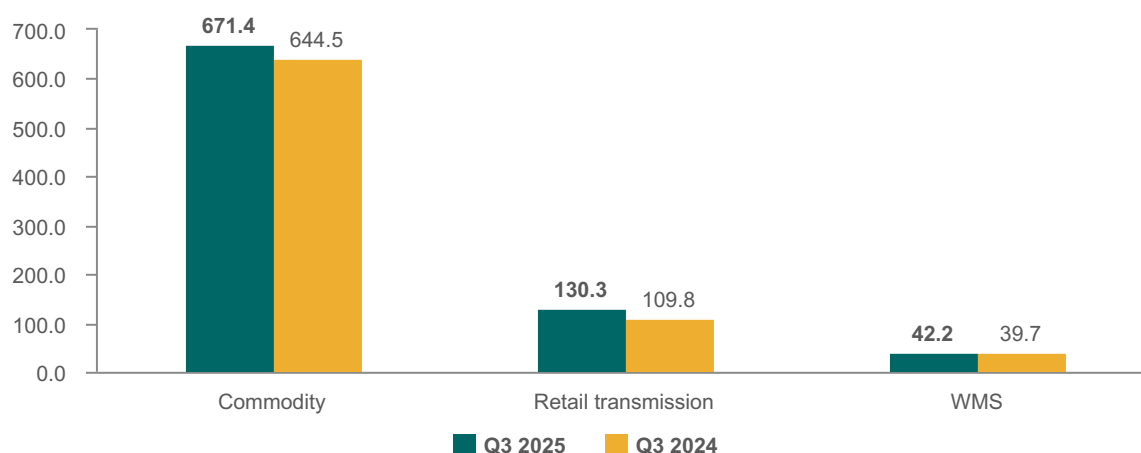
For the three and nine months ended September 30, 2025 and 2024 (unaudited)

Energy Sales, Energy Purchases and Settlement Variances

Energy Sales

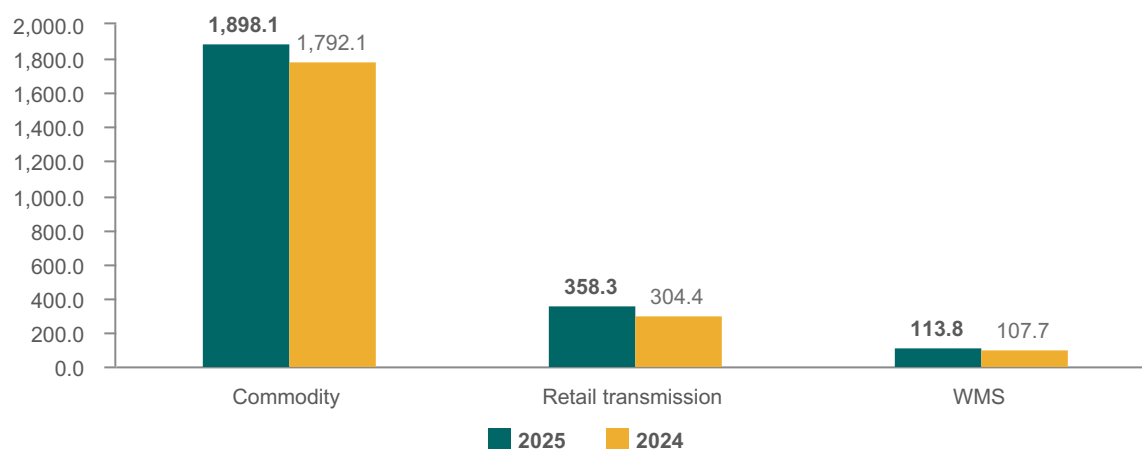
THESL's energy sales arise from charges to customers for electricity consumed, based on regulated rates. Energy sales include amounts billed or billable to customers for commodity charges, retail transmission charges, and wholesale market service (WMS) charges at current rates. These charges are passed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

Energy sales for the three months ended September 30, 2025 and 2024 (in millions of Canadian dollars) were comprised of:



Energy sales for the three months ended September 30, 2025 were \$843.9 million, compared to \$794.0 million for the comparative period in 2024. The increase was due to higher commodity charges (\$26.9 million), higher retail transmission charges (\$20.5 million) and higher WMS charges (\$2.5 million).

Energy sales for the nine months ended September 30, 2025 and 2024 (in millions of Canadian dollars) were comprised of:



Energy sales for the nine months ended September 30, 2025 were \$2,370.2 million, compared to \$2,204.2 million for the comparative period in 2024. The increase was due to higher commodity charges (\$106.0 million), higher retail transmission charges (\$53.9 million) and higher WMS charges (\$6.1 million).

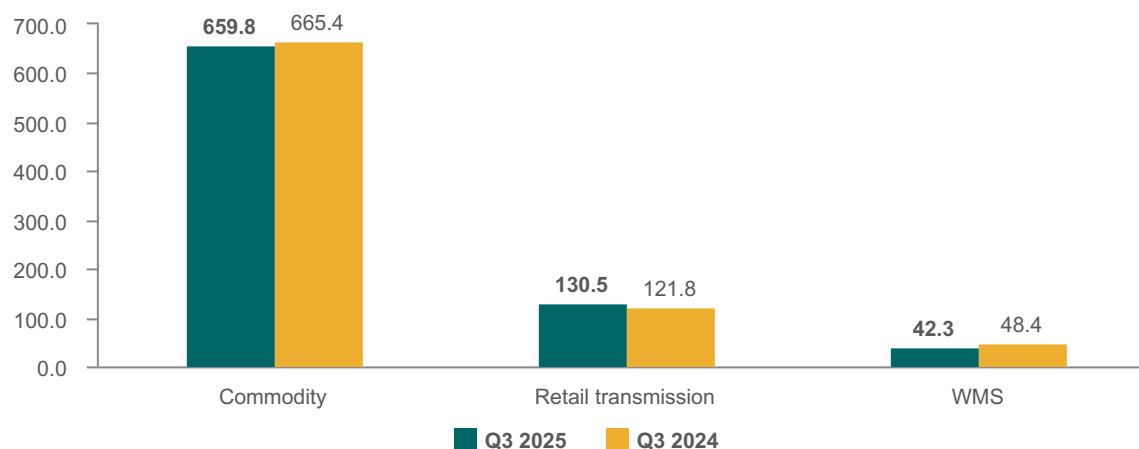
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2025 and 2024 (unaudited)

Energy Purchases

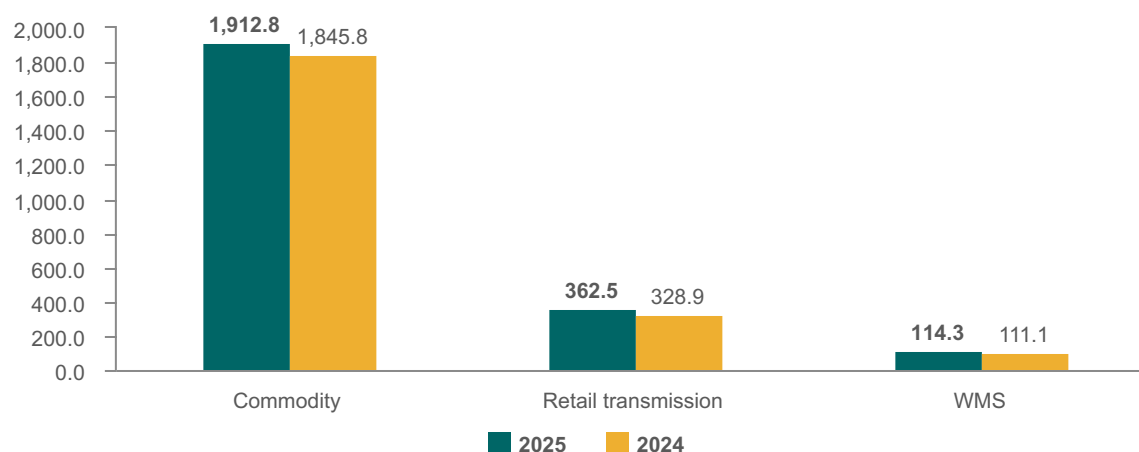
THESL's energy purchases consist of actual charges for electricity generated by third parties, which are passed through to customers over time in the form of energy sales. Energy purchases are billed monthly by the Independent Electricity System Operator (IESO) and include commodity charges, retail transmission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

Energy purchases for the three months ended September 30, 2025 and 2024 (in millions of Canadian dollars) were comprised of:



Energy purchases for the three months ended September 30, 2025 were \$832.6 million compared to \$835.6 million for the comparative period in 2024. The decrease was due to lower WMS charges (\$6.1 million) and lower commodity charges (\$5.6 million), partially offset by higher retail transmission charges (\$8.7 million).

Energy purchases for the nine months ended September 30, 2025 and 2024 (in millions of Canadian dollars) were comprised of:



Energy purchases for the nine months ended September 30, 2025 were \$2,389.6 million compared to \$2,285.8 million for the comparative period in 2024. The increase was due to higher commodity charges (\$67.0 million), higher retail transmission charges (\$33.6 million) and higher WMS charges (\$3.2 million).

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2025 and 2024 (unaudited)

Settlement Variances

(in millions of Canadian dollars, unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2025 \$	2024 \$	2025 \$	2024 \$
Commodity charges	11.6	(20.9)	(14.7)	(53.7)
Retail transmission charges	(0.2)	(12.0)	(4.2)	(24.5)
WMS charges	(0.1)	(8.7)	(0.5)	(3.4)
Total	11.3	(41.6)	(19.4)	(81.6)

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 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 September 30, 2025, THESL recognized \$843.9 million in energy sales to customers and was billed \$832.6 million for energy purchases from the IESO. The difference between energy sales and energy purchases represents a \$11.3 million settlement variance for the period. The settlement variance was recorded as a decrease to the regulatory debit balance (\$10.8 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.

For the nine months ended September 30, 2025, THESL recognized \$2,370.2 million in energy sales to customers and was billed \$2,389.6 million for energy purchases from the IESO. The difference between energy sales and energy purchases represents a \$19.4 million settlement variance for the period. The settlement variance was recorded as an increase to the regulatory debit balance (\$21.7 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.

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 and nine months ended September 30, 2025 was \$250.9 million and \$727.5 million, respectively, compared to \$246.4 million and \$705.3 million for the comparative periods in 2024.

The increase of \$4.5 million in distribution revenue for the three months ended September 30, 2025 was driven by higher 2025 distribution rates (\$19.9 million) and higher electricity consumption (\$3.1 million), partially offset by lower revenue collected through OEB-approved rate riders (\$18.5 million).

The increase of \$22.2 million in distribution revenue for the nine months ended September 30, 2025 was driven by higher 2025 distribution rates (\$56.1 million) and higher electricity consumption (\$7.9 million), partially offset by lower revenue collected through OEB-approved rate riders (\$41.8 million).

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2025 and 2024 (unaudited)

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 and nine months ended September 30, 2025 was \$33.9 million and \$101.8 million, respectively, compared to \$30.7 million and \$88.8 million for the comparative periods in 2024.

The increase of \$3.2 million in other revenue for the three months ended September 30, 2025 was primarily due to higher amortization of capital contributions.

The increase of \$13.0 million in other revenue for the nine months ended September 30, 2025 was primarily due to higher revenue from street lighting contributed assets and higher amortization of capital contributions.

Operating Expenses

Operating expenses for the three and nine months ended September 30, 2025 were \$91.6 million and \$278.1 million, respectively, compared to \$88.0 million and \$272.7 million for the comparative periods in 2024.

The increase of \$3.6 million in operating expenses for the three months ended September 30, 2025 was primarily due to higher administrative expenses and higher ancillary services.

The increase of \$5.4 million in operating expenses for the nine months ended September 30, 2025 was primarily due to higher administrative expenses and higher bad debt expense, partially offset by lower system maintenance costs and lower ancillary services.

Depreciation and Amortization

Depreciation and amortization expense, which includes losses on the derecognition of assets removed from service, for the three and nine months ended September 30, 2025 was \$77.6 million and \$232.3 million, respectively, compared to \$73.1 million and \$214.8 million for the comparative periods in 2024.

The increase of \$4.5 million and \$17.5 million in depreciation and amortization expense for the three and nine months ended September 30, 2025, respectively, was primarily due to higher in-service asset additions and higher losses on assets derecognized from service, partially offset by fully depreciated assets.

Finance Costs

Finance costs for the three and nine months ended September 30, 2025 were \$34.7 million and \$101.0 million, respectively, compared to \$35.1 million and \$102.9 million for the comparative periods in 2024.

The decrease of \$0.4 million and \$1.9 million in finance costs for the three and nine months ended September 30, 2025, respectively, was primarily due to a lower weighted average interest rate of 2.88% and 2.98% (4.64% and 4.96% for the comparative periods in 2024), respectively, 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 and nine months ended September 30, 2025 and 2024 (unaudited)

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

Income tax expense and income tax recorded in net movements in regulatory balances for the three and nine months ended September 30, 2025 was \$5.2 million and \$9.9 million, respectively, compared to an expense of \$0.8 million and a recovery of \$3.2 million for the comparative periods in 2024.

The increase in income tax expense and income tax recorded in net movements in regulatory balances for the three and nine months ended September 30, 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 \$22.9 million in the regulatory debit and decrease of \$31.1 million in the regulatory credit balances for the nine months ended September 30, 2025 equals the sum of \$8.2 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.

The net movements in regulatory balances for the three and nine months ended September 30, 2025 were \$(19.5) million and \$(10.5) million, respectively, compared to \$6.5 million and \$(4.0) million for the comparative periods in 2024.

The net movements in regulatory balances of \$(19.5) million for the three months ended September 30, 2025 was primarily due to the settlement variance between the electricity costs billed monthly by the IESO and THESL's billing to customers, recognition of the revenue variance account and gain on disposals resulting from variable consideration in connection with the disposal of two properties in prior years. The net movements in regulatory balances of \$6.5 million for the three months ended September 30, 2024 was primarily due to the settlement variance between the electricity costs billed monthly by the IESO and THESL's billing to customers, partially offset by changes to the useful lives of property, plant and equipment (PP&E) and amounts disposed of through OEB-approved rate riders.

The net movements in regulatory balances of \$(10.5) million for the nine months ended September 30, 2025 was primarily due to the recognition of the revenue variance account and gain on disposals resulting from variable consideration in connection with the disposal of two properties in prior years, partially offset by the settlement variance between the electricity costs billed monthly by the IESO and THESL's billing to customers. The net movements in regulatory balances of \$(4.0) million for the nine months ended September 30, 2024 was primarily due to the changes to the useful lives of PP&E and amounts disposed of through OEB-approved rate riders, partially offset by the settlement variance between the electricity costs billed monthly by the IESO and THESL's billing to customers.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2025 and 2024 (unaudited)

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 September 30, 2025.

	September 30, 2025	June 30, 2025	March 31, 2025	December 31, 2024
(in millions of Canadian dollars, unaudited)	\$	\$	\$	\$
Revenues				
Energy sales	843.9	684.3	842.0	719.1
Distribution revenue	250.9	236.4	240.2	232.5
Other	33.9	39.9	28.0	30.1
	1,128.7	960.6	1,110.2	981.7
Net income after net movements in regulatory balances	67.5	57.4	53.2	9.0

	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023
(in millions of Canadian dollars, unaudited)	\$	\$	\$	\$
Revenues				
Energy sales	794.0	671.1	739.1	691.4
Distribution revenue	246.4	233.7	225.2	210.4
Other	30.7	30.4	27.7	32.6
	1,071.1	935.2	992.0	934.4
Net income after net movements in regulatory balances	45.0	42.4	33.9	20.4

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 and nine months ended September 30, 2025 and 2024 (unaudited)

FINANCIAL POSITION

The following table outlines the significant changes in the Consolidated Balance Sheet as at September 30, 2025 compared to December 31, 2024.

Balance Sheet Account (in millions of Canadian dollars, unaudited)	Increase (Decrease) \$	Explanation of Significant Change
Assets		
Accounts receivable and unbilled revenue	(32.6)	The decrease was primarily due to lower pass-through electricity costs and payment received in relation to the properties disposed in previous years, partially offset by higher electricity consumption.
PP&E and intangible assets	485.9	The increase was largely due to capital expenditures (refer to "Investing Activities"), partially offset by depreciation and amortization during the period.
Liabilities and Equity		
Commercial paper	(270.0)	The decrease was due to repayment using proceeds from debenture issuances (refer to "Liquidity and Capital Resources" and "Financing Activities").
Customer deposits	33.5	The increase was primarily due to higher security deposits received, net of refunds.
Deferred revenue	115.3	The increase was mainly due to capital contributions received, partially offset by amortization during the period.
Deferred tax liabilities	17.7	The increase was driven by lower tax values as compared to accounting values of PP&E and intangible assets.
Debentures	398.3	The increase was related to the issuance of debentures (refer to "Financing Activities").
Share capital	25.0	The increase was related to an equity contribution from the City (refer to "New Equity Investment from the City").
Retained earnings	133.1	The increase was due to net income after net movements in regulatory balances (\$178.1 million), net of dividends paid (\$45.0 million).
Regulatory Balances		
Regulatory debit balances	(22.9)	The decrease was primarily related to amounts recovered through OEB-approved rate riders, partially offset by the settlement variances between the electricity costs billed monthly by the IESO and THESL's billing to customers and an increase in deferred taxes.
Regulatory credit balances	(31.1)	The decrease was primarily due to amounts disposed of through OEB-approved rate riders, partially offset by recognition of the revenue variance account and gain on disposals.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2025 and 2024 (unaudited)

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, 2025, the maturity date of the Revolving Credit Facility was extended from September 18, 2029 to September 18, 2030. 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 September 30, 2025, letters of credit totalling \$54.8 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 September 30, 2025, \$9.0 million had been drawn under the Working Capital Facility (December 31, 2024 – \$5.2 million). Cash and cash equivalents (working capital balances) presented on the condensed interim consolidated statements of cash flows includes bank overdrafts that are repayable on demand and form an integral part of the Corporation's cash management.

Current assets and current liabilities amounted to \$585.5 million and \$1,049.5 million, respectively, as at September 30, 2025, resulting in a working capital deficit of \$464.0 million. The deficit was primarily attributable to the Corporation's preference for utilizing its Commercial Paper Program and Working Capital Facility, and the reclassification of Series 12 debentures to current liabilities due on August 25, 2026. 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:

(in millions of Canadian dollars)	Revolving Credit Facility Limit \$	Commercial Paper Outstanding \$	Revolving Credit Facility Availability \$
Balance as at September 30, 2025	1,000.0	210.0	790.0
Balance as at December 31, 2024	1,000.0	480.0	520.0

As at September 30, 2025 and December 31, 2024, there were no borrowings under the Revolving Credit Facility.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2025 and 2024 (unaudited)

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 September 30,		Nine months ended September 30,	
	2025 \$	2024 \$	2025 \$	2024 \$
Cash and cash equivalents (working capital facility), beginning of period	(4.8)	9.3	(5.2)	(7.3)
Net cash provided by operating activities	234.3	101.5	635.6	481.3
Net cash used in investing activities	(211.6)	(220.5)	(653.4)	(643.1)
Net cash provided by (used in) financing activities	(26.9)	109.7	14.0	169.1
Working capital facility, end of period	(9.0)	—	(9.0)	—

Operating Activities

Net cash provided by operating activities for the three and nine months ended September 30, 2025 was \$234.3 million and \$635.6 million, respectively, compared to \$101.5 million and \$481.3 million for the comparative periods in 2024.

The increase in net cash provided by operating activities for the three months ended September 30, 2025 was primarily due to timing differences in the settlement of receivables and payables and higher net income before net movements in regulatory balances, partially offset by a decrease in customer deposits.

The increase in net cash provided by operating activities for the nine months ended September 30, 2025 was primarily due to timing differences in the settlement of receivables and payables, higher net income before net movements in regulatory balances and an increase in customer deposits, partially offset by lower other current assets.

Investing Activities

Net cash used in investing activities for the three and nine months ended September 30, 2025 was \$211.6 million and \$653.4 million, respectively, compared to \$220.5 million and \$643.1 million for the comparative periods 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 and nine months ended September 30, 2025 and 2024 (unaudited)

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

(in millions of Canadian dollars, unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2025 \$	2024 \$	2025 \$	2024 \$
Regulated THESL				
Distribution system				
Planned ⁽¹⁾	194.4	159.4	593.9	502.7
Reactive ⁽²⁾	16.6	18.7	53.3	47.6
Technology assets	14.4	16.1	43.2	44.8
Other ⁽³⁾	9.5	7.8	20.6	19.3
Regulated capital expenditures	234.9	202.0	711.0	614.4
Unregulated capital expenditures ⁽⁴⁾	2.9	2.4	8.7	6.7
Total capital expenditures	237.8	204.4	719.7	621.1

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

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

⁽³⁾ Includes fleet capital and building enhancements.

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

The total regulated capital expenditures for the three and nine months ended September 30, 2025 were \$234.9 million and \$711.0 million, respectively, compared to \$202.0 million and \$614.4 million for the comparative periods in 2024.

For the three months ended September 30, 2025, the increase of \$32.9 million in regulated capital expenditures was primarily due to higher spending on customer connections (\$24.6 million), critical capital equipment (\$12.7 million), customer-initiated plant expansions and relocations (\$7.0 million) and facilities management and security (\$3.5 million). These variances were partially offset by lower spending on replacement of underground infrastructure (\$7.1 million) and network infrastructure (\$3.2 million).

For the nine months ended September 30, 2025, the increase of \$96.6 million in regulated capital expenditures was primarily due to higher spending on customer connections (\$71.5 million), critical capital equipment (\$40.8 million), metering (\$20.1 million), replacement of overhead infrastructure (\$14.3 million) and street lighting contributed assets (\$7.5 million). These variances were partially offset by lower spending on replacement of underground infrastructure (\$21.3 million), network infrastructure (\$19.0 million) and stations programs (\$14.9 million).

The largest capital initiatives in 2025 include the delivery of customer connections as well as 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 nine months ended September 30, 2025, capital expenditures for the delivery of customer connections were \$198.6 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 nine months ended September 30, 2025, capital expenditures for overhead and underground infrastructure were \$113.5 million and \$75.1 million, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2025 and 2024 (unaudited)

Financing Activities

Net cash provided by (used in) financing activities for the three and nine months ended September 30, 2025 was \$(26.9) million and \$14.0 million, respectively, compared to \$109.7 million and \$169.1 million for the comparative periods in 2024.

The decrease in net cash provided by financing activities for the three months ended September 30, 2025 was primarily due to higher net commercial paper repayments, partially offset by higher issuance of debentures and lower dividends paid.

The decrease in net cash provided by financing activities for the nine months ended September 30, 2025 was primarily due to higher net commercial paper repayments, partially offset by higher issuance of debentures, issuance of common shares and lower dividends paid.

On July 18, 2025, the Corporation filed a base shelf prospectus with provincial securities regulators in Canada, allowing offerings of unsecured debentures in an aggregate amount of up to \$1.5 billion over a 25-month period.

On September 24, 2025, the Corporation issued \$400.0 million of senior unsecured debentures. The issuance consisted of \$200.0 million of 3.65% senior unsecured debentures due on September 24, 2032 at a price of \$999.88 per \$1,000 principal amount (Series 23), and \$200.0 million of 4.75% senior unsecured debentures due on September 24, 2055 at a price of \$999.52 per \$1,000 principal amount (Series 24). The Series 23 and Series 24 debentures bear interest payable semi-annually in arrears. The net proceeds from the issuance of the Series 23 and Series 24 debentures have been used to repay certain indebtedness under the Corporation's Commercial Paper Program, the proceeds of which were used for general corporate purposes. Debenture issuance costs of \$2.6 million relating to both Series were recorded against the carrying amount of the debentures and are amortized to finance costs using the effective interest method.

As at September 30, 2025, the Corporation had debentures outstanding in the principal amount of \$3.6 billion. These debentures will mature between 2026 and 2063. As at September 30, 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.

	DBRS Limited (DBRS)		S&P Global Ratings	
	Credit Rating	Trend	Credit Rating	Outlook
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.

On November 4, 2025, S&P Global Ratings announced its decision to maintain the Corporation's issuer rating and senior unsecured debentures rating at "A+" as well as the Corporation's issuer rating outlook as "stable".

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 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2025 and 2024 (unaudited)

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

On August 13, 2025, the Board of Directors of the Corporation declared a dividend of \$15.0 million with respect to the third quarter of 2025 (third quarter of 2024 – \$21.0 million), paid to the City on September 30, 2025.

On November 19, 2025, the Board of Directors of the Corporation declared a dividend of \$15.0 million with respect to the fourth quarter of 2025 (fourth quarter of 2024 – \$20.9 million), payable to the City by December 31, 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 ⁽¹⁾ \$	2026 / 2027 \$	2028 / 2029 \$	After 2029 \$
Commercial paper ⁽²⁾	210.0	210.0	—	—	—
Debentures - principal repayment	3,595.0	—	200.0	400.0	2,995.0
Debentures - interest payments	2,338.4	40.8	266.0	250.7	1,780.9
Other commitments ⁽³⁾	6.1	0.4	2.2	0.9	2.6
Total contractual obligations and other commitments	6,149.5	251.2	468.2	651.6	4,778.5

⁽¹⁾ Due over the period from October 1, 2025 to December 31, 2025.

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

⁽³⁾ Primarily relates to commitments for asset management and information technology service contracts.

CORPORATE DEVELOPMENTS

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

At its meeting held on November 12-14, 2025, Toronto City Council appointed Councillor Neethan Shan to the Corporation's Board of Directors as Mayor's designate for a term of office until November 14, 2026, and until a successor is appointed.

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 develop an action plan to enhance its support for the City's TransformTO Net Zero Strategy, which targets net-zero emissions by 2040. Toronto Hydro submitted its Climate Action Plan in September 2021, followed by its first Status Report in June 2022. In July 2022, City Council adopted the reports' recommendations, including the establishment of a new Climate Advisory Services business. City Council also directed Toronto Hydro and the City to formalize coordination of climate mitigation efforts through a memorandum of understanding, which was signed in April 2023 and presented to City Council in May 2023.

Climate Advisory Services aims to reduce greenhouse gas (GHG) emissions through electrification by addressing barriers that hinder customer participation in the energy transition. The Climate Action Plan outlines services such as: identifying

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2025 and 2024 (unaudited)

tailored opportunities; advising on climate actions and implementation timing; recommending clean tech solutions; supporting access to funding (grants or loans); removing barriers for low-income customers; as well as assisting with implementation monitoring and evaluation. Toronto Hydro staff leverage their expertise to facilitate and support customers through the energy transition.

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.

On August 12, 2025, THESL filed its 2026 rate application seeking the OEB's approval to finalize distribution rates and other charges for the period commencing on January 1, 2026 and ending on December 31, 2026.

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 worked cooperatively with the applicable regulators to review and assess the matter, and to address any potential impacts to the environment arising from this event. To date, the applicable regulators, including the Ontario Ministry of the Environment, Conservation and Parks (the MECP), have not requested additional information or action and THESL has not received any indication that the MECP intends to investigate the matter or otherwise take any enforcement action. Environment and Climate Change Canada has closed its investigation and has informed THESL that it will not be seeking any fines or penalties from THESL regarding this matter. As with any release to the natural environment, potential 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, if 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 Executive Vice President and Chief Financial Officer (CFO) have reviewed the Interim Financial Statements and the MD&A for the three and nine months ended September 30, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2025 and 2024 (unaudited)

USE OF JUDGMENTS AND ESTIMATES

The preparation of the 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 Toronto Hydro'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. Toronto Hydro 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.

Toronto Hydro 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2025 and 2024 (unaudited)

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 this 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 the incident 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 section entitled "Future Accounting Pronouncements"; the impact on Toronto Hydro's operating results and financial position in the future due to uncertain economic factors 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 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; and 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2025 and 2024 (unaudited)

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, energy transition, and economic development; 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 and procure materials 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 Toronto Hydro is unable to maintain its financial health and performance at acceptable levels; risk that insufficient debt or equity financing will be available to meet Toronto Hydro'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 Toronto Hydro's image in the community, public confidence or brand; risk associated with Toronto Hydro 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 2024 Annual MD&A.

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 2024 Annual Information Form, is available on the SEDAR+ website (sedarplus.ca) and Toronto Hydro's website (torontohydro.com/corporate-reports).

Toronto, Canada

November 19, 2025



UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2025 AND 2024

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars, unaudited)

	Note	As at September 30, 2025 \$	As at December 31, 2024 \$
ASSETS			
Current			
Accounts receivable and unbilled revenue		550.9	583.5
Income tax receivable		0.1	2.3
Materials and supplies		10.0	9.0
Other assets		24.5	21.6
Total current assets		585.5	616.4
Property, plant and equipment	4	7,244.2	6,757.8
Intangible assets	5	420.6	421.1
Deferred tax assets		0.9	0.9
Other assets		14.8	16.1
Total assets		8,266.0	7,812.3
Regulatory balances	6	299.6	322.5
Total assets and regulatory balances		8,565.6	8,134.8
LIABILITIES AND EQUITY			
Current			
Working capital facility	7	9.0	5.2
Commercial paper	7	210.0	480.0
Accounts payable and accrued liabilities		504.8	499.9
Customer deposits		95.1	57.7
Deferred revenue	8	30.7	32.4
Debentures	9, 10(a)	199.9	—
Total current liabilities		1,049.5	1,075.2
Debentures	9, 10(a)	3,375.0	3,176.6
Customer deposits		55.8	59.7
Deferred revenue	8	1,136.2	1,019.2
Post-employment benefits		247.9	247.7
Deferred tax liabilities		146.4	128.7
Other liabilities		3.7	3.6
Total liabilities		6,014.5	5,710.7
Equity			
Share capital	11	892.8	867.8
Retained earnings		1,465.3	1,332.2
Total equity		2,358.1	2,200.0
Total liabilities and equity		8,372.6	7,910.7
Regulatory balances	6	193.0	224.1
Total liabilities, equity and regulatory balances		8,565.6	8,134.8

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)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2025 \$	2024 \$	2025 \$	2024 \$
Revenues					
Energy sales	12	843.9	794.0	2,370.2	2,204.2
Distribution revenue	12	250.9	246.4	727.5	705.3
Other	12	33.9	30.7	101.8	88.8
		1,128.7	1,071.1	3,199.5	2,998.3
Expenses					
Energy purchases		832.6	835.6	2,389.6	2,285.8
Operating expenses		91.6	88.0	278.1	272.7
Depreciation and amortization	4, 5	77.6	73.1	232.3	214.8
		1,001.8	996.7	2,900.0	2,773.3
Finance costs		(34.7)	(35.1)	(101.0)	(102.9)
Income before income taxes		92.2	39.3	198.5	122.1
Income tax expense	13	(15.9)	(10.1)	(28.6)	(23.3)
Net income		76.3	29.2	169.9	98.8
Net movements in regulatory balances	6	(19.5)	6.5	(10.5)	(4.0)
Net movements in regulatory balances arising from deferred taxes	6, 13	10.7	9.3	18.7	26.5
Net income after net movements in regulatory balances		67.5	45.0	178.1	121.3

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars, unaudited)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2025 \$	2024 \$	2025 \$	2024 \$
Net income after net movements in regulatory balances		67.5	45.0	178.1	121.3
Other comprehensive income					
Items that will not be reclassified to income or loss					
Remeasurements of post-employment benefits, net of tax (2025 - \$0.8, \$nil, 2024 - \$3.4, \$nil)		(2.1)	(9.3)	—	—
Net movements in regulatory balances related to OCI, net of tax (2025 - (\$0.8), \$nil, 2024 - (\$3.4), \$nil)	6	2.1	9.3	—	—
Other comprehensive income, net of tax		—	—	—	—
Total comprehensive income		67.5	45.0	178.1	121.3

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 September 30,		Nine months ended September 30,	
		2025 \$	2024 \$	2025 \$	2024 \$
Share capital, beginning of period		892.8	817.8	867.8	817.8
Common shares issued	11	—	—	25.0	—
Share capital, end of period		892.8	817.8	892.8	817.8
Retained earnings, beginning of period		1,412.8	1,320.1	1,332.2	1,285.8
Net income after net movements in regulatory balances		67.5	45.0	178.1	121.3
Dividends	11	(15.0)	(21.0)	(45.0)	(63.0)
Retained earnings, end of period		1,465.3	1,344.1	1,465.3	1,344.1
Total equity		2,358.1	2,161.9	2,358.1	2,161.9

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 September 30,		Nine months ended September 30,	
	Note	2025 \$	2024 \$	2025 \$	2024 \$
OPERATING ACTIVITIES					
Net income after net movements in regulatory balances		67.5	45.0	178.1	121.3
Net movements in regulatory balances	6	19.5	(6.5)	10.5	4.0
Net movements in regulatory balances arising from deferred taxes	6, 13	(10.7)	(9.3)	(18.7)	(26.5)
Adjustments					
Depreciation and amortization	4, 5	77.6	73.1	232.3	214.8
Non-cash contributed assets		—	—	(8.6)	—
Amortization of deferred revenue	8	(8.0)	(4.9)	(19.4)	(14.3)
Finance costs		34.7	35.1	101.0	102.9
Income tax expense	13	15.9	10.1	28.6	23.3
Post-employment benefits		0.6	0.6	0.2	2.0
Other		(2.7)	(2.1)	(4.0)	(5.0)
Capital contributions received	8	27.3	27.6	115.3	110.0
Net change in other non-current assets and liabilities		4.4	0.4	4.9	(1.8)
Increase in customer deposits		4.8	10.8	33.5	9.9
Changes in non-cash operating working capital balances	14(a)	6.1	(78.4)	(12.4)	(55.9)
Income tax paid		(2.7)	—	(5.7)	(3.4)
Net cash provided by operating activities		234.3	101.5	635.6	481.3
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	14(b)	(199.2)	(204.1)	(644.8)	(568.2)
Purchase of intangible assets	14(b)	(12.8)	(16.6)	(33.1)	(75.8)
Proceeds from variable consideration	6	—	—	23.6	—
Proceeds on disposals of property, plant and equipment		0.4	0.2	0.9	0.9
Net cash used in investing activities		(211.6)	(220.5)	(653.4)	(643.1)
FINANCING ACTIVITIES					
Increase (decrease) in commercial paper, net	7	(385.0)	(95.0)	(270.0)	79.0
Common shares issued	11	—	—	25.0	—
Dividends paid	11	(15.0)	(21.0)	(45.0)	(63.0)
Proceeds from issuance of debentures	9	399.9	249.8	399.9	249.8
Debt issuance costs paid	9	(2.6)	(1.6)	(2.6)	(1.6)
Interest paid		(24.2)	(22.5)	(93.3)	(95.1)
Net cash provided by (used in) financing activities		(26.9)	109.7	14.0	169.1
Net change in cash and cash equivalents during the period		(4.2)	(9.3)	(3.8)	7.3
Cash and cash equivalents (working capital facility), beginning of period		(4.8)	9.3	(5.2)	(7.3)
Working capital facility, end of period		(9.0)	—	(9.0)	—

See accompanying notes to the condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2025 and 2024 (unaudited)

1. NATURE OF BUSINESS

Toronto Hydro Corporation (the 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 of Toronto (the City) incorporated under the *City of Toronto Act, 1997* (Ontario), as amended and is domiciled in Canada, with its registered office located at 14 Carlton Street, Toronto, Ontario, M5B 1K5.

The Corporation and its subsidiaries (Toronto Hydro) 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 and nine months ended September 30, 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 nine months since 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, Toronto Hydro'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.

Toronto Hydro'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. Toronto Hydro'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*).

On August 12, 2025, THESL filed its 2026 rate application seeking the OEB's approval to finalize distribution rates and other charges for the period commencing on January 1, 2026 and ending on December 31, 2026.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 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 \$
Cost					
Balance as at December 31, 2024	6,975.4	556.1	566.8	717.8	8,816.1
Additions	—	—	—	682.7	682.7
Transfers into service	385.4	13.4	25.7	(424.5)	—
Disposals, retirements and other	(37.7)	—	(4.7)	—	(42.4)
Balance as at September 30, 2025	7,323.1	569.5	587.8	976.0	9,456.4
Accumulated depreciation					
Balance as at December 31, 2024	1,573.0	161.6	323.7	—	2,058.3
Depreciation	131.7	17.4	28.4	—	177.5
Disposals, retirements and other	(19.8)	—	(3.8)	—	(23.6)
Balance as at September 30, 2025	1,684.9	179.0	348.3	—	2,212.2
Carrying amount					
Balance as at December 31, 2024	5,402.4	394.5	243.1	717.8	6,757.8
Balance as at September 30, 2025	5,638.2	390.5	239.5	976.0	7,244.2

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2025 and 2024 (unaudited)

5. INTANGIBLE ASSETS

Intangible assets consist of the following:

	Computer software	Contributions ⁽¹⁾	Software in development	Contributions for work in progress	Total
(in millions of Canadian dollars)	\$	\$	\$	\$	\$
Cost					
Balance as at December 31, 2024	424.5	272.5	37.4	35.2	769.6
Additions	—	—	35.8	1.2	37.0
Transfers into service	25.0	0.1	(25.0)	(0.1)	—
Balance as at September 30, 2025	449.5	272.6	48.2	36.3	806.6
Accumulated amortization					
Balance as at December 31, 2024	283.9	64.6	—	—	348.5
Amortization	29.0	8.5	—	—	37.5
Balance as at September 30, 2025	312.9	73.1	—	—	386.0
Carrying amount					
Balance as at December 31, 2024	140.6	207.9	37.4	35.2	421.1
Balance as at September 30, 2025	136.6	199.5	48.2	36.3	420.6

⁽¹⁾ 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 and nine months ended September 30, 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 September 30, 2025	Remaining recovery/ reversal period (months)
(in millions of Canadian dollars)	\$	\$	\$	\$	\$	
Deferred taxes	139.1	18.7	—	—	157.8	(3)
Settlement variances	160.8	21.7	(60.2)	—	122.3	(3)
Externally driven capital	8.5	0.2	—	—	8.7	(3)
Wireline pole attachment	4.3	0.1	(0.6)	—	3.8	(3)
Getting Ontario Connected Act (<i>note 6(a)</i>)	2.2	0.1	—	—	2.3	(3)
Other	7.6	1.0	(1.5)	(2.4)	4.7	(3)
Total	322.5	41.8	(62.3)	(2.4)	299.6	

Credit balances consist of the following:

	As at December 31, 2024	Balances arising in the period	Recovery/ reversal	Other movements	As at September 30, 2025	Remaining recovery/ reversal period (months)
(in millions of Canadian dollars)	\$	\$	\$	\$	\$	
Useful life changes	135.2	2.9	(23.9)	—	114.2	(3)
Other post-employment benefits net actuarial gain ⁽¹⁾	19.5	—	—	—	19.5	(3)
Revenue variance (<i>note 6(b)</i>)	—	18.7	—	—	18.7	—
Gain on disposals	36.1 ⁽²⁾	9.0	(31.9)	—	13.2	(3)
Development charges	11.8	1.2	(1.5)	—	11.5	(3)
Renewable enabling investments	6.1	0.7	—	—	6.8	(3)
Wireless attachment (<i>note 6(c)</i>)	3.3	(0.2)	(0.5)	—	2.6	(3)
Capital-related revenue requirement variance	5.2	(0.1)	(2.8)	—	2.3	(3)
Other	6.9	2.3	(3.0)	(2.0)	4.2	(3)
Total	224.1	34.5	(63.6)	(2.0)	193.0	

⁽¹⁾ No actuarial gain or loss was recognized as a result of the remeasurement of post-employment benefits as the discount rate remained unchanged (September 30, 2025 – 4.70%; December 31, 2024 – 4.70%).

⁽²⁾ This account included amounts recognized in connection with the variable consideration 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.

⁽³⁾ There were no significant changes to the disposition period during the nine months ended September 30, 2025. Refer to note 8 to the 2024 Annual Financial Statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2025 and 2024 (unaudited)

The “Balances arising in the period” column consists of new additions to regulatory balances. 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, 3.16% for April 1, 2025 to June 30, 2025 and 2.91% for July 1, 2025 to September 30, 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 and the establishment of new regulatory variance accounts effective January 1, 2025.

a) *Getting Ontario Connected Act (GOCA)*

THESL was directed by the OEB 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) *Revenue variance*

The revenue variance account was approved by the OEB in the 2025-2029 CIR Decision and Rate Order (*note 3*) to capture the annual distribution revenue variances arising from the actual weather normalized distribution revenue exceeding the OEB-approved forecasted distribution revenue. On an annual basis, this regulatory balance is filed with the OEB for interim disposition.

c) *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 \$
Balance as at September 30, 2025	1,000.0	210.0	790.0
Balance as at December 31, 2024	1,000.0	480.0	520.0

On September 18, 2025, the maturity date of the Revolving Credit Facility was extended from September 18, 2029 to September 18, 2030.

As at September 30, 2025 and December 31, 2024, there were no borrowings under the Revolving Credit Facility.

As at September 30, 2025, \$9.0 million had been drawn under the Working Capital Facility (December 31, 2024 – \$5.2 million) and letters of credit totalling \$54.8 million had been issued (December 31, 2024 – \$54.3 million).

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2025 and 2024 (unaudited)

8. DEFERRED REVENUE

Deferred revenue consists of the following:

	As at and nine months ended September 30, 2025 \$	As at and year ended December 31, 2024 \$
(in millions of Canadian dollars)		
Capital contributions, beginning of period	1,044.9	890.7
Capital contributions received ⁽¹⁾	132.9	173.8
Amortization	(19.4)	(19.6)
Capital contributions, end of period	1,158.4	1,044.9
Other deferred revenue	8.5	6.7
Total deferred revenue	1,166.9	1,051.6
Less: Current portion of deferred revenue relating to:		
Capital contributions	23.1	26.7
Other deferred revenue	7.6	5.7
Current portion of deferred revenue	30.7	32.4
Non-current portion of deferred revenue	1,136.2	1,019.2

⁽¹⁾ Includes non-cash contribution of \$17.6 million (year ended December 31, 2024 – \$21.4 million non-cash contribution).

9. DEBENTURES

On July 18, 2025, the Corporation filed a base shelf prospectus with provincial securities regulators in Canada, allowing offerings of unsecured debentures in an aggregate amount of up to \$1.5 billion over a 25-month period.

On September 24, 2025, the Corporation issued \$400.0 million of senior unsecured debentures. The issuance consisted of \$200.0 million of 3.65% senior unsecured debentures due on September 24, 2032 at a price of \$999.88 per \$1,000 principal amount (Series 23), and \$200.0 million of 4.75% senior unsecured debentures due on September 24, 2055 at a price of \$999.52 per \$1,000 principal amount (Series 24). The Series 23 and Series 24 debentures bear interest payable semi-annually in arrears. Debenture issuance costs of \$2.6 million relating to both Series were recorded against the carrying amount of the debentures and are amortized to finance costs using the effective interest method.

10. FINANCIAL INSTRUMENTS

a) Fair value

As at September 30, 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.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2025 and 2024 (unaudited)

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 September 30, 2025, the total fair value of the Corporation's debentures was determined to be approximately \$3,425.5 million (December 31, 2024 – \$3,027.3 million), with a total carrying amount of \$3,574.9 million (December 31, 2024 – \$3,176.6 million).

b) Financial risks

The following is a discussion of certain financial risks identified by Toronto Hydro 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

Toronto Hydro is exposed to credit risk with respect to customer non-payment of electricity bills. Toronto Hydro 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. Toronto Hydro 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. Toronto Hydro continues to actively monitor its exposure to credit risk.

Liquidity risk

Toronto Hydro is exposed to liquidity risk related to its ability to fund its obligations as they become due. Toronto Hydro 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 Toronto Hydro's operating results and financial position in the future. Accordingly, Toronto Hydro continues to monitor liquidity risk and adapt its plans as the economic climate evolves.

11. SHARE CAPITAL

Share capital consists of the following:

(in millions of Canadian dollars, except share amounts)	As at September 30, 2025		As at December 31, 2024	
	Number of Shares	\$	Number of Shares	\$
Issued and outstanding ⁽¹⁾				
Beginning of period	1,228	867.8	1,200	817.8
Common shares issued	14	25.0	28	50.0
End of period	1,242	892.8	1,228	867.8

⁽¹⁾ 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.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2025 and 2024 (unaudited)

Dividends

On February 26, 2025, the Board of Directors of the Corporation declared a dividend 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 of \$15.0 million with respect to the second quarter of 2025 (second quarter of 2024 – \$21.0 million), paid to the City on June 30, 2025.

On August 13, 2025, the Board of Directors of the Corporation declared a dividend of \$15.0 million with respect to the third quarter of 2025 (third quarter of 2024 – \$21.0 million), paid to the City on September 30, 2025.

12. REVENUES

Revenues consist of the following:

(in millions of Canadian dollars)	Three months ended September 30,		Nine months ended September 30,	
	2025 \$	2024 \$	2025 \$	2024 \$
Revenue from contracts with customers				
Energy sales	843.9	794.0	2,370.2	2,204.2
Distribution revenue	250.9	246.4	727.5	705.3
Street lighting services	5.3	5.2	16.0	15.6
Pole and duct rentals	4.7	4.6	14.0	14.3
Ancillary services revenue	5.6	6.0	12.9	16.4
Other regulatory service charges	2.7	2.7	7.9	7.9
Miscellaneous	4.0	4.5	13.5	13.8
Revenue from other sources				
Capital contributions - developers and other	7.7	4.6	18.1	13.3
Street lighting contributed assets	—	—	8.9	—
Other	3.9	3.1	10.5	7.5
Total revenues	1,128.7	1,071.1	3,199.5	2,998.3

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2025 and 2024 (unaudited)

13. INCOME TAXES

Toronto Hydro's effective tax rate after net movements in regulatory balances for the three and nine months ended September 30, 2025 was 7.2% and 5.3%, respectively (three and nine months ended September 30, 2024 – 1.7% and (2.7)%, respectively).

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 September 30,		Nine months ended September 30,	
	2025 \$	2024 \$	2025 \$	2024 \$
Income tax expense	(15.9)	(10.1)	(28.6)	(23.3)
Income tax recorded in net movements in regulatory balances	10.7	9.3	18.7	26.5
Income tax (expense) recovery and income tax recorded in net movements in regulatory balances	(5.2)	(0.8)	(9.9)	3.2
Income tax recovery in other comprehensive income (OCI)	0.8	3.4	—	—
Income tax expense in OCI recorded in net movements in regulatory balances	(0.8)	(3.4)	—	—
Income tax in OCI	—	—	—	—

14. 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 September 30,		Nine months ended September 30,	
	2025 \$	2024 \$	2025 \$	2024 \$
Accounts receivable and unbilled revenue	48.7	(65.4)	15.1	(59.4)
Income tax receivable	2.2	(0.7)	2.2	(2.7)
Materials and supplies	1.4	0.3	(1.0)	(2.5)
Other current assets	0.2	0.6	(2.9)	84.2
Accounts payable and accrued liabilities	(40.6)	(11.9)	(24.1)	(76.0)
Income tax payable	—	—	—	(1.4)
Deferred revenue	(5.8)	(1.3)	(1.7)	2.3
Deferred conservation credit	—	—	—	(0.4)
Total changes in non-cash operating working capital	6.1	(78.4)	(12.4)	(55.9)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2025 and 2024 (unaudited)

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 September 30,		Nine months ended September 30,	
	2025 \$	2024 \$	2025 \$	2024 \$
Purchase of PP&E, cash basis	199.2	204.1	644.8	568.2
Net change in accounts payable and accruals related to PP&E	14.4	(14.3)	12.4	(9.3)
Non-cash contributed assets	7.2	0.5	24.0	7.4
Other	0.5	0.5	1.5	1.1
Additions to PP&E	221.3	190.8	682.7	567.4
Purchase of intangible assets, cash basis	12.8	16.6	33.1	75.8
Net change in accounts payable and accruals related to intangible assets	3.7	(3.0)	3.9	(22.1)
Additions to intangible assets	16.5	13.6	37.0	53.7

15. SUMMARY OF MATERIAL ACCOUNTING POLICIES

a) Use of judgments and estimates

The preparation of the 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 Toronto Hydro'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.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2025 and 2024 (unaudited)

b) Future accounting pronouncements

The IASB has issued a number of standards and amendments to existing standards that are not yet effective. Toronto Hydro 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.

Toronto Hydro 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.

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

16. SUBSEQUENT EVENTS

Toronto Hydro has evaluated the events and transactions occurring after the balance sheet date through to November 19, 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 November 19, 2025, the Board of Directors of the Corporation declared a dividend of \$15.0 million with respect to the fourth quarter of 2025 (fourth quarter of 2024 – \$20.9 million), payable to the City by December 31, 2025.