

**Hydro
Ottawa
Group**

2025 Annual Report

**Past
progress.
Future
powered.**





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Scan here

to access our Annual Report online.

Land acknowledgement

Hydro Ottawa Group acknowledges the Indigenous peoples whose territories we work from and live in. We acknowledge the ancestral unceded territories of the First Nations peoples, Inuit and Métis who call Turtle Island home. We recognize that this land is shared through historic treaties, developed through contemporary treaties and is land that continues to be unceded territory.



Who we are



Hydro Ottawa Group¹ is a diversified sustainable energy company, wholly-owned by the City of Ottawa. Our mission is anchored in leading the charge towards a smart energy future. Through our multiple subsidiaries, we deliver sustainable solutions that empower our customers and elevate our community.

From distributing electricity to the communities we serve (Hydro Ottawa Limited), running Ontario's largest municipally-owned producer of renewable power (Portage Power), implementing innovative energy solutions (Envari Energy Solutions), to connecting the community through fibre optics (hiboo networks), Hydro Ottawa Group is a trusted partner in creating a vibrant, sustainable National Capital Region.

¹ In specific sections of this Annual Report, the Corporation is referred to by its legal name, Hydro Ottawa Holding Inc.

We are a company with deep roots in the community, established through more than 100 years of providing an essential service to our nation's capital. Hydro Ottawa Group has a corporate responsibility to positively impact the community in which we live through investments, partnerships, and creating a welcoming, respectful work environment.

Today, we are proud to continue our history of balancing growth with environmental stewardship and social responsibility, as we lead the way to a smart and sustainable energy future.

Hydro Ottawa Group is a Sustainable Electricity Leader™ as recognized by Electricity Canada



Our vision

Hydro Ottawa Group — a leading partner in a smart energy future

Our key pillars



Powering a brighter future



- Safe, reliable electricity service to over 377,000 residential and commercial customers
- 1,116 km² service territory across Ottawa and Casselman
- 24/7 operations for approximately 6,500 kilometres of lines, 90 substations and 40,000 transformers

community • powered



- Ontario's largest municipally-owned producer of green power, with 131 MW of capacity – enough to power 110,000 homes
- Run-of-river hydro, solar and landfill gas-to-energy plants
- Operations in Ontario, Québec and New York

sustainability • powered



- Innovative energy solutions for businesses, governments and utilities
- Electrical, lighting, mechanical and advisory services
- One partner from project concept to completion

energy solutions • powered



- National Capital Region's only municipally-owned internet service provider
- Secure, scalable, high-speed broadband network
- Digital solutions for businesses and communities

connectivity • powered

Message from the Chair of the Board and President & Chief Executive Officer

On behalf of the Board of Directors of Hydro Ottawa Group, our management and employees, we are pleased to provide this 2025 Annual Report to our shareholder, the City of Ottawa. This marks our fifth and final progress report under our 2021-2025 Strategic Direction.

Once again, we are pleased to present a comprehensive overview of our results from the year that was. But doing justice to this synopsis — and to the stakeholder interested in meaningful insights — means situating it in a much broader context than a single annual reporting cycle.

Last year marked the culmination of a five-year strategic planning term during which Hydro Ottawa Group underwent a profound transformation. The company that exited 2025 was very different from the one that entered 2021. Throughout a succession of historic disruptions, we demonstrated extraordinary resilience from both an operational and cultural perspective. Our organizational architecture was fundamentally re-shaped through a financial restructuring and the launch of new business lines. Our workforce demographics shifted significantly — trending newer, younger, more diverse, and more proficient in digital tools and technologies.

Simply put, the scope of our recent evolution has been expansive; the pace of change, breathtaking.

And yet, we know that the complexity and uncertainty of the past five years will only accelerate going forward. As noted below, we have refreshed our business strategy to ensure we continue thriving and delivering value to customers in the face of a turbulent external environment.

From this vantage point, 2025 can be viewed as a bridge between two re-defining chapters in our company's history.

Generating value through strong, stable returns

In 2025, our core business lines performed well. Combined revenue from our electricity distribution, renewable generation, energy solutions and telecommunications businesses (excluding power recovery) exceeded \$395 million, resulting in net income of \$35.4 million. This will translate into a dividend payment of \$22.1 million to our shareholder.

Each of our subsidiaries achieved a major milestone. In electricity distribution, we delivered the largest single-year grid investment in our history. In energy solutions, we generated record revenue for the fifth consecutive year. In our newest business line, telecommunications, we secured contracts with large commercial and institutional customers.

From a long-term growth perspective, perhaps the most noteworthy milestone was a strategic pivot in our renewable generation business. We transitioned to an active development posture, establishing a pipeline of 800 megawatts of solar and battery storage projects. This reflects our ambitions to be a leader in the sustainable energy revolution and to capitalize on the opportunities for growth as demand for clean resources rises in Ontario and elsewhere.

Delivering leadership and solutions in sustainable energy

Our accomplishments in 2025 attest to two important truths: the transition to sustainable energy is happening in real time and Hydro Ottawa Group is at the vanguard of action in our community.

Examples abound of progress at scale. As lead partner for the City's flagship project to electrify its bus fleet, we enabled the deployment of additional zero-emission buses through the installation of charging infrastructure and equipment. We deployed decarbonization measures — heat pumps, electric boilers, lighting upgrades, building automation systems — across municipal facilities, community housing and major sites like the Ottawa Airport. One of our programs, the Ottawa Retrofit Accelerator, became so popular with building owners seeking reduced emissions and lower costs that its available funding is now fully subscribed.

But we also did work behind the scenes, in smaller, quieter steps: supporting homeowners interested in rooftop solar; partnering with schools wanting better air quality for students; and minimizing our own footprint, by reducing the carbon content of new substations and equipping more of our crews with electric vehicles.

Big or small, community or corporate — the solutions we put in place last year advanced us further down the path towards the sustainable energy future we are committed to building.

Building up and lifting up our community

As a municipally-owned company, we embrace our duty to contribute to the public good. Our community relies on us to be steadfast in our presence and service, and to play an essential role in not just preserving, but enhancing, their quality of life.

Fulfilling this social compact begins with delivering the electricity services which are the mainstay of our way of life. Last year, we made historic investments in our grid: \$102 million in replacing aging assets and strengthening capacity, and another \$87 million in connecting new customers and supporting municipal infrastructure projects. This helped maintain our best-in-class reliability, with customers having power 99.97 per cent of the time on average. Notably, along the way we set a new safety record for the company, with 1.5 million hours logged without a lost time injury.

With our city forging ahead on an ambitious development trajectory, we have been focused on building the sustainable and resilient energy systems which will catalyze Ottawa's long-term growth. In 2025, we finalized a grid investment program for the next five years and sought approval from our regulator, the Ontario Energy Board (OEB). As we applied the finishing touches to this Annual Report, we received the OEB's decision and are now preparing to execute what will be an unprecedented expansion and modernization of our distribution system.



Bernie Ashe

Bernie Ashe
Chair, Board of Directors



Bryce Conrad

Bryce Conrad
President and
Chief Executive Officer

For Hydro Ottawa Group, being a community builder and champion extends beyond simply managing physical infrastructure. We continued our long-standing practice last year of being a company that “gives where it lives” by contributing approximately \$450,000 in employee giving and corporate donations to local partners like The Royal Ottawa Mental Health Centre and United Way East Ontario. In addition, in the midst of a challenging economic climate, we were pleased to support community-based suppliers, spending \$115 million on locally-sourced goods and services (representing a 30 per cent year-over-year increase).

A new strategy for shaping the future

Looking back on our 2021-2025 term, we are proud of our transformation and track record. But as the old saying reminds us, the past is merely prologue. Against the backdrop of a business environment in constant flux, and with the sustainable energy transition revving into high gear, our attention and excitement are directed firmly towards the future.

In that spirit, we are delighted that this Annual Report is being accompanied by the unveiling of our 2026-2030 Strategic Direction. This refreshed strategy is Hydro Ottawa Group's game plan for reengineering and reimagining how we do business in light of drivers and pressures such as electrification, artificial intelligence, extreme weather, cybersecurity and distributed energy. Our strategy maps out how we will navigate the attendant challenges and opportunities, and turn them into springboards for success.

We are confident that our diverse lines of business will continue to create significant value for customers, and serve both as a bulwark against uncertainty and a gateway to a sustainable future.



Fostering stronger, healthier communities



Special Needs Day at The Capital Fair — 25 years of support

Hydro Ottawa Group is more than just an energy provider — we are community champions, striving to foster greater prosperity and wellbeing for the residents and families we serve.

In 2025, we were honoured to celebrate our 25th anniversary of partnering with The Capital Fair to host Special Needs Day. The event creates an inclusive environment by making the fair more accessible for individuals with developmental and physical disabilities. This means a calmer atmosphere with softer sounds, slower rides and no crowds. Thanks to the contributions of our employee and retiree volunteers, we helped create a space which allowed everyone to feel welcomed and comfortable, and enabled families to make cherished memories.

Financial highlights

Hydro Ottawa Group embraces our twin responsibilities to serve as an essential service provider for our customers and to generate returns for our shareholder, the City of Ottawa.

We remain committed to maximizing value over the short and long term, mindful that our earnings help support the funding of municipal programs and services that are vital to community wellbeing.

2025 was a year of strong performance across all of our core business lines. We delivered a record level of investment in our distribution grid and positioned ourselves favourably for long-term growth by strengthening our financial capacity and advancing new opportunities to expand our business activity.



\$396.6 M
in revenue (excluding power recovery)¹



\$35.4 M
in net income²



\$232.6 M
in capital investment³



\$3.0 B
in assets



620+ GWh
of clean electricity production



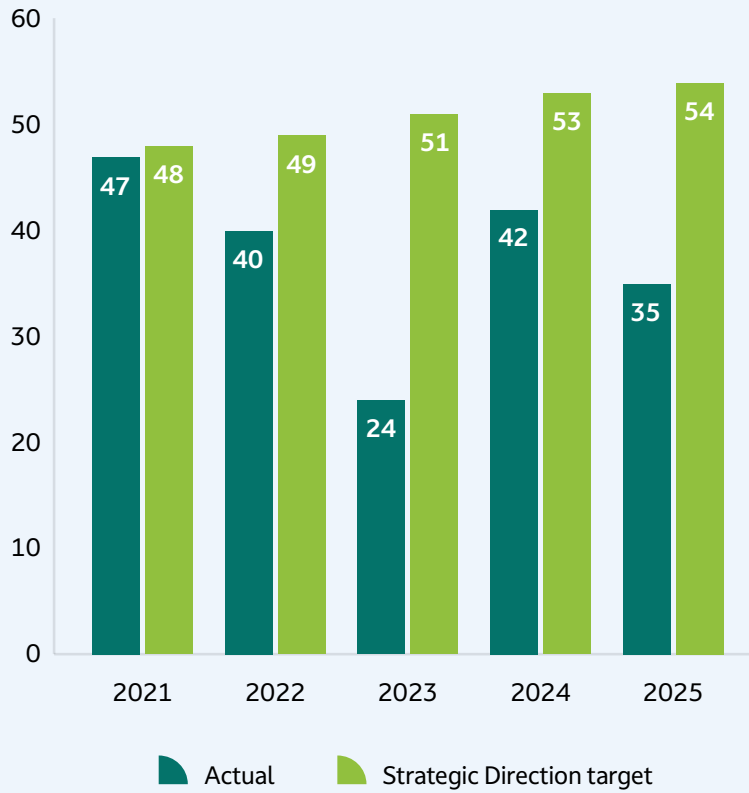
6.4 per cent
return on equity

¹ This non-GAAP financial measure reflects combined revenue from our distribution, renewable generation, energy solutions and telecommunications businesses. It does not include the cost of power recovered from customers through provincially established rates.

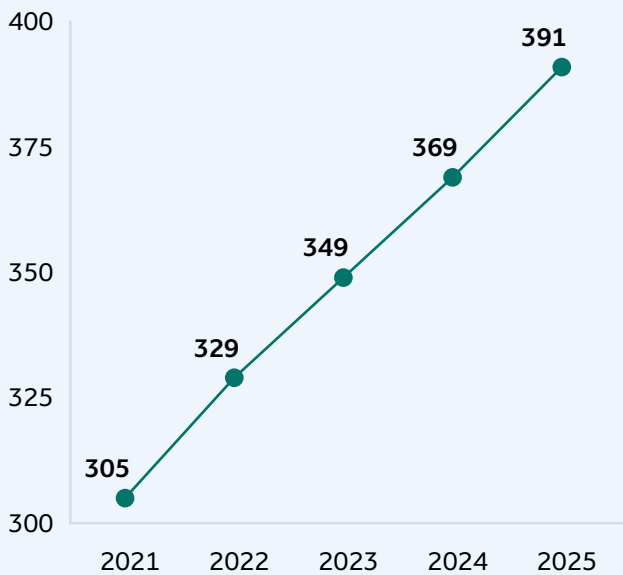
² This figure represents net income after net movements in regulatory balances.

³ Capital investment encompasses our distribution grid, generation plants, technology systems, equipment and facilities.

Net income (\$ millions)

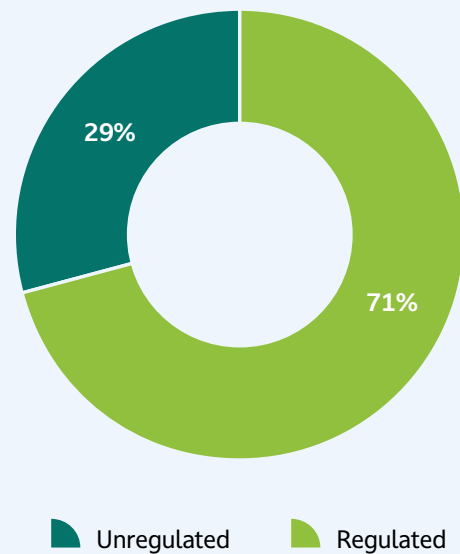


Cumulative dividends (\$ millions)



Revenue mix (2025)

Long-term trend of revenue growth and diversification



Towards a smart energy future



Advancing our 8-point strategy

Our 2021-2025 Strategic Direction outlined a balanced plan for sustainable growth, enhanced operational efficiency, and improved performance across environmental, social and governance (ESG) indicators.

We successfully closed out our five-year strategic planning term in 2025 by delivering a range of accomplishments and outcomes which advanced our journey towards a smart energy future.

Powering a sustainable tomorrow — our 2026-2030 distribution investment plan

A major milestone in 2025 was submitting our next five-year plan for grid investment to the Ontario Energy Board (OEB) for approval. The rates we charge to our distribution customers are subject to OEB regulation. It is our responsibility to update our capital and operational plans on a regular cycle to ensure we are meeting the needs of our growing city.

Our community's energy landscape is rapidly evolving. To ensure a reliable and sustainable future, critical investments in our electricity infrastructure are required. Our investment plan is centred on four priorities: growth and electrification, renewal of aging infrastructure, grid modernization and grid resilience.

Importantly, our rate application was informed by extensive consultation with local residents and businesses. Our priorities took shape as we engaged customers in multiple phases regarding the services

they value, potential options for investing in the grid and the expected impacts on electricity rates associated with different investment strategies. Customers signalled strong support for our proposals, with 87 per cent on average endorsing our approach.

Following the filing of our plan, we participated constructively in the OEB's open and transparent adjudicative process. This involved answering questions and providing additional information requested by professional OEB staff as well as customer and stakeholder groups.

As this Annual Report went to print, we received the OEB's decision on our 2026-2030 application. We look forward to putting our plans into action and building a more sustainable, resilient and reliable grid to power our community for generations to come.



Scan here

to learn more about our investment plans for 2026 to 2030.

Achieve net-zero operations by 2030

Hydro Ottawa Group aspires not only to achieve net-zero operations, but to become the first municipally-owned energy provider in Canada to reach this milestone. Throughout 2025, we pushed forward on our action plan, focusing on high-impact areas for minimizing our emissions.

In addition to the information below, further details regarding our greenhouse gas mitigation efforts are available in the “Delivering on our sustainability promise” section of this report.

Reducing the carbon footprint of our substations

As Ottawa grows, so too does the demand on our grid and the need for new substations providing more capacity. We are approaching this development using a sustainability lens, applying innovative “low-carbon” design and construction solutions.

The Piperville substation project is our inaugural proof of concept. Built in 2025 and set for commissioning in 2026, it boasts a 13 per cent lower carbon footprint than previous stations owing to materials with reduced carbon content.

We will use Piperville’s lower-carbon profile as a blueprint for the many other substations under development, while continuing to explore additional carbon-cutting measures for future builds.

Managing SF₆ emissions

Sulfur hexafluoride (SF₆) is a potent greenhouse gas used for insulation in electrical equipment. Despite improvements in sealing this equipment, utilities face an uphill battle in mitigating fugitive emissions which can occur as part of inspection, maintenance and deterioration.

In 2025, we made significant strides in augmenting our SF₆ management practices, by implementing an enhanced system for monitoring SF₆ inventory and usage across deployed equipment, and preparing a formal protocol for SF₆ estimation and reporting. In addition, through our updated distribution asset management plans, we identified a select population of at-risk equipment for proactive, prioritized replacement, which will help minimize the risk of asset failure and subsequent SF₆ leaks. The exploration and vetting of environmentally-friendly alternatives to SF₆ also remained an area of focus.



Become the partner of first choice for signature green energy and carbon reduction projects in our community



As the go-to partner for innovative energy solutions, we are bringing our customers' ambitions to life at every stage of their decarbonization journey.

Powering the future of public transit

The linchpin of a 21st century city is sustainable transit. In 2025, we continued to deliver the infrastructure investments that will help Ottawa achieve its long-term goal of mobility needs being met through sustainable modes of transportation.

A core priority remained enabling electrification of the municipal bus fleet. We facilitated the deployment of additional zero-emission buses by installing charging stations and equipment, and managing upgrades of on-site power systems. We also advanced development of a new substation providing capacity for bus charging and remain on track for commissioning in 2027.

In parallel, support was provided for the ongoing expansion of Ottawa's Light Rail Transit network, through infrastructure installation and power system testing.

Helping building owners manage costs and cut emissions

Following a successful launch in 2024 and early momentum in the uptake amongst local stakeholders, our Ottawa Retrofit Accelerator (ORA) program hit its stride over the course of last year. ORA is a three-year initiative administering \$10 million in federal funding to help building owners reduce emissions and lower costs through deep energy retrofits.

In 2025, the program's scope was expanded to include specialized training and feasibility studies, providing our commercial and institutional clients with expert support and guidance so they can customize their plans and prioritize their investments effectively. As of year-end, approximately 150 building studies had received sponsorship through the program.

Nearly half of all ORA studies are being apportioned to the affordable housing sector. The program is helping to strengthen our partnership with Ottawa Community Housing in unlocking energy savings and carbon reduction opportunities across their building portfolio.



Accelerate digital transformation to enable sustainable business practices



Against a backdrop of rapid technological change in every aspect of our lives, the expectations for first-class digital capabilities are only intensifying. Hydro Ottawa Group is continuously adapting to meet the needs of customers and employees by embedding advanced solutions into our operations, and transitioning more tools of our trade to digital and web-based platforms.

Fortifying our cybersecurity

Keeping the lights on in the capital city of a G7 country demands uncompromising vigilance in safeguarding our systems, assets and customer data from cyber threats. Through our formal cybersecurity program, we deploy an array of tools, risk management approaches, technologies, training and best practices in our defense against attacks or unauthorized access.

Continuous improvement in our cyber program and posture took many forms in 2025: enhanced protections for critical information and operational technology systems; participation in GridEx, North America's premier grid security exercise; operationalization of a new back-up corporate data centre; and expanded training and awareness campaigns for employees. Moving forward, ongoing maturation of our program and controls will remain an essential imperative.

Modernizing our grid

In 2025, we crafted the architecture for foundational initiatives in our long-term roadmap for bolstering the reliability and resilience of our grid, and giving customers more control over their energy use. A centrepiece is the Advanced Distribution Management System, which will integrate core operational systems into a single, unified platform. In parallel, we began pre-positioning for deploying next-generation metering infrastructure that will enhance grid monitoring and control, and empower customers with data-driven insights and tools.

Through our rate application to the OEB, we outlined detailed project plans and highlighted the benefits that will accrue to customers. Based on the OEB's approval of our rate plan, we are finalizing our scope and timelines, and switching this transformation into high gear.



Leverage and promote distributed energy resources



Customers are looking for new ways to participate in the electricity system, especially through distributed energy resources (DERs) such as solar generation, storage and demand response.

With every passing year, Hydro Ottawa Group is further entrenching DERs into our system planning and operations toolkit, and finding new ways of unlocking their value for customers.

Meeting local needs through local solutions

In 2025, we launched a new, flagship program which marks a step change in our approach to DERs.

GridFlex is a pilot program through which predictive analytics enhanced by artificial intelligence (AI) will optimize how customer-owned assets like solar and storage interact with the grid. By intelligently managing these resources, we can unlock their potential to reduce peak demand, alleviate capacity constraints and defer or eliminate the need for traditional infrastructure upgrades, thereby lowering overall system costs.

With \$6 million in federal funding, this innovative program will be rolled out in the Kanata North area of our service territory. Its results will help inform the broader deployment of non-wires solutions across constrained areas of the grid.

Enabling accessible and intelligent electric mobility

Last year, we continued the important work of optimizing the EV experience for our customers and community.

In our signature “EV Everywhere” project, we finished testing our AI solution for shifting EV charging to more grid-friendly hours of the day, based on market and operating signals. The insights gained are being incorporated into our operational procedures and will help inform future demand response programs.

In addition, we further reduced barriers to EV use by installing more charging infrastructure across the city, including for key partners like the Ottawa Police Service and Ottawa Community Housing.



33 per cent year-over-year increase

in the number of residential customers generating their own electricity using rooftop solar panels

Scan here

to learn more about how we help customers interested in DERs.



Continue to grow and diversify our revenue sources

Our core business lines delivered strong financial results in 2025. Consolidated net income was \$35.4 million, with revenue rising to \$396.6 million. In addition, we achieved a consolidated return on equity of 6.4 per cent and declared a dividend to our shareholder, the City of Ottawa, of \$22.1 million (based on 2025 results).

The strength of our financial posture was reflected in the renewal of our credit rating at A (low), with our outlook once again assessed at Stable.

Looking ahead, we are favourably positioned for sustained growth and value creation heading into our next five-year strategic planning window.



Electricity distribution

- Largest contributor to consolidated revenue
- Strong customer growth and increased energy consumption
- Largest single-year capital investment in our history

Renewable generation

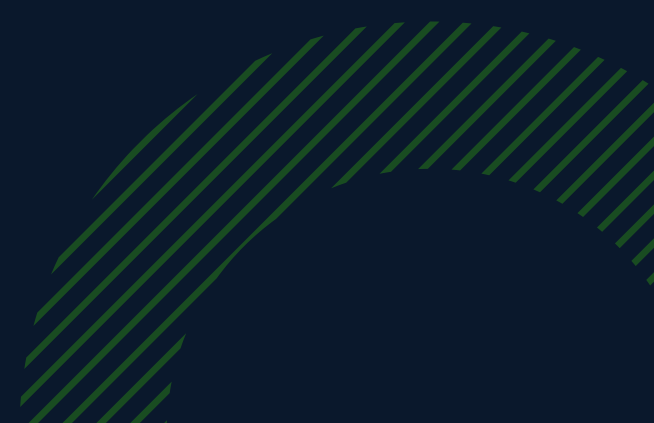
- Mitigation of impacts on electricity production from challenging weather and operating conditions through water optimization and prudent maintenance scheduling
- Unit 1 return to service at Chaudière Falls Generating Station No. 5
- Commencement of a 16-year Renewable Energy Certificates and electricity contract with the New York State Energy Research and Development Authority for our refurbished Dolgeville hydroelectric facility
- 800 MW renewable energy project pipeline established, marking our transition to an active development posture

Energy solutions

- Fifth consecutive year of record revenue, with work for the City of Ottawa representing a significant portion of business activity
- Sustained progress in advancing key energy partnerships and expanding products, services and customer base

Telecommunications

- Second full year of operations for hiboo networks
- Customer acquisitions and expansion of fibre optic network
- Connections established with major urban internet exchanges, strengthening service performance and delivery



Grow our social license to operate



For more than 100 years, Hydro Ottawa Group has powered the prosperity of local residents, families and businesses. As a municipally-owned company, we strive to maintain high levels of trust with our customers and stakeholders, earn public confidence day in and day out and make the communities in which we operate better places to live, work and play.

Our long-standing pledge is to be a company that “gives where it lives.” In 2025, we lifted-up our community through charitable giving, support for customers in need, procurement from local businesses and win-win partnerships with stakeholders.



\$163,000

raised for The Royal Ottawa Prompt Care Clinic



\$152,000

raised for United Way through annual employee fundraising campaign



\$129,000

in community sponsorships and donations



\$114.9 M

paid for goods and services from local suppliers¹



\$532,000

Low-income Energy Assistance Program support for customers in need

Supporting customers in need

The provincial Low-income Energy Assistance Program (LEAP) provides financial support to customers struggling to pay their electricity bills. We spearheaded a shift in the local administration and delivery of LEAP funding, helping to reduce the application burden and expand accessibility. Approved applications increased 85 per cent, with year-over-year disbursement rising 96 per cent, resulting in our largest annual disbursement under the program.

Real-world learning for the next generation of tech talent

Through hiboo networks, we co-founded SkillsHub Ottawa, an immersive learning program for high school students hosted at Canada’s largest technology park in Kanata North. We deployed the dedicated high-speed fibre connectivity which powers the hub’s advanced technologies and prepares students for the future of work.



Find out more

about how we are empowering the next generation of innovators through SkillsHub.

¹ “Local suppliers” in this context means suppliers located within a 100 km radius of the National Capital Region.

Ensure organizational capacity, culture and leadership to deliver in a post-pandemic environment

By fostering a safe and healthy work environment, and building a diverse, engaged and prepared workforce, Hydro Ottawa Group is creating the conditions that will position us to attract top talent, deliver the highest quality services to customers and thrive in the face of uncertainty.

Maintaining excellence in health and safety

Keeping the public and our employees safe is essential to our mission. Continuous improvement in our health and safety program propelled us to a new milestone in 2025, as we achieved over 1.5 million hours worked without a lost time injury. Anchoring this performance was the certification of our programs to international standards as well as safe work practices training for our people (averaging 13 hours per employee and 64 hours for employees in the skilled trades).



64 hours

safe work practices training per trades employee



1.5 million hours

without lost time injury

Strengthening our emergency preparedness and response

With uncertainty the new normal, we need to be ready for any curveball that might come our way. We took several steps last year to enhance our organizational resilience, including a refresh of our Business Continuity Management program to align with best practices and a redesign of our Electricity Emergency Response Plan, with improved clarity around roles and responsibilities. In addition, we conducted regular tabletop simulations for crisis communication and tested employee response to a range of threats through training and exercises.

Building the workforce of tomorrow

In 2025, we attracted a host of new talent to the company, proving we can compete successfully in a tight labour market. Our approach included targeted recruitment for specialized positions, digital tools for assessing candidates, and engagement with our extensive network of college, university and agency partners. We likewise remained focused on ensuring a robust leadership pipeline by expanding our succession planning, while also launching a dedicated program providing a clear pathway for our engineers to advance in their careers.



Continue to provide best-in-class customer service

In step with our dedication to delivering exceptional value, we made historic investments in our grid and further elevated the customer experience over the course of last year.



Maintaining a reliable, resilient grid

Reliability remains the bedrock of our service promise, especially as we expand our grid to catalyze the growth of our communities. In 2025, we executed the largest distribution capital program in our history, investing over \$100 million in replacing aging infrastructure and boosting reliability, along with almost \$90 million in connecting more than 4,500 new residential and commercial customers and supporting municipal improvement projects.

With rising levels of system investment required in the years ahead, 2025 served as a touchstone of our ability to build a future-ready grid which will meet the evolving needs of customers.



99.97 per cent

average reliability rate for customers



19,000

unique customer interactions every month (phone, email, chat)



83 per cent

e-billing rate



94 per cent

customer satisfaction rating

Enhancing customer choice and convenience

In an increasingly digitized world, customers need fast service and easy access. Leveraging our robust ecosystem of platforms and solutions, we enriched the customer experience on several fronts.

We expanded our online customer portal to include large commercial accounts, providing enriched data insights to help businesses better manage their costs and consumption. In addition, we successfully completed the first phase of our transition to a cloud-based customer contact centre, with omnichannel chat capabilities introduced. Finally, through a focused campaign, we increased our rate of customer participation in online billing to over 83 per cent (representing an unprecedented 20 per cent year-over-year increase) — entrenching ourselves as a leader among our North American peers in this benchmark.

An aerial photograph of a dam structure spanning a river. The dam is a long, narrow concrete structure with a walkway on top. Below the dam, the river flows over a rocky bed, creating white water rapids. The water is turbulent and white with foam. The surrounding landscape is rocky and somewhat barren.

Pursuing sustainability at scale



Tradition and ambition — our renewable energy legacy

Through our subsidiary, Portage Power, we are proud to claim the title of Ontario's largest municipally-owned producer of green energy.

We are likewise proud that Chaudière Falls, the crown jewels of our renewable generation portfolio, is steeped in the rich history of our city and local First Nations. The location is spiritually and culturally significant for the Algonquin Anishinaabe, having served as a gathering, trade and ceremonial site for thousands of years. It also powered Ottawa's early growth in the modern era and remains home to Canada's oldest hydroelectric station still in operation.

In 2025, we started writing a new chapter in our story of harnessing renewable resources for the benefit of our communities. Portage Power transitioned to an active posture of renewable energy project development, establishing a formal pipeline of 800 MW of solar and battery electric storage projects. We will advance these projects through multiple avenues, while steadily expanding our pipeline of opportunities.

With pride in our heritage and hunger for growth, we will help fulfill the vision of a future powered by sustainable energy.

Delivering on our sustainability promise



In our 2021-2025 Strategic Direction, we committed to augmenting our sustainability reporting and communications to external stakeholders. Over successive annual reporting cycles, we have enriched the substance and expanded the scope of our disclosures.

As a next step in this effort, we are including a more focused compendium of sustainability-related initiatives and outcomes in this Annual Report. This feature showcases the progress Hydro Ottawa Group is making in incorporating sustainability across our business practices and building a more sustainable future for our communities.

In addition, it will serve as the basis for further strengthening our reporting as international standards and best practices for sustainability disclosures continue to evolve.



Environmental management

A cornerstone of our abiding commitment to sustainability is our integrated Occupational Health, Safety and Environment (OHSE) management system. This system provides an enterprise-wide framework for identifying and mitigating environmental risks, ensuring legal and regulatory compliance, promoting stewardship of local ecosystems and supporting operational excellence. We are proud to maintain alignment of our system with the ISO 14001 Environmental Management Systems Standard and to seek third-party auditing on an annual basis.

The maturation of our OHSE system has been a springboard for fostering a culture of sustainability throughout the company and becoming a leader in environmental protection.



Greenhouse gas emissions and climate change mitigation

We recognize that cutting greenhouse gas (GHG) emissions is among the most critical environmental priorities. Hydro Ottawa Group is resolute in doing our part to minimize our own footprint, consistent with our push to achieve net-zero operations by 2030, and to support customers and stakeholders with lowering their emissions profile.

Our corporate emissions

In accordance with international GHG accounting, we quantify and categorize our emissions into Scope 1 and Scope 2.¹

The majority of our Scope 1 emissions are attributable to fuel combustion for our vehicle fleet, with the next largest share being natural gas combustion for our facilities. In addition, a small portion is caused by fugitive SF₆ emissions.

With respect to Scope 2 emissions, a small fraction are from the use of purchased electricity, while the vast majority are associated with line losses, which occur

¹ There is a separate category of Scope 3 emissions, consisting of indirect emissions upstream and downstream of our business activity. Due to the complexity of calculating Scope 3 emissions, and their evolving treatment under national and international standards, they are not currently included in Hydro Ottawa Group's public reporting.

when electrical energy is lost in the form of heat as it flows through our distribution network and equipment.

With electricity distribution representing the largest portion of our operating footprint and corporate carbon output, the management and integrity of emissions data for Hydro Ottawa Limited are robust and mature. They have therefore served as the basis for our public emissions reporting. In the years ahead, we intend to expand the scope of our disclosures to encompass our

other lines of business and present a more detailed picture of our emissions profile.

A summary of Hydro Ottawa Limited's emissions from 2025 and prior years is included in the table below. Key factors influencing the year-over-year rise in Scope 1 emissions were higher natural gas consumption at our facilities due to colder average winter temperatures and a significant increase in distribution capital work.

Metric	2022	2023	2024	2025
Scope 1 GHG emissions (metric tonnes)	2,505	1,914	2,429	2,518
Scope 2 GHG emissions (metric tonnes)	5,692	5,846	7,314	9,395

What are our emissions?

Scope 1: Direct emissions from assets or sources that we own or control (fleet, facilities and electrical equipment)

Scope 2: Indirect emissions from line losses and consumption of purchased electricity

Electrifying our vehicle fleet

- 21 per cent fleet electrification
- 26 new electric and hybrid vehicles in 2025
- Fully electrified fleet for Field Operators who safely isolate sections of the grid to create safe work zones for our crews and emergency personnel
- Capability for charging electric-powered tools used on the job, like chainsaws and water pumps
- 70 EV chargers across our work centres



Decarbonizing our facilities

- Certification of main administrative and operational facilities to the LEED Gold Building standard, a globally recognized benchmark of sustainability excellence
- Carbon pathway studies completed for our four biggest facilities, with plans for transformation into low-carbon hubs
- Average annual energy demand offset by on-site solar generation: 25 per cent at East Campus; 80 per cent at South Campus

Community decarbonization

Delivering the energy transition starts at home.

Hydro Ottawa Group's role in the transformation of Ottawa's energy landscape extends far beyond the traditional boundaries of an electricity service provider. We are here to serve as both architect and agent of our community's journey to a smart energy future.

Through a wide range of decarbonization initiatives — many of which are spearheaded by our energy solutions business, Envari — we are moving the climate needle and empowering customers to realize their own climate ambitions.



A trusted partner in electricity conservation

We know that the most reliable megawatt of power is the one you never have to use. For over 20 years, helping customers use energy more efficiently and lower their costs has been a key priority and area of success for Hydro Ottawa Group. We actively support the delivery of provincial conservation programs as well as the development of locally-tailored offerings. Our in-house energy efficiency experts are a go-to resource for homeowners and businesses looking to save money, improve their energy management and contribute to a more sustainable future.



Scan here

to learn more about how we accompany customers on their energy-saving journey.

Leading enabler of EV infrastructure in the National Capital Region

In recent years, we have enabled the installation of over 1,350 EV chargers across our community. Much of this work was done in coordination with the Government of Canada, with Hydro Ottawa Group serving as an official delivery partner for funding under the Zero Emission Vehicle Infrastructure Program. Community centres, schools, hospitals, shopping malls and plazas, entertainment venues, industrial parks, apartment buildings and car dealerships (and more) throughout the region are now wired-up and supporting the transition to electric mobility.

Supporting the City of Ottawa's Climate Change Master Plan



We are a committed partner in advancing Ottawa's climate goals, which comprise a 68 per cent reduction in community-wide emissions by 2030 and 100 per cent by 2050, as well as reductions in the municipal government's carbon footprint. In addition to critical support for signature municipal initiatives such as Light Rail Transit and zero-emission buses, we are advancing progress on building retrofits, heat pump and electric boiler installations, EV charging infrastructure, electrical vault upgrades, rooftop solar deployment, building automation systems, LED lighting conversions and streetlighting maintenance.

Achieving high marks for sustainability with Renfrew schools

In recent years, a valued partnership has formed with the public and Catholic school boards in Renfrew County. For several of their elementary and high schools (with more to come), we have executed energy and ventilation upgrades, building and lighting controls, and carbon reduction projects. While creating healthier environments for students and staff, these initiatives also reflect our ongoing efforts to expand the geographic footprint of our business activity.

Bringing community-focused climate action to affordable housing

We enjoy a long-standing partnership with Ottawa Community Housing (OCH) to save energy and lower emissions at their properties. This encompasses a wide spectrum of sustainable solutions: installation of heat pumps for zero-carbon heating and cooling; building automation systems to optimize energy use; on-site solar generation; and roll-out of an EV car-sharing program. An important recent addition to OCH's decarbonization plans has been the carbon pathway studies made possible through our Ottawa Retrofit Accelerator program.

Local power, provincial impact

As the largest municipally-owned producer of green power in Ontario, Portage Power generates enough clean electricity annually to power 110,000 homes. Its renewable generation portfolio of 131 MW is 91 per cent hydroelectric, 8 per cent landfill gas-to-energy and 1 per cent solar.

With the establishment of an 800 MW development pipeline and the submission of two solar project proposals into a competitive Independent Electricity System Operator (IESO) solicitation, 2025 marked the beginning of a new chapter for Portage Power. Going forward, it will amplify its contributions to Ontario's clean energy advantage, as emissions-free electricity is maximized within the provincial supply mix.





Resilience and sustainability through district energy systems

District energy is an innovative sustainable energy solution that can help Ottawa grow rapidly and meet the increased demand being placed on energy infrastructure, while reducing GHGs. District energy systems efficiently distribute low-carbon heating and cooling through interconnected networks, leveraging waste heat and reducing reliance on traditional sources.

Hydro Ottawa Group is an active partner in a first-of-its-kind district energy system providing zero-carbon heating and cooling for Zibi, the National Capital Region's first carbon-neutral community, located in downtown Ottawa and Gatineau. The system is the first in North America to use post-industrial waste heat recovery in a master-planned community.

We are likewise exploring additional district energy opportunities in landmark areas of the city, including the historic LeBreton Flats area downtown as well as the vibrant hub of high-tech companies in Kanata North. Each of these offers the potential for harnessing cutting-edge technology and excellence in sustainability design to offer a tailored solution meeting unique energy needs in a localized context.

Cleared for decarbonization takeoff at the Ottawa airport

For several years, we have been collaborating with the Ottawa International Airport Authority on charting a course towards net-zero operations. The partnership has resulted in an extensive build out of EV charging infrastructure, modernization of building automation systems, conversions to high-efficiency lighting and significant reductions in GHG emissions.

Planning for an electrified future

More and more, we are being asked by customers to provide assistance with shifting energy use from fossil fuels to clean electricity. At present, we are managing the highest number of requests in our history for businesses and institutions interested in upgrading their electrical service configurations to support EV chargers, heat pumps, electric boilers or renewable power.

This unprecedented surge in large load connection requests is among the key drivers re-shaping the demand profile of our grid. According to the IESO's latest long-term projection of electricity demand in the Ottawa region, the adoption of electrified technologies for transportation and heating will trigger a shift to peak demand in winter, instead of the historical summer peak, with demand rising by upwards of 166 per cent during the cold season.

This is requiring us to adapt how we design, plan and invest in our grid, especially in relation to ensuring sufficient capacity. To help inform our capacity assessments and capital plans for the 2026-2030 period, we commissioned a third-party study on the system impacts associated with increased electrification. Along with the growing pipeline of large load customers, the study's results will shape our plans for scaling-up our investments in new capacity and ensuring that we are ready to meet the needs of a decarbonized capital.

Climate change adaptation

Adapting to climate change means taking action to reduce vulnerability to the negative impacts of observed or expected changes in weather and climate patterns, and where possible, taking advantage of new opportunities.

Enhancing distribution grid resilience against severe weather impacts

From floods to tornadoes to historic storms — especially the 2022 Derecho — Hydro Ottawa Group has experienced an exceptional number and pattern of severe weather events in recent years. According to the climate resiliency strategy adopted by the City of Ottawa in 2025, the local climate has become warmer, wetter and more unpredictable, and these trends are projected to intensify over the coming decades.

In light of these operating pressures and with Ottawa becoming the “weather alert capital of Canada,” climate adaptation has become a heightened priority. Following the 2022 Derecho, we undertook a series of actions:

- Updated our design standards for overhead infrastructure;
- Implemented grid hardening measures such as the installation of composite poles with storm guying every five poles in select north-south corridors and vulnerable areas; and
- Commissioned an update of our 2019 Distribution System Climate Risk and Vulnerability Assessment, which examined the potential risks to our grid from climate change.

The latter action is especially noteworthy. First, it incorporated the latest climate projection data and models, and factored in recent extreme weather events, including the 2022 Derecho. This yielded a comprehensive, enriched assessment of our risk exposure and validated the identification of the most vulnerable areas within our service territory. Second, it served to inform a subsequent third-party assessment of opportunities for strategic grid resilience investments.

Together, these studies helped shape our investment plans for the 2026-2030 period — and in particular, the establishment of a dedicated Distribution System Resilience Program within our capital expenditure plan. This program encompasses the following initiatives:

- **Strategic undergrounding** of vulnerable overhead lines;
- **Storm hardening** overhead infrastructure by reinforcing poles, reducing spans and attachments, and utilizing composite or concrete poles in critical areas;
- **Feeder reconfiguration** to improve redundancy and minimize outage impacts;
- **Station egress undergrounding** to protect critical infrastructure; and
- **Relocating lines** to less exposed areas or underground to reduce the risk of damage.

These investments will facilitate a step change in our resilience posture by mitigating system disruptions and minimizing recovery time, outage durations and restoration costs. In addition, they will position Hydro Ottawa Group above and beyond the baseline requirements set forth by the OEB in its Vulnerability Assessment and System Hardening framework for electricity distributors to integrate climate resiliency into their asset and investment planning.

ISO 55001 asset management certification

ISO 55001 is an internationally recognized standard for establishing, implementing, maintaining and improving asset management systems. Hydro Ottawa Group



made history in 2020 by becoming the first utility in Canada to receive certification against this standard. (Recertification was likewise obtained in 2023).

Certification attests to the robustness of how we optimize the performance and value of our assets, and effectively manage and minimize risk. Fulfilling the standard's strict requirements means having clear asset management goals, implementing processes to ensure continuous improvement and undergoing regular audits to verify conformance.

The standard requires the integration of climate change into asset management systems. It stipulates that an organization must assess whether climate conditions impact the ability to achieve asset management objectives and determine the expectations of external stakeholders in relation to the organization's action on climate change.

In turn, these requirements are reflected in elements of our asset management program which mitigate environmental risk through the replacement of aging infrastructure and hazardous materials as well as enhancement of grid resilience against extreme weather, or which seek to ensure readiness for increased electrification and renewable energy deployment.

Maintaining a formalized, best-in-class asset management approach provides assurance that environmental stewardship and climate adaptation are core considerations, not secondary afterthoughts, in our system planning and operations.

Vegetation management

Contact between trees and power lines is one of the leading causes of outages. Climate change is exacerbating the severity of winds and lightning strikes that accompany extreme weather events, and thus amplifying the risk of tree contacts. The effective management of the local tree canopy through targeted trimming is therefore a heightened imperative.

Through our vegetation management program, we manage the trimming of over 40,000 trees located near overhead lines across our service territory. The program employs both proactive measures such as regular cyclical trimming, the preemptive removal of trees posing an elevated risk and emergency trimming following major storms.



Hydro Ottawa Group has enhanced our vegetation management through the use of satellite imaging, combined with AI-driven analytics. The imagery collects data on tree health and potential encroachment into clearance zones around overhead infrastructure. The solution is able to interpret the data and provide recommendations on trimming and risk mitigation, with the ability to analyze conditions down to the level of individual trees.

Through data-driven and cost-effective hazard identification and risk assessment, we have significantly reduced the number of outages from tree contact and effectively positioned ourselves to mitigate climate-related challenges in this area of our operations.

Hydrology and water flows

Hydroelectric generation accounts for over 90 per cent of Portage Power's renewable energy portfolio. The safe, reliable and efficient operation of these facilities depends upon the availability and flow of water, which can be affected by short-term weather variability (including flood events) and longer-term changes in precipitation patterns and volumes, as well as water and air temperatures.

Across our hydroelectric operating footprint in Ontario, Québec and New York, we operate our stations and dams in accordance with federal, state, provincial and local laws, as well as in partnership with key coordinating bodies like the Ottawa River Regulation

Planning Board. As part of our compliance obligations, we are responsible for maintaining the integrity of our facilities, including in relation to mitigating the effects of climate change.

Beyond the physical infrastructure and controls at our generating stations, we employ a range of tools and strategies to manage water levels and flows effectively, and optimize electricity production. These include weather forecasts, hydrological models, and data management and forecasting systems.

We are adjusting our operations to adapt to the recurring trend of significant localized variations in water levels year-over-year. 2025 served as an example of how a single year can feature challenges as varied as ice management in winter, high tail waters in spring, and record drought in summer and fall.

We remain focused on strengthening the resilience of our hydroelectric assets and operations to manage the impacts of climate change and extreme weather.

Biodiversity

We operate not only within communities but entire ecosystems. Being a responsible custodian of our physical assets extends to protecting and preserving the variety of life which is native to our local environment as well as the natural patterns which they form.

Pollinator habitat

Local pollinators like butterflies and bees are experiencing pressure from numerous sources, including pesticides, the effects of climate change and a lack of habitat. To help support a healthy population of pollinators, we maintain habitat on unused land adjacent to our largest municipal transformer station, Cambrian. Fifteen acres have been seeded as a pollinator meadow, with another four acres reforested through the planting of 2,750 trees. This initiative is a collaborative partnership alongside the City of Ottawa, Rideau Valley Conservation Authority and the Canadian Wildlife Federation, and demonstrates our commitment to capitalize on multi-purpose opportunities for environmental protection and restoration in our utility corridors, properties and rights-of-way.

Wildlife protection

One of the most common causes of outages on our distribution grid is animals — birds, squirrels, raccoons and rodents — coming into contact with our equipment. Chewing on electric cables, seeking shelter or warmth inside a substation or transformer housing, perching or nesting on utility poles, or other types of interference can create bridges between energized equipment and grounded surfaces. When this occurs, the consequences can be fatal for the animals and also lead to unplanned outages for our customers.

In order to safeguard wildlife and minimize system disruptions, we make targeted investments in protective measures. As part of the resources we dedicate to improving the performance of problematic distribution feeders, we install animal guards on our equipment in high-risk areas. This results in a win-win in terms of increased safety for local fauna and fewer service interruptions for customers.





Species revival – saving the American eel

The American eel plays an essential role in maintaining the health and balance of its aquatic ecosystem, both as a predator and food source. The species also holds deep cultural significance for the Algonquin people, who call it “Kichissippi Pimisi” — provider of nourishment, medicine and spiritual inspiration.

Once the dominant fish species in the Ottawa River, the population of American eels fell by almost 99 per cent in Ontario over a span of 30 years. This decline is attributed to a number of factors, including harvesting practices and habitat contamination and destruction. More recently, hydroelectric generating stations have been the main contributor by blocking migration.

Since it took effect in 2008, the provincial *Endangered Species Act* has included the American eel in its list of species requiring special protection and conservation.

Portage Power has undertaken significant efforts to ensure safe passage for eels at our Chaudière Falls hydroelectric facilities. As part of the construction of our newest powerhouse at the site, an eel ladder was installed, consisting of a series of chutes zigzagging up the dam, enabling safe migration upstream. For downstream migration, a spacing rack assists the eels in maneuvering to bypass channels, where a specialized monitoring system logs the number and type of species moving through. These capabilities are the first for any hydroelectric station on the Ottawa River and they are expected to boost the survival rate for local eels to 99.3 per cent.

In addition, each year Portage Power purchases and releases 100 young eels into the Atlantic Ocean, providing further support for species recovery.



Waste and hazardous materials management

Non-hazardous waste diversion

Hydro Ottawa Group tracks all solid and liquid wastes, including operational waste streams, and has systems in place to ensure high diversion rates are maintained. We recycle many items including cans, glass, cardboard, paper, plastic, wood, tree trimmings, transformers and electrical equipment, tires, meters and e-waste (laptops, servers, desktops, printers and cell phones). We work with scrap metal companies to perform metal reclamation of copper wire, steel and aluminum from small transformers and meters. In addition, at our administrative and operational facilities, in lieu of waste management at the desk/office level, there is a centralized four-stream waste collection system (landfill, paper/cardboard, glass/can and organics).

These efforts reduce our GHGs, divert materials from landfills or incineration and conserve resources through recycling, repurposing and composting.

We have historically maintained non-hazardous waste diversion rates in the range of 90 to 95 per cent. In 2025, we diverted 91 per cent of waste from landfill.

Spill management

An important element of our OHSE program is spill management, which involves responding to, containing and remediating unexpected releases of hazardous substances into the environment. This is largely focused on accidental releases from oil-filled transformers and switchgear, which can occur due to extreme weather, excavation accidents, or equipment aging and failure.

Our comprehensive approach includes a 24-hour response and reporting system, in which qualified employees ensure the prompt reporting of any releases to the Ministry of Environment, Conservation and Parks and organize immediate remediation. We employ proactive mitigation measures by replacing deteriorating, at-risk oil-filled overhead and underground distribution equipment. Using proactive detection methods, such as infrared scanning, we successfully identify and address minor leaks before they escalate. All of our employees receive



Watch this video

to learn more about our leadership in restoring the American eel population.

training on spill response and each of our large fleet vehicles is equipped with spill response kits containing absorbent materials and protective equipment.

Ultimately, our goals are to achieve zero oil spills, eliminate associated cleanup costs, protect local ecosystems and ensure robust compliance with regulations.

PCB management

Polychlorinated biphenyls (PCBs) are hazardous chemical compounds historically used in electrical infrastructure for cooling and insulation. Federal regulations introduced in 2008 established mandatory end-of-use dates for all PCBs. Hydro Ottawa Group has successfully met all phased federal requirements and, in 2025, completed the removal of all PCBs from our electrical infrastructure.

Through our Underground Transformer Renewal program, we proactively replaced older underground distribution transformers which presented functional, safety or environmental concerns, and many of which contained PCBs. Through this program, we followed strict environmental reporting and compliance protocols to ensure the safe storage and destruction of PCBs as they were removed from the field. By replacing this aging equipment, we directly mitigated the risk of accidental environmental contamination. The elimination of PCBs was a critical step in safeguarding our shared environment and protecting the health and safety of the broader community.

Giving stop logs a new lease on life

Heavy-duty timber beams known as “stop logs” are used in hydroelectric dams to regulate the flow of water. Stop logs are employed at 45 of the 50 spans within the Ring Dam at our Chaudière Falls site.

Portage Power has developed innovative, environmentally-friendly solutions for re-purposing stop logs once they are no longer usable as a flow control barrier. Old stop logs are recycled into park benches at the public viewing space adjacent to the generating stations as well as at other parks across Ottawa. This is mutually beneficial from a public access and waste diversion perspective. In addition, there are plans for trimming aged stop logs and re-deploying them at Portage Power’s smaller stations elsewhere in Eastern Ontario.

By extending the lifecycle of stop logs, we not only reduce waste but reinforce our commitment to sustainable resource management and community-focused environmental stewardship.

Sustainable financing

Green Bonds

Hydro Ottawa Group has been a leader in incorporating sustainability practices into our financing decisions. We were the first municipally-owned energy provider to issue a Green Bond, through which funding is raised in the capital markets for investments in projects with environmental benefits.

In 2025, we refreshed our Green Bond framework and secured an additional round of financing which was four times oversubscribed. The proceeds will be allocated to investments in distribution infrastructure; energy efficiency projects (including smart grid technology and energy storage systems); biodiversity and conservation initiatives; and climate change adaptation and resilience capabilities for extreme weather and flood mitigation, monitoring systems and hardening of the distribution network.

The outcome is a testament to the strength of our financial health and ESG program. We look forward to the prospect of additional sustainable financing action in the future.



Community and stakeholder engagement

Employee gardening club

Hydro Ottawa Group employees are actively committed to sustainability and find creative ways to drive and multiply our activities. In 2025, our Charitable Committee formed a gardening club — the Garden Ohms — with members growing fresh produce at our headquarters. The food is made available for sale to coworkers, with all proceeds supporting the United Way.



Interactive eco home display

As part of our public education outreach, we maintain an eco home display showcasing the latest sustainable technologies (solar panels, battery storage, heat pump, EV charger). It offers a unique, immersive experience educating residents and visitors on ways to conserve energy and reduce emissions.

Thanks to its modular, mobile design, it has been on extended display at the Ottawa airport and University of Ottawa, along with ad hoc appearances at events like local home and garden shows, with more opportunities to come.



A partner in student success

In 2025, we continued our delivery of virtual and in-person programming to local elementary and secondary students regarding electricity safety, conservation, renewable energy and the prospect of a career in the sustainable energy economy.

Sparking conversations about the energy of tomorrow

For several years, Hydro Ottawa Group has maintained our own podcast, ThinkEnergy, featuring conversations with experts and leaders from the energy sector. The program is hosted by Trevor Freeman, our Manager of Commercial Accounts and Program



Delivery, who supports customers on their energy and decarbonization journeys. In 2025, we achieved a major milestone, reaching 1 million total downloads of our episodes.





100% electric

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Management's discussion and analysis



Introduction

The Management's Discussion and Analysis ['MD&A'] reviews Hydro Ottawa Holding Inc.'s financial position and financial performance and should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2025. The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ['IFRS Accounting Standards'], and are expressed in thousands of Canadian dollars.

The MD&A contains forward-looking statements, including, but not limited to, statements as to future operating results and plans. These statements reflect management's expectations as of April 23, 2026, the date of approval of the consolidated financial statements. The impacts of risks and uncertainties may cause actual results, performances, or achievements to differ materially from those projected here.

Core businesses

Company profile

Hydro Ottawa Holding Inc. ['Hydro Ottawa', 'the Company' or 'the Corporation'] is 100 per cent owned by the City of Ottawa. It is a private company, registered under Ontario's *Business Corporations Act*, and overseen by an independent Board of Directors consisting of the President and Chief Executive Officer and a maximum of 12 members appointed by City Council. There are two intermediate holding companies positioned between the Corporation and its operating subsidiaries. **Hydro Ottawa Capital Corporation** holds three business lines: electricity distribution, energy solutions, and telecommunications services, and conducts all bond market activities. The second company, **Hydro Ottawa Energy Services Inc.**, serves as the holding company for the renewable energy generation group of entities and district energy investments.

Within the Corporation's multi-tier structure, there are four primary business lines.

Hydro Ottawa Limited is a regulated electricity local distribution company ['LDC'] operating in the city of Ottawa and the municipality of Casselman. As the third largest municipally-owned electrical utility in Ontario, Hydro Ottawa Limited maintains one of the safest, most reliable, and cost-effective electricity distribution systems in the province, serving approximately 377,000 residential and commercial customers across 1,116 square kilometres.

Portage Power is the largest Ontario-based, municipally-owned producer of green power. Portage Power owns and operates six run-of-the-river hydroelectric generation plants at Chaudière Falls near Ottawa's core, along with the historic Ottawa River Ring Dam, and 12 other run-of-the-river facilities in Ontario and New York. It holds interests in two landfill gas-to-energy joint ventures that produce clean, renewable energy from landfill gas at the Trail Road and Laflèche landfill sites in Ottawa and in Moose Creek, Ontario. It also has 16 solar installations across Ottawa. In total, Portage Power has 131 megawatts of installed green generation capacity – enough to power 110,000 homes.

Envari provides energy solutions to municipalities, industrial and commercial clients, and various LDCs. Envari manages large energy transformation projects on behalf of its clients, offers a portfolio of energy-efficient and environmentally friendly products and services, and provides operations and maintenance capabilities to its customer base. Envari provides extensive energy services to the City of Ottawa while also serving a diverse and expanding client base across Eastern Ontario.

hiboo offers secure, high-speed fibre optic network solutions and internet service to businesses in the Ottawa and Gatineau region, operating a secure, high-capacity, state-of-the-art network. As the first municipally-owned internet service provider in the region, hiboo launched its services in the market in 2023.

For a list of the significant operating subsidiaries and joint ventures included in Hydro Ottawa's consolidated financial results, refer to Note 1 in the consolidated financial statements included in this report.

Our Strategic Direction

In 2021, Hydro Ottawa developed a strategic plan ['2021-2025 Strategic Direction'], outlining the Company's business strategy and financial projections for the ensuing five years. This strategy represented both a continuation and an expansion of the robust foundation that Hydro Ottawa has built in our integrated planning and performance management framework. It retained the core elements of this framework, while responding to significant shifts in our business environment and placing a new emphasis on how sustainability and Environmental, Social, and Governance ['ESG'] factors are integrated into all of our business practices.



Strategy

Our strategy for the 2021-2025 period was anchored in an 8-point plan:

1. Achieving net-zero operations by 2030;
2. Becoming the partner of first choice for signature green energy and carbon reduction projects in our community;
3. Accelerating digital transformation to enable sustainable business practices;
4. Leveraging and promoting distributed energy resources;
5. Continuing to grow and diversify our revenue sources;
6. Growing our social licence to operate;
7. Ensuring organizational capacity, culture, and leadership to deliver in a post-pandemic environment; and
8. Continuing to provide best-in-class customer service.

In addition, our growth agenda involved four basic components:

- **Electricity distribution:** expanding our grid to accommodate new customers and continuing to evaluate opportunities to increase our distribution service territory;
- **Renewable generation:** increasing the supply of clean energy for customers by making smart investments in renewable generation;
- **Energy solutions:** providing innovative and sustainable solutions to help consumers, businesses, public sector agencies, utilities and communities meet their energy objectives through energy management, conservation, design engineering, efficient streetlighting, electric vehicle infrastructure, energy generation, energy storage, and district energy opportunities, among others; and
- **Telecommunications services:** delivering high-speed fibre optic network solutions and internet service to businesses in our region.

The year 2025 was the fifth and final one in our 2021-2025 strategic planning cycle. An updated five-year strategy will be presented in conjunction with the Company's delivery of the 2025 results to the shareholder.

Mission, vision and guiding principles

Our mission – *To create long-term value for our shareholder, benefitting our customers and the communities we serve*

Hydro Ottawa is both a community asset and an investment for our shareholder, the City of Ottawa. As a community asset, our purpose is to provide efficient and reliable services and a first-class customer experience, and to continue to be a strong strategic partner with the City, helping to deliver on its economic development and environmental agendas. As an investment, our purpose is to provide stable, reliable, and growing returns, and to increase shareholder value both in the short and long term.

Our vision – *Hydro Ottawa – a leading partner in a smart energy future*

Our guiding principles

Hydro Ottawa is committed to creating long-term value in a manner that will withstand the test of public scrutiny and inspire confidence and trust. To that end, we strive to achieve excellent operating and financial results while abiding by professional standards of conduct. We are guided not only by legal obligations, but also by best governance and business practices, and standards established by independent agencies. These expectations provide the foundation for our commitment to all of our stakeholders, and are reflected in our organizational values, our Code of Business Conduct, and our operating policies and procedures.

These guiding principles have served Hydro Ottawa and our stakeholders well over the course of successive strategic planning cycles. They remain relevant in light of public and private sector interest in ESG issues, and thus attest to Hydro Ottawa's leadership as a forward-thinking and purpose-driven corporation.

Our organizational values

At Hydro Ottawa we are committed to an organizational environment that fosters and demonstrates ethical business conduct at all levels and reflects our shared values of teamwork, integrity, excellence, and service. Every employee must lead by example in this endeavour.

Our commitments to our stakeholders

Hydro Ottawa takes into account the interests of all our stakeholders including employees, customers, suppliers, our shareholder, and the communities and environment in which we operate.

Employees

The quality of our workforce is our strength and we will strive to hire and retain the best-qualified people and maximize their opportunities for success. We are committed to maintaining a safe, secure, and healthy work environment enriched by diversity and characterized by open communication, trust, and fair treatment.

Customers

Our continued success depends on the quality of our customer interactions, and we are committed to delivering value across the entire customer experience. We are honest and fair in our relationships with our customers, and provide reliable, responsive, and innovative products and services in compliance with legislated rights and standards for access, safety, health, and environmental protection.

Suppliers and contractors

We are honest and fair in our relationships with our suppliers and contractors and purchase equipment, supplies, and services on the basis of merit, with a preference for local procurement. We pay suppliers and contractors in accordance with agreed terms, encourage them to adopt responsible business practices, and require them to adhere to our health, safety, and environment standards when working for Hydro Ottawa.

Community and the environment

We are committed to being a responsible corporate citizen and will contribute to making the communities in which we operate better places to live and do business. We are sensitive to the community's needs, and dedicated to protecting and preserving the environment where we operate.

Shareholder and other suppliers of finance

We are financially accountable to our shareholder and to the institutions that underwrite our operations, and communicate to them all matters material to our organization. We protect our shareholder's investment and manage risks effectively. We communicate to our shareholder all matters that are material to an understanding of our corporate governance.

Electricity industry overview

Within the broader electricity sector, different entities are responsible for generating electricity, transmitting it, and delivering it to customers' homes and businesses, as well as for directing grid and market operations, and overseeing and regulating the system as a whole. These entities are different in the two markets where Hydro Ottawa operates – Ontario and New York.

Electricity generation

Electricity is created at generating stations – nuclear, hydroelectric, gas, wind, biofuel, and solar – as well as at small-scale and primarily renewable distributed energy installations at or near end-use locations. Facilities such as nuclear and hydroelectric stations operate continuously, while wind and solar operate intermittently. Others such as natural gas stations can start up or slow down as required to follow demand fluctuations. Hydro Ottawa, through its subsidiary, Portage Power, has a portfolio of hydroelectric, landfill gas-to-energy, and solar generating stations, and is the largest Ontario-based municipally-owned producer of green power.

Electricity transmission

Electricity is transmitted from generating stations to large industrial customers and LDCs through a high-voltage network of transformer stations, transmission towers, and wires. While the network is primarily operated by Hydro One, it also includes transmitters such as Upper Canada Transmission, Five Nations Energy and Wataynikaneyap Power. Furthermore, the provincial grid is increasingly being expanded through competitive procurements. In New York State, the transmission system is operated by a number of private and public entities such as National Grid and the New York Power Authority, which are collectively referred to as the New York Transmission Owners.

Electricity distribution

After transmission, electricity in Ontario is distributed at lower voltages to homes, businesses, hospitals, schools, factories, and farms by LDCs such as Hydro Ottawa Limited. LDCs deal directly with electricity customers, maintain their communities' local electricity grids, and assist customers with electricity conservation. LDCs are the primary billing and collecting agents for all electricity sector charges. This means that, in addition to recovering costs related to distribution services from their customers, LDCs collect charges related to generation and transmission and remit payment through the Independent Electricity System Operator ['IESO'] on behalf of customers. This settlement process ensures that LDCs remain whole.

LDCs in Ontario are also required to enable the connection of generators to their distribution systems, pursuant to specific regulatory criteria and to facilitate the settlement process through which an embedded generator is paid for its electricity production.

While it is always an LDC that delivers electricity through its distribution lines to a home or business, electricity customers have the choice of buying their electricity generation from either their local LDC or an electricity retailer. Most Ontario customers choose to buy from their LDC. Hydro Ottawa Limited is only engaged in electricity distribution in the provincial market.

In addition to the provision of electricity distribution services, the scope of the business and operating model for LDCs in Ontario is evolving in step with shifts in public policy and regulation, customer preferences, technological capabilities and market conditions. Alongside the construction of new distribution infrastructure and upgrades to existing assets, new requirements and expectations are emerging for LDCs to consider alternative solutions to meet customer demand and system needs. These alternatives are commonly referred to as “non-wires” solutions [‘NWS’] and encompass distributed energy resources, local generation, energy storage and demand-side management programs. Hydro Ottawa Limited is integrating NWS into its system planning and operations, and anticipates rising levels of NWS deployment in the years ahead.

System operators

The IESO connects all participants in Ontario’s bulk power system – generators that produce electricity, transmitters that send it across the province, retailers that buy and sell it, industries that use it in large quantities, and LDCs that deliver it to homes and businesses. The IESO forecasts electricity demand throughout the province in continuously updated five-minute intervals and collects offers from generators to provide the required amount. Wholesale customers can therefore see prices fluctuate based on current supply and demand, and can respond accordingly. The IESO monitors the system, identifies what is required to maintain reliability in the future, and publishes its findings in regular reports. It also coordinates emergency preparedness for the province’s electricity system.

The New York Independent System Operator [‘NYISO’] is at the heart of New York’s electricity system, monitoring the grid and power infrastructure, administering and monitoring the wholesale electricity markets, and planning for the state’s energy future. The NYISO was created to provide fair and open access to the electrical grid. New York is divided into 11 electricity zones and, within each, the NYISO is responsible for scheduling generation and load, contracting for the services necessary to maintain grid reliability, and scheduling



imports and exports. The NYISO is also responsible for publishing current demand or load in real time. Hydro Ottawa’s New York State assets are located in the NYISO Zone E – Mohawk Valley.

Regulatory framework

In Ontario, the Ministry of Energy [‘the Ministry’] sets the overall policy for the energy sector, guided by relevant laws and regulations. The Ministry oversees the IESO and the Ontario Energy Board [‘OEB’], which regulate the energy sector as set out primarily in three statutes: the *Ontario Energy Board Act, 1998* [‘OEB Act’]; the *Electricity Act, 1998*; and the *Energy Consumer Protection Act, 2010*. The OEB Act establishes the authority of the OEB to approve and fix all rates for the transmission and distribution of electricity in Ontario, and to set standards of service, conduct, and reporting that must be adhered to as a condition of being licensed.

In the United States, electrical utilities and independent power producers are regulated at both the federal and state levels. Under the *Federal Power Act*, the Federal Energy Regulatory Commission [‘FERC’], an independent agency within the Department of Energy, regulates the transmission and wholesale of electricity in interstate commerce. Unless otherwise exempt, any entity that owns or operates facilities used for the transmission or wholesale of electricity in interstate commerce is a public utility subject to FERC’s jurisdiction. Regional system operators like NYISO are also under FERC oversight, as are privately-owned hydroelectric stations, whose operating licenses are issued by FERC.

Rates

Hydro Ottawa Limited recovers costs from customers through electricity distribution rates. These cover the costs to:

- design, build, and maintain overhead and underground distribution lines, poles, stations, and local transformers;
- operate the technology systems necessary for monitoring and controlling the distribution grid; and
- provide customer service and emergency response.

Costs and rates vary between distributors, depending on factors such as the age and condition of assets, geographic terrain and distances served, population density and growth, and the ratio of residential to commercial and industrial consumers.

Hydro Ottawa Limited's distribution charge represents a portion of a customer's total electricity bill. Hydro Ottawa Limited bills and collects charges reflecting all electricity sector costs, extending beyond those associated with distribution, but keeps only the distribution portion. The remainder is passed on, without mark-up, to the IESO, generators, the federal and provincial governments, and other corporate entities.

Hydro Ottawa Limited's distribution rates are set by the OEB, based on rate applications. For more information on the rate-setting framework and Hydro Ottawa Limited's rates, see Note 3(d) [Material Accounting Policies - Regulation] to the consolidated financial statements included in this report.

Portage Power's hydroelectric, landfill gas-to-energy, and solar generation rates are set through facility-specific contracts. For those facilities delivering power to Ontario, Portage Power operates under agreements with the IESO, under which a "base contractual rate" is determined at the outset. Where applicable [i.e. hydroelectric and landfill gas-to-energy facilities], an indexing factor is applied on an annual basis until the completion of the contract term. For hydroelectric stations located in upstate New York, Portage Power's power purchase agreements – all of which are with the Niagara Mohawk Power Corporation, a subsidiary of National Grid plc – are currently market-based. As a result, generation revenues from these stations fluctuate based on market price.

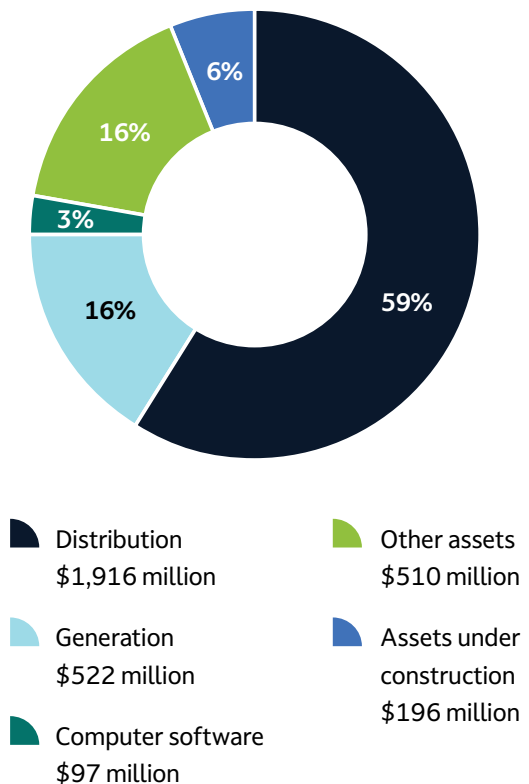
Capability to deliver results

Hydro Ottawa's capability to achieve the objectives set out in its Strategic Direction is a function of its tangible and intangible assets, expertise, systems, and capital resources.

Assets

Hydro Ottawa's gross cost of its asset base is \$3.2 billion, as a result of significant ongoing investments in distribution and generation infrastructure and technology systems. Like all utilities, Hydro Ottawa is affected by the reality of aging infrastructure, and continues to manage this through increased infrastructure investments and a detailed Distribution System Plan to target spending where it will have the most benefit. In 2025, the Corporation invested \$102 million to maintain its distribution system and a further \$87 million to expand the system to meet customer needs [see 'Investing Activities' below for more details].

Gross tangible and intangible assets



- **Electricity distribution assets** – For more than 100 years, Hydro Ottawa and its predecessor companies have delivered a reliable supply of electricity to homes and businesses.
 - Service Area – 1,116 square kilometres
 - Total Circuitry – 6,448 kilometres
 - Overhead circuitry - 2,796 kilometers
 - Underground circuitry - 3,651 kilometers
 - Substations – 92
 - Transformers – 39,323
 - Poles – 49,326
- **Renewable generation assets** – Portage Power is the largest Ontario-based municipally-owned producer of green energy with 131 megawatts of installed generation capacity, enough to power 110,000 homes. Its portfolio includes Canada’s oldest continuously operating hydroelectric station, in service since 1891.
 - Run-of-the-River Hydroelectric Generating Stations – 18
 - Landfill Gas-to-Energy Plants – 2
 - Solar Installations – 16 [includes 2 behind-the-meter installations]

Workforce

A highly skilled, properly trained, and knowledgeable workforce – and a safe and healthy work environment – are essential to Hydro Ottawa’s continued success. The Company’s strategic objectives will only be achieved through the efforts of an effective and continuously learning organization, with the right skill sets to deliver on existing and new business lines.

Hydro Ottawa employed approximately 760 people at the end of 2025 across the enterprise, with Hydro Ottawa Limited accounting for approximately 80 per cent of this workforce.

Like many other energy providers, Hydro Ottawa continues to face challenging workforce demographics that require a concerted response. The Company has

put in place a comprehensive and integrated talent management strategy. It is anticipating and meeting talent needs through workforce planning, talent attraction and acquisition, effective deployment of resources, and performance management and development. More specifically, this includes:

- **Training:** In-house apprenticeship and engineering internship programs enable participants to gain hands-on work experience and attain career milestones including full-time employment and professional certification.
- **Succession:** Succession planning and development programs ensure that there are qualified and diverse employees in the talent pipeline for key positions.
- **Knowledge management & transfer:** A proactive approach for key positions includes an older worker and retiree engagement plan to help seamlessly transition work from the veteran workforce to the next generation.
- **Diversity, equity & inclusion:** Hydro Ottawa’s strategy fosters an inclusive culture that leverages diversity and enhances employee engagement and innovation. To support the goals of its third Diversity, Equity and Inclusion Plan, Hydro Ottawa made three gender diversity commitments in 2022 – to increase women in trades and technical roles to 30 per cent, in engineering roles to 50 per cent, and in leadership roles to 50 per cent, all by 2030. Hydro Ottawa is engaging with multiple partners to increase its gender diversity and continue to evolve its plan.
- **Educational partnerships:** These include, most notably, collaborations with Algonquin College to deliver the College’s Powerline Technician programs in the Eastern Ontario region, and with Carleton University’s Sustainable and Renewable Energy Engineering Department for the establishment of a smart grid laboratory. The latter fosters innovative research on electrical power systems and promotes the training of engineers in the smart grid environment. Hydro Ottawa also partners with Carleton University’s Faculty of Engineering and Design on the Women in Engineering and IT Program. This program works to help close the gender gap in engineering and information technology. The program

runs throughout the academic year and provides women students studying in a STEM discipline at Carleton with networking, mentorship, and soft-skill development opportunities.

Employee compensation programs continued to support a high-performance culture in 2025, and include market-driven and performance-based components to attract and retain key employees.

As Hydro Ottawa's business changes, so too does the profile of its workforce. It is increasingly diverse in age, skills, cultural and ethnic background, sexual orientation, gender identity, and in many other ways. The Company aims to create a thriving, respectful, and inclusive workplace for all.

A fundamental component of Hydro Ottawa's commitment to operating efficiently and effectively is the very high priority that is placed on protecting the health, wellness, and safety of employees and the community. Hydro Ottawa has established an integrated health, safety, and environment management system certified to international standards – ISO 45001:2018 standard for occupational health and safety management, and ISO 14001:2015 standard for environmental management.

Systems and processes

Hydro Ottawa has made significant investments in technology systems to enhance the Company's effectiveness. These include customer information and billing systems, advanced metering, and information and operational technologies such as geographic information systems, system control, outage management, and mobile workforce management systems. Technology decisions continue to be based on three basic criteria: enhancing service to customers; creating efficiencies that will increase competitiveness; and improving functionality to be more agile and resilient in the face of industry disruption.

Hydro Ottawa continues to mature its cybersecurity program and takes the security of its critical infrastructure against cyber threats seriously. The Company collaborates proactively with government,

regulators, and private sector partners across North America to manage this risk, and draws upon the expertise of such bodies as the Canadian Cyber Incident Response Centre, IESO and OEB. The Company aspires to maintain industry-leading practices in its cyber program, including defence-in-depth security controls, regular penetration testing, anti-phishing training and campaigns for employees, third-party maturity assessments and managed security services, tabletop exercises for executive leadership, and formal plans for risk, vulnerability, threat, and incident management.

Hydro Ottawa is also focused on maximizing the efficiency and effectiveness of its operations by optimizing productivity at every opportunity.

In 2025, the Company undertook the following initiatives:

- Expanded its online customer portal to include large commercial accounts, equipping them with greater data access and insights to support their management of energy costs and consumption;
- Implemented artificial intelligence [AI] platforms and tools to enhance automation and productivity, including customized solutions for core business functions such as system operations and customer contact;
- Strengthened cybersecurity protections for critical information and operational technology systems;
- Completed the first phase of the Advanced Distribution Management System project, a foundational multi-year grid modernization initiative which will optimize control room operations;
- Introduced an automated information technology [IT] asset management solution, significantly improving overall visibility and management of IT assets through standardized processes, tracking and reporting;
- Enhanced its storm response toolkit by replacing manual damage assessments with a digital workflow, reducing data entry errors and speeding up decision-making during restoration events;



- Piloted a resume screening and candidate ranking process within the human capital management system to increase efficiency and reduce administrative burden on hiring managers; and
- Replaced legacy tools for financial statement preparation, reducing manual compilation efforts and freeing up capacity for value-added financial analysis.



Capital resources

Liquidity and capital resources

The Corporation's primary sources of liquidity and capital resources, on a consolidated basis, are cash provided by operating activities, bank credit facilities, and proceeds from commercial paper and bond issuances as and when required. Liquidity and capital resource requirements are primarily for maintenance of the Hydro Ottawa Limited electricity distribution system, investments in unregulated ancillary businesses, cost of power, interest expense, and prudential requirements.

During the year, the Corporation renewed and extended its \$500 million three-year revolving credit facility to August 2028, and maintained its \$51 million revolving credit facility which matures in August 2027, for an aggregate credit facility limit of \$551 million. The credit facility is used for general operating purposes, annual capital expenditures, and to provide adequate liquidity to withstand sudden and adverse changes in economic circumstances. Additionally, the credit facility is used to backstop Hydro Ottawa Capital Corporation's \$450 million commercial paper program to better optimize short-term borrowings.

Bond issuances in the utility sector continue to be a very attractive investment in the capital markets with strong demand across all bond tenors. This provides the Corporation access to market capacity to support its ongoing investment requirements. The Corporation successfully completed a \$425 million senior unsecured debentures offering in January 2025; \$200 million of the net proceeds were used to repay maturing long-term debt and the balance of \$222.6 million was used to repay short-term indebtedness. The debentures were issued as Green Debentures under the

Corporation's Green Bond Framework ['GBF'] released on January 14, 2025. The GBF allows the Corporation and its subsidiaries to issue debt securities or loan instruments that are designated as "green" where the proceeds are exclusively allocated to new or existing investments and expenditures that meet certain eligibility criteria ['Eligible Investments'], including the repayment of debt previously incurred to fund Eligible Investments. The Corporation's existing corporate bond profile is very strong, with a weighted average maturity of 13 years at an average weighted cost of 4.18 per cent. A \$204 million, project-level, 40-year non-recourse amortizing bond was issued in 2016 for the hydroelectric generation expansion at Chaudière Falls at a rate of 4.08 per cent. A \$290.5 million, project-level, 40-year non-recourse amortizing green bond was issued in 2019 for the refurbishment of the two generating plants in Québec at a rate of 3.53 per cent. For additional details regarding the Corporation's sources of liquidity and capital resources, see Notes 11, 15, and 17 to the consolidated financial statements.

Credit ratings

On October 1, 2025, Morningstar DBRS ['DBRS'] confirmed both the Issuer Rating of A (low), a Senior Unsecured Debt credit rating of A (low), and a Commercial Paper program credit rating of R-1 (low), respectively, all with Stable trends. The A(low) Stable rating confirms the continued strength and stability of Hydro Ottawa's distribution operations. DBRS noted that Hydro Ottawa Capital Corporation's credit profile is expected to remain consistent over the medium term, supported by stable regulated cash flows, a supportive regulatory framework, and reasonable financial metrics.

Progress against plan

In our 2021-2025 Strategic Direction, the Company established an 8-point strategy for achieving our vision of sustainable growth and providing value to customers. The table below summarizes 2025 performance highlights.

Strategic objectives	2025 performance highlights
<p>Achieve net-zero operations by 2030</p>	<ul style="list-style-type: none"> Advanced construction of the Piperville Municipal Transformer Station, our first substation project employing low-carbon techniques and principles, and incorporated lessons learned into two additional major substation projects Procured additional hybrid and electric vehicles [EVs] for our work crews, bringing our total fleet electrification percentage to 21 per cent Diverted 91 per cent of non-hazardous waste from landfill
<p>Become the partner of first choice for signature green energy and carbon reduction projects in our community</p>	<ul style="list-style-type: none"> Advanced the installation of charging infrastructure and the development of a new substation providing dedicated electrical capacity in support of the City of Ottawa's Zero-Emission Bus project Helped key partners like the City of Ottawa, Ottawa International Airport Authority, Ottawa Community Housing and local school boards to reduce their energy consumption and carbon emissions, through collaboration on net-zero and green energy opportunities Provided support and expertise for businesses and institutions requiring electrical service upgrades to help shift more of their energy use from fossil fuels to electricity Advanced the planning and design of a wastewater heat recovery pilot project for a major residential development in downtown Ottawa
<p>Accelerate digital transformation to enable sustainable business practices</p>	<ul style="list-style-type: none"> Implemented AI platforms and tools to enhance automation and productivity, including customized solutions for core business functions [e.g. system operations and customer contact] Strengthened cybersecurity protections for mission-critical technology systems and boosted our information technology resilience through development of a new back-up data centre Launched an online portal for large commercial customers, equipping them with critical insights to support management of energy costs and consumption Achieved key project milestones in foundational grid modernization initiatives [e.g. Advanced Distribution Management System and Advanced Metering Infrastructure 2.0]
<p>Leverage and promote distributed energy resources</p>	<ul style="list-style-type: none"> Secured \$6 million in Federal funding for the Ottawa Distributed Energy Resource Accelerator [ODERA], a flagship initiative which will integrate and deploy AI-enhanced analytics to optimize grid operations in constrained areas of our network Supported local building owners through our Ottawa Retrofit Accelerator program, with funding for approximately 100 studies examining opportunities for lower energy costs and reduced emissions

Strategic objectives	2025 performance highlights
<p>Continue to grow and diversify our revenue sources</p>	<ul style="list-style-type: none"> • Achieved consolidated net income of \$35.4 million, driven by strong performance across core business lines • Achieved key milestones in our Strategic Direction agenda for growth and revenue diversification: <ul style="list-style-type: none"> • Renewable generation and electricity storage: transitioned to an active development posture, building an 800 MW project pipeline and bidding two solar projects into the IESO's Long-Term 2 Request for Proposals process • Energy solutions: delivered a fifth consecutive year of revenue growth, expanding our products, services and customer base • Telecommunications: acquired new customers, introduced cybersecurity and data resilience services, and continued the buildout of our network • Demonstrated our commitment to sustainable financing by issuing a \$425 million 10-year Green Bond, with proceeds earmarked for infrastructure investments and other initiatives with environmental benefits
<p>Grow our social license to operate</p>	<ul style="list-style-type: none"> • Responded to the needs of our community through targeted support: <ul style="list-style-type: none"> • Raised \$163,000 for The Royal Ottawa Prompt Care Clinic and \$152,000 for United Way East Ontario through our annual employee charitable fundraising activities • Sponsored local organizations seeking to build stronger and healthier communities and supported vulnerable groups through our Community Investment Program [\$129,000 total] • Celebrated 25 years of supporting Special Needs Day at the Capital Fair • Answered the call for help by providing power restoration assistance to communities in Southern Ontario • Received numerous awards for performance excellence: <ul style="list-style-type: none"> • National Capital Region's Top Employer [17th year] • Canada's Greenest Employers [14th year] • Top Employer for Young People [11th year]
<p>Ensure organizational capacity, culture and leadership to deliver in a post-pandemic environment</p>	<ul style="list-style-type: none"> • Maintained safety as our top priority: <ul style="list-style-type: none"> • Achieved milestone of 1.5 million hours of work completed without a lost time injury • Provided an average of 23 hours of safe work practices training for employees [64 hours for trades] • Retained best-in-class certifications for our Occupational Health, Safety, and Environment Management System to international standards • Continued to renew our workforce through apprentice and journey person hiring, and talent management programs • Strengthened our Business Continuity Management program and refreshed our emergency response plans
<p>Continue to provide best-in-class customer service</p>	<ul style="list-style-type: none"> • Submitted our 2026-2030 distribution rate application to the Ontario Energy Board, seeking stable funding for critical investments to meet customer expectations and support economic growth • Delivered the largest distribution capital program in our history, investing over \$185 million in expanding the grid and maintaining reliability • Connected over 4,500 new customers to the grid • Achieved 94 per cent customer satisfaction rating • Maintained one of the highest e-billing rates amongst Ontario electricity distributors [83 per cent of customers], saving over \$5 million per year in costs

Financial results

The selected consolidated financial results of the Corporation presented below should be viewed in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2025.

Consolidated statement of income [summary]

[in thousands of Canadian dollars]

	2025	IFRS 14 impact	2025 (Pre-IFRS 14) ¹	2024	IFRS 14 impact	2024 (Pre-IFRS 14) ¹	Change (Pre-IFRS 14) ¹
Revenue and other income							
Power recovery	1,038,950	(58,989)	979,961	957,565	(38,241)	919,324	60,637
Distribution	250,775	(474)	250,301	243,062	(2,317)	240,745	9,556
Generation	35,433	–	35,433	52,892	–	52,892	(17,459)
Commercial services	84,680	–	84,680	63,733	–	63,733	20,947
Government grant income	3,978	–	3,978	5,955	–	5,955	(1,977)
Business interruption proceeds	4,063	–	4,063	6,755	–	6,755	(2,692)
Other	17,669	–	17,669	16,997	–	16,997	672
	1,435,548	(59,463)	1,376,085	1,346,959	(40,558)	1,306,401	69,684
Expenses							
Purchased power	959,056	(7,449)	951,607	923,195	(20,724)	902,471	49,136
Operating costs	231,876	875	232,751	215,553	(1,266)	214,287	18,464
Depreciation and amortization	89,311	–	89,311	84,118	–	84,118	5,193
	1,280,243	(6,574)	1,273,669	1,222,866	(21,990)	1,200,876	72,793
Income before undernoted items	155,305	(52,889)	102,416	124,093	(18,568)	105,525	(3,109)
Financing costs, interest income and taxes	75,739	(10,949)	64,790	75,408	(12,674)	62,734	2,056
Share of loss from joint ventures	2,180	–	2,180	669	–	669	1,511
	77,919	(10,949)	66,970	76,077	(12,674)	63,403	3,567
Net income	77,386	(41,940)	35,446	48,016	(5,894)	42,122	(6,676)
Net movements in regulatory balances, net of tax	(41,940)	41,940	–	(5,894)	5,894	–	–
Net income after net movements in regulatory balances	35,446	–	35,446	42,122	–	42,122	(6,676)

¹ Non-GAAP financial measure.

Non-GAAP financial measure

IFRS 14 - Regulatory Deferral Accounts requires a one-line separate presentation of the net movement within the Corporation's regulatory deferral accounts related to income [i.e. the debit and credit balances, net of taxes] within its consolidated statement of income. This net movement of regulatory balances primarily arises when there is a timing difference between the cost of power purchased and the recovery thereof. This difference is recorded as a settlement variance, representing amounts to be recovered from or refunded to customers through future billing rates approved by the OEB. Consequently, the Corporation's purchased power and power recovery line items can be significantly impacted by these timing differences. For the purposes of the analysis and interpretation of financial variances presented, management has identified and excluded impacts resulting from the adoption of IFRS 14, and used pre-IFRS 14 results as the basis for its discussion unless otherwise noted. Management believes this more accurately represents the true financial performance of the Corporation, given its rate-regulated environment as prescribed by the OEB. Readers should be cautioned that the pre-IFRS 14 non-GAAP financial measure is not a standardized measure and might not be comparable to disclosures by other entities.

Net income

Net income decreased by \$6.7 million compared to the previous year. This drop was driven by a \$72.8 million increase in expenses partially offset by a \$69.7 million increase in revenue and other income. The increase in expenses stemmed from several factors, including increased purchased power costs, operating costs, and charges for depreciation and amortization.

Revenue growth was observed across most of the Corporation's core business lines. The Corporation's regulated electricity distribution company saw a \$9.6 million increase in distribution revenue due to regulated increases in its electricity rates and customer growth. Additionally, there was a \$60.6 million increase in the cost of power recovered, offset by a \$49.1 million

increase in purchased power. These variances in power recovery and purchased power do not impact net income since the costs are passed through by the regulated electricity distribution company. However, during the consolidation of the subsidiaries' results, any intercompany generation revenue and purchased power for power directly fed into Hydro Ottawa's distribution system by Portage Power, is eliminated. This impacts the straight pass-through of the commodity costs reflected in the income statement. In addition, commercial services revenue and other revenue increased by \$20.9 million and \$0.7 million, respectively, due in large part to the performance of Envari, the Corporation's energy solutions provider, and hiboo, the Corporation's telecommunication subsidiary. Conversely, Portage Power, the Corporation's renewable generation subsidiary, saw a \$17.5 million decrease in revenue due to lower production. Portage Power continued to receive business interruption proceeds in 2025 related to the mechanical failure at its Generating Station No. 5 ['GS5'] located on Chaudière Island, which occurred in 2023.

Additionally, Hydro Ottawa's financing costs net of interest income rose by \$0.4 million, income taxes increased by \$1.6 million, and its share of loss from joint ventures grew by \$1.5 million.

Revenue and other income

Revenue and other income are earned from electricity distribution, renewable energy generation, energy management and utility services, as well as from government grants and sundry activities. In 2025, Hydro Ottawa's total revenue, including flow-through cost of power, amounted to approximately \$1.4 billion, representing an increase of five per cent from the prior year.

The largest component of Hydro Ottawa's total revenue is the cost of power recovered from customers through provincially established rates. The cost of power is a flow-through amount, which poses limited risk to Hydro Ottawa's financial performance. However, variances arise between the cost of power purchased and the recovery thereof, due to timing differences in invoicing from

the IESO for the former, and receipt of payment from customers for the latter. This difference is recorded as a settlement variance. Hydro Ottawa Limited's power recovery revenue increased \$60.6 million in 2025, mainly due to higher commodity charges.

Distribution revenue is recorded based on OEB-approved distribution rates, set at a level intended to recover the costs incurred by Hydro Ottawa Limited in delivering electricity to customers. The rates include revenue related to the collection of OEB-approved rate riders. 2025 marked the fifth and final year of rates approved under Hydro Ottawa Limited's 2021-2025 Custom Incentive rate application. Distribution revenue rose four per cent relative to 2024, due in large part to the regulated increases in Hydro Ottawa Limited's electricity rates and customer growth.

In 2025, Envari commercial services revenue, which includes energy and utility services business, produced a \$20.1 million increase in revenue as several key projects continued to move forward. The increase in its lighting, buildings and electrical practices represented 38 per cent growth from 2024. Business activity was

supported, in particular, by forward movement on the electric vehicle charging infrastructure project for the City's Zero-Emission Bus initiative.

During the year, Portage Power, the Corporation's renewable generation subsidiary, reported a \$17.5 million decrease in revenue in comparison to the previous year due to a drop in production from low water flows. At the same time, Portage Power received \$4.1 million in business interruption insurance policy proceeds [2024 – \$6.8 million] to mitigate the lost revenue from the mechanical failure that halted production at the Chaudière Falls GS5 unit in spring 2023. The damaged unit was replaced and put in service in August 2025.

Expenses

Purchased power and operating costs

Purchased power represents the cost of electricity delivered to customers within Hydro Ottawa Limited's distribution service territory. These costs consist of commodity charges, wholesale market service charges, transmission charges, and the global adjustment. The cost of purchased power increased \$49.1 million in 2025, mainly due to the commodity cost. Total operating costs in 2025 were \$232.8 million, an increase of \$18.5 million compared to the prior year. The overall increase was attributable to a \$11.4 million rise in compensation costs due in part to workforce growth, and an increase in costs driven by higher sales at Envari. A \$2.6 million increase in the allocation of costs to capital programs partially offset this variance.

Depreciation and amortization

Depreciation and amortization on Hydro Ottawa's property, plant, and equipment, and on its intangible assets increased in 2025 by \$5.2 million, due to the ongoing investment in the Corporation's electricity distribution infrastructure, generation and general plant assets.



Share of [loss] profit from joint ventures

In 2025, the Corporation recorded a loss of \$2.2 million from joint ventures, which increased by \$1.5 million from 2024, largely due to the new joint ventures described below. Share of [loss] profit from joint ventures represents the Corporation's share of net [loss] profit from the continuing operations of Moose Creek Energy LP [50.05 per cent] and PowerTrail Inc. [60 per cent], both landfill gas-to-energy joint ventures. In addition, the Corporation has a 50 per cent interest in Zibi Community Utility LP ['ZCU'], a zero-carbon district cooling and heating system for the Zibi development in downtown Ottawa-Gatineau, and a 50 per cent interest in Civic Community Utility Partnership, a joint venture which was established to construct and operate a district utility plant. In 2025, the Corporation acquired 50 per cent share of Teraflex Limited ['Teraflex'], a provider of electrical, communication and civil construction services, from Oakville Enterprises Corporation ['OEC'], and entered into the LeBreton Community Utility Partnership [50 per cent], a joint venture which has plans to be the district energy provider at LeBreton Flats. For more information regarding the Corporation's joint ventures, see Note 9 to the consolidated financial statements.

Financing costs [net of interest income] and taxes

Financing costs [net of interest income] increased \$0.4 million due to a rise in total borrowings. However, costs were partially mitigated by lower borrowing costs on short-term debt following reductions in the Bank of Canada interest rate, bringing the overnight rate down from 3.25 per cent at the start of the year to 2.25 per cent by the year's end.

The Corporation's effective tax rate increased from 32.99 per cent in 2024 to 36.78 per cent in 2025, as a result of permanent and temporary differences between the accounting treatment and tax basis of assets and liabilities that arose during the year. The \$0.1 million decrease in income tax expense after the impact of IFRS 14 is largely the result of a decrease in pre-tax income and temporary differences. [There was a \$1.6 million increase in income tax expense pre-IFRS 14]. For more information regarding income taxes, see Note 23 to the consolidated financial statements.



Net movement in regulatory balances [net of tax]

In accordance with IFRS 14, the Corporation has separately presented the net movement in regulatory balances in the consolidated statements of income and comprehensive income. The changes in the regulatory debit and credit balances for the year, on the consolidated balance sheet, were a decrease of \$16.8 million [debit] and an increase of \$25.0 million [credit], respectively. This is equal to the net movement in regulatory balances, net of tax, on the consolidated statements of income and comprehensive income [a decrease of \$41.9 million and an increase of \$0.1 million, respectively]. The impact of the IFRS 14 adjustments of \$41.9 million is shown on the consolidated statement of income [summary]. As Hydro Ottawa Limited passes on the benefit of deferred income taxes through annual distribution rate adjustments approved by the OEB, it records a regulatory deferral account credit [or debit] balance for the amounts of deferred income taxes expected to be refunded to [or recovered from] customers in future rates.

Consolidated balance sheet [summary]

[in thousands of Canadian dollars]

	2025	2024	Change
Current assets	294,249	274,900	19,349
Non-current assets	2,546,153	2,382,260	163,893
Total assets	2,840,402	2,657,160	183,242
Regulatory account balances	124,055	140,811	(16,756)
Total assets and regulatory account balances	2,964,457	2,797,971	166,486
Current liabilities	482,397	849,783	(367,386)
Non-current liabilities	1,860,637	1,362,774	497,863
Total liabilities	2,343,034	2,212,557	130,477
Shareholder's equity	566,458	555,491	10,967
Total liabilities and shareholder's equity	2,909,492	2,768,048	141,444
Regulatory account balances	54,965	29,923	25,042
Total liabilities, shareholder's equity and regulatory account balances	2,964,457	2,797,971	166,486

Assets

Total assets increased by approximately \$183.2 million in 2025. This increase is largely attributable to property, plant, and equipment, and to intangible assets, which in combination have increased by \$164.4 million. This increase is a result of the continuing investments in electrical distribution and generation infrastructure, and the acquisition of general plant assets. In addition, the Corporation's current assets rose \$19.3 million, largely due to the increase in accounts receivable and contract assets of \$13.9 million and \$3.3 million, respectively, coupled with a \$3.4 million increase in cash. The increase in accounts receivable is mainly attributable to the increase in distribution and power recovery revenues.

Liabilities

Total liabilities increased by \$130.5 million in 2025. This is due to the \$218.2 million and \$39.5 million increase in long-term debt and accounts payable and accrued liabilities, respectively, offset by a \$207.6 million decrease in the Corporation's bank indebtedness and commercial paper. On January 30, 2025, the

Corporation successfully completed a bond offering of senior unsecured debentures of \$425 million, and used the proceeds to repay its Series 2015-1 \$200 million senior unsecured debentures, with the remaining net proceeds used to pay down outstanding short-term debt (commercial paper). In addition, deferred revenue increased \$59.1 million due to capital contributions received in 2025, net of amortization, and an increase of \$15.4 million in deferred income tax liability.

Regulatory account balances

IFRS 14 defines a regulatory account balance as the balance of any expense or [income] account that would not be recognized as an asset or liability in accordance with other IFRS Accounting Standards, but that qualifies for deferral because it is included, or is expected to be included, by the regulator in establishing the rate[s] that can be charged to customers. As at December 31, 2025, Hydro Ottawa Limited had recognized \$124.1 million in regulatory account debit balances [assets] and \$55.0 million in regulatory account credit balances [liabilities].

The \$16.8 million decrease in regulatory account debit balances is largely due to a \$28.7 million decrease in settlement variances offset by a \$10.9 million increase in the regulatory asset for deferred income taxes and a \$1.3 million increase in other variance and deferred costs.

The \$25.0 million increase in regulatory account credit balances is largely due to a \$22.2 million increase in settlement variances, a \$1.1 million increase in the Lost Revenue Adjustment Mechanism ['LRAM'] account, which tracks and disposes of lost electricity distribution revenues that result from Conservation and Demand Management ['CDM'] programs, and a \$1.1 million increase in other variance and deferred costs.

Consolidated statement of cash flows [summary]

[in thousands of Canadian dollars]

	2025	2024	Change
Bank indebtedness, beginning of year	(11,679)	7,098	(18,777)
Cash provided by Operating Activities	255,083	156,538	98,545
Cash used in Investing Activities	(239,318)	(195,846)	(43,472)
Cash provided by Financing Activities	2,482	20,531	(18,049)
Cash (bank indebtedness), end of year	6,568	(11,679)	18,247
Cash (bank indebtedness) consists of:	19,946	16,525	3,421
Cash	(13,378)	(28,204)	14,826
Bank indebtedness	6,568	(11,679)	18,247



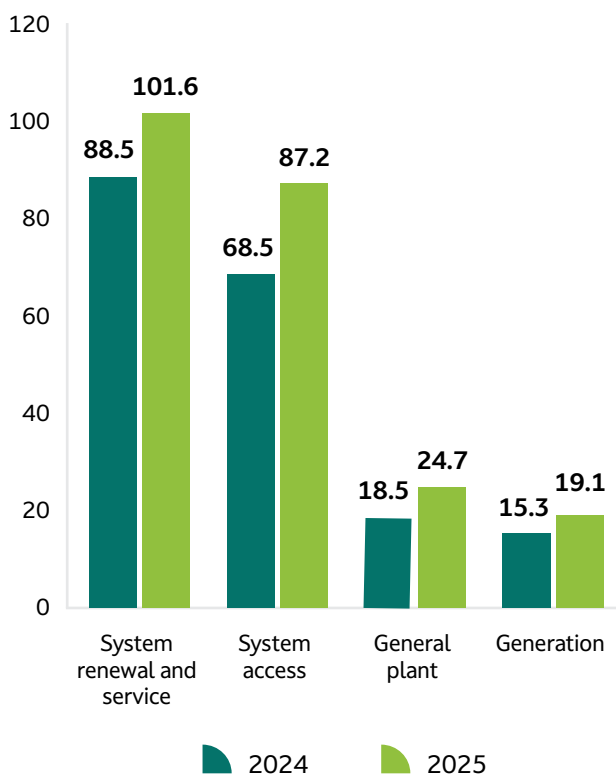
Operating activities

Cash generated by operating activities increased by \$98.5 million in 2025. The majority of this increase relates to a \$67.0 million net inflow of cash from the change in non-cash working capital items, a \$36.0 million increase in cash as a result of the net movements in regulatory balances and a \$10.8 million decrease in financing costs paid, net of interest income received. The increase in cash from operating activities was partially offset by a \$22.5 million decrease in the cash inflow from customer deposits.

Investing activities

Cash used in investing activities increased by \$43.5 million in 2025, due in large part to the rise in capital spending. In 2025, the Corporation continued to put an emphasis on its capital activities in order to keep pace with its electricity distribution system needs. Total investment in property, plant, and equipment and in intangible assets was \$232.6 million in 2025. The chart below shows Hydro Ottawa's capital investments by category for both 2025 and 2024.

Gross capital expenditures [\$ millions]



Capital investments in 2025 included the following: \$101.6 million on system renewal and service to replace aging infrastructure and to modify the existing distribution system; \$87.2 million on system access projects, including third party-driven growth projects such as new residential or commercial installations, and municipal improvement projects; \$24.7 million on general plant, including information technology infrastructure and fleet; and \$19.1 million on generating plants.

Financing activities

Financing activities include dividends paid to the shareholder, the City of Ottawa, as well as proceeds from the issuance of long-term debt and commercial paper.

In 2025, dividends were paid to the shareholder, the City of Ottawa, in accordance with the approved dividend policy. The 2025 payment totaled \$22.3 million based on 2024 results, and the 2024 payment totaled \$20.0 million based on 2023 results. Subsequent to year-end, the Board of Directors declared a \$22.1 million dividend based on 2025 results.

Accounting matters

Material accounting estimates and judgments

The preparation of consolidated financial statements, in conformity with IFRS Accounting Standards, requires management to make estimates, judgments, and assumptions that affect the reported amounts of consolidated revenues, expenses, assets, and liabilities, and requires disclosure of commitments and contingencies as of the date of the consolidated financial statements.

These estimates and judgments are based on historical experience, current conditions, and various other assumptions believed to be reasonable under the circumstances. Because they involve varying degrees of uncertainty, the amounts currently reported in the consolidated financial statements could prove to be inaccurate in the future.

Significant areas where estimates and judgments are made in the application of IFRS Accounting Standards are as follows [as discussed in Note 2(d) to the consolidated financial statements]:

- Accounts receivable
- Regulatory balances
- Useful lives of depreciable assets
- Impairment of non-financial assets
- Employee future benefits
- Capital contributions
- Deferred Income taxes

Risks and uncertainties

Hydro Ottawa has adopted a systematic approach to the management of risks and uncertainties, which is integrated into business processes and the quarterly reporting of organizational performance. Capabilities and processes have been built organization-wide for the effective identification of, and timely responses to, events likely to impede the achievement of corporate objectives.

The Corporation's Enterprise Risk Management ['ERM'] framework, established by the Board of Directors in 2006 and renewed annually, consolidates quarterly risk reporting to the President and Chief Executive Officer, and to the Board. Reporting highlights potential risk factors that may have an impact upon Hydro Ottawa's near-term and long-term business objectives and Strategic Direction. The ERM program supports and complements the Corporation's strategic planning and annual business planning cycles, through updated environmental scans and periodic reviews of planning assumptions.

Hydro Ottawa monitors sources and factors of risk relevant to the Corporation's lines of business. These include, but are not restricted to, the following: geopolitical factors; the policy and regulatory environment; the state of the economy, macro-economic trends and financial markets; the potential demand for electricity and energy solutions in Canada and globally; government policies relating to the production and procurement of renewable energy, as

well as carbon emissions and conservation; the pace and nature of changes in technology, with a focus on artificial intelligence; cybersecurity; labour force demographics and the state of the market for talent and skills; the course and consequences of climate change; hazards, including extreme weather events, which could significantly affect the socio-economic and physical environment; and the impact of fiscal policies on the Corporation's customers and stakeholders.

In combination, these sources of risk shape the evolution of the lines of business in which the Corporation is engaged, and could present new and emerging risks that the Corporation needs to manage effectively.

The description of risks below is not intended to be comprehensive. The actual impact of any risk event may vary substantially from what is anticipated or described below. The sources and factors of risk analyzed below are interrelated to a great extent. They may quite possibly converge as a cause or consequence of one another. Thus, the cumulative impact of multiple risk events occurring within a relatively short time frame must be considered.

Geopolitical factors

During 2025, the U.S. government has signaled and enacted a clear break from longstanding global frameworks governing trade, public health and defence and security arrangements.

The risks arising from that change in policy are already manifest in Canada, through disrupted supply chains, rising costs and higher unemployment. Those risks are compounded by the U.S. government's 'go-stop-go' posture in implementing tariff increases, and uncertainty regarding negotiations on a stable trade agreement. Over the medium term, the financial impact could be adverse for Hydro Ottawa, for example, in the purchase of major capital equipment and heavy-duty vehicles.

In public health, the U.S. has announced policy directives to move decisively away from accepted global practices on immunization. In contiguous countries such as Canada, there is a risk that these revised policies may exacerbate the risks of a future pandemic or public health emergency.

In the domain of national security, there is considerable uncertainty surrounding the long-term stability of bilateral and multilateral agreements to which the U.S. and Canada are parties. The potential instability has implications for Hydro Ottawa in a number of areas, such as grid security, cybersecurity, and security of its U.S. assets and personnel.

Economy and financial markets

The state of the local, national and global economy could have a significant impact on the Corporation's business performance through factors such as interest rates, inflation, supply chain stability, and availability of market capital to fund growth. The economic climate could also have an effect on the financial strength and performance of some of Hydro Ottawa's key business partners.

Access to capital

The Corporation is reliant on funds generated from its operations and funds secured from the capital markets to enable ongoing operations, capital expenditures, acquisitions and growth in the business. Disruptions in the capital markets could increase the Corporation's cost of capital and adversely affect its ability to fund its liquidity needs and future growth.

As Hydro Ottawa's debt matures from time to time, its ability to finance and refinance indebtedness would be largely dependent on general economic conditions and the overall state of the capital markets, the continued operating performance of its assets, its credit ratings, the regulatory and policy environment, the level of future interest rates, and the attractiveness of its debt instruments to capital market participants. If external sources of capital become limited or unavailable, the Corporation's ability to fund operations and execute capital expenditures and strategic investments may be adversely affected.

Interest rates and credit ratings

The Corporation, on a consolidated basis, has variable rate interest exposure on its short-term borrowings and Commercial Paper program, which represent approximately 13 per cent of aggregate debt as at

December 31, 2025. A series of reductions in the Bank of Canada key benchmark interest rate during 2025 eased pressures on the cost of short-term borrowings. Further easing [or tightening] of monetary policy during 2026 is not expected, at this time.

The progressive reduction of interest rates and stabilization of the climate for growth and investment may not endure beyond the short term if tariffs and retaliatory tariffs lead to high inflation.

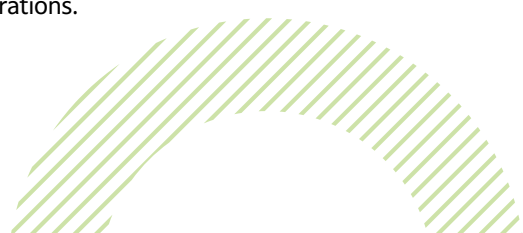
Following a restructuring of the Hydro Ottawa group of companies in 2024, and a successful \$425 million senior unsecured debentures issuance in 2025, Hydro Ottawa continues to maintain an A [low] credit rating, and therefore anticipates no immediate pressure on the Corporation's financial position or its ability to raise capital.

As the Corporation enters into a prolonged period of capital investment in its electricity distribution business and envisages continued growth and expansion of its unregulated businesses, its capital requirements may be considerably higher in the medium to long term. That might have a negative impact on the Corporation's credit rating at some point.

Inflation and supply chain disruption

Hydro Ottawa's Strategic Direction and financial projections are based on best estimates of costs to perform work and to run operations in a sustainable manner. Persistent inflation may result in substantial variance between actual results and current assumptions.

Business performance may also be affected by disruptions in the global supply chain. Inconsistencies in the availability or cost of a range of original equipment and spares could affect the operational efficiency of the Corporation's businesses, diminish the ability to respond to customer needs, erode the capacity to manage major capital projects within budgeted costs and timelines, and undermine profitability overall. A potential shortage of affordable contractors to perform the range of specialized services procured by the Corporation may also have an adverse impact upon vital support functions and back-office operations.



Exchange rate fluctuations

The Corporation's functional currency is the Canadian dollar. A significant depreciation of the value of the U.S. dollar relative to the Canadian dollar may adversely affect the value of the Corporation's U.S.-based assets and related revenues. Conversely, a significant depreciation of the Canadian dollar relative to the U.S. dollar may affect the Corporation's capacity to finance additional growth in the U.S. market.

State of the local economy

As the federal government follows through on plans for substantial reductions to its workforce, there is a multi-year risk of rising unemployment, lower median household incomes and reduced economic activity in the National Capital Region. As a result, the Corporation may be faced with a range of adverse effects across several lines of business, from potential increases in unpaid electricity bills to a decline in demand for sustainable energy solutions or value-added telecommunications services.

Policy and regulatory environment

Provincial government's policies on electricity generation, distribution, distributed energy resources and the energy transition

The Ontario government may at any time pass legislation or issue regulations that could directly affect the Corporation's electricity distribution and electricity generation businesses. For example, the government may require the OEB to implement more aggressive scrutiny of LDCs' pursuit of cost efficiencies, or contain rises in electricity distribution rates, or it may direct the IESO to achieve savings by amending supply contracts with electricity generation companies.

There is uncertainty around the role the provincial government envisages for LDCs and electricity generation companies in anticipating and meeting the requirements of a distributed energy resources ['DER'] environment.

The government's policy posture and regulations on climate change response, including the risk of reduced incentives for investment in more sustainable



infrastructure and energy solutions, could have an adverse impact on the Corporation's energy and infrastructure business.

Electricity industry

Hydro Ottawa Limited's Custom Incentive rate application for 2026-2030

Hydro Ottawa Limited has sought approval from the OEB for its distribution rate plan for 2026-2030. The plan defines the programs the Corporation expects to carry out in order to provide safe and reliable electricity to its customers, grow and expand the distribution system to meet and serve the rising demand for electricity, and renew its aging infrastructure, while earning the allowed rate of return. There are risks arising from regulatory proceedings, including the possible denial of some or several aspects of the programs defined in Hydro Ottawa's Custom Incentive rate application. Accordingly, there can be no assurance that the LDC's results over a multi-year period will be consistent with projections included in the approved revenue requirements framework.

The business performance of rate-regulated electrical utilities may also be affected by other factors. For example, actual loads and energy consumption vary substantially from forecast; or unanticipated capital expenditure may need to be incurred; or actual costs of operations, maintenance, administration, capital and financing may materially exceed initial projections. As a result, an LDC such as Hydro Ottawa Limited may not be able to complete its planned programs or achieve the expected returns.

Long-term demand for electricity

The Ontario government projects the demand for electricity to increase by 65 per cent over the next 25 years. If the demand for electricity does not increase at the projected pace and scale, or if it does not arise when and where it is expected, there is a risk of stranded assets that may not yield the expected return.

Electricity companies may also face other risks as they build out the new electricity system. Financing the expansion could put stress on their capital and reserves, and have an adverse impact upon key financial health indicators, such as average net debt / EBITDA and interest coverage ratios. The planned expansion of the electricity grid is likely to exacerbate post-pandemic supply chain constraints, with potential impact on project timelines, costs and resources. Electricity companies may also face challenges in sourcing, training, remunerating and retaining the talent required to manage the growth of the grid.

Aging assets

Hydro Ottawa Limited has developed a long-term Distribution System Plan which takes into account the impact of climate change – in particular, changes in the frequency, severity, and pattern of occurrence of extreme weather events. While the Plan enables a high degree of resilience and responsiveness within the Corporation, there is a considerable risk of not being able to sustain the distribution business' historically high standards of reliability and operability. The fact that a majority of its distribution assets [51 per cent] has already reached or exceeded the end of its expected useful life, with a substantial portion [21 per cent] set to follow suit over the next decade, may aggravate this risk. The occurrence of multiple extreme weather events can also cause significant damage to assets. Apart from exacerbating operational and service delivery risks, these events may entail onerous costs for restoration of the distribution system.

Market prices for electricity

The Corporation's electricity generation business is exposed to the fluctuation of market prices for electricity to some extent. Market prices for electricity fluctuate due to a number of factors: the amount of excess generating capacity relative to load in the market; the structure of the market; weather conditions that impact electrical load; growth in demand for electricity; absolute and relative prices for energy; changes in government policy; and developments in conservation and demand management.

Major project execution

The successful and timely completion of major projects is critical to the Corporation's long-term Strategic Direction across all its lines of business. There are inherent risk factors in such projects: construction delays; cost overruns; equipment performance not in accordance with expectations; delays in permissions and clearances from all levels of government and their agencies; technical issues in connecting to the grid; and constraints on delivery capacity on account of limitations in internal and external resourcing. For Hydro Ottawa Limited, such risks could be magnified as it contemplates substantial increases in its distribution capital investment program over the course of successive five-year rate plans.



Envari could face commercial and financial risks if a key customer delays the completion of a project or changes its strategy [for example, the City of Ottawa in the electrification of transit].

Equipment failure

Hydro Ottawa Limited's distribution assets face considerable risks of failure, stemming partly from their age and partly from severe weather conditions and natural disasters. Equipment failure risks, including the failure of assets under warranty, and the degradation of critical part components, are intrinsic to the generation of electric power. The energy and infrastructure business faces risk exposures from any potential failure of equipment installed for the charging of EVs.

Risks arising from equipment failure could be exacerbated by poor vendor support and performance, as well as by the precarious nature of global supply chains in recent years.

There cannot be assurance of the availability of affordable insurance to absorb wholly or in part the adverse financial impact of business interruption.

Hydrology

Hydro-electric generation assets account for 91 per cent of Portage Power's portfolio. The operation of those facilities depends upon the availability of water. Water flows could be affected by short-term variability in weather as well as longer term changes in precipitation patterns and amounts, water temperatures and ambient air temperatures.

Technology infrastructure and platforms

Hydro Ottawa's results, resilience, and business performance depend upon complex information systems, covering frontline operations as well as back-office processes. The failure of one or more of these key systems, or a failure of the Corporation to either plan effectively for future technology needs or to transition effectively to new technology systems, could adversely impact business operations and financial results.

Complexity and connectedness

There is growing convergence of core operational systems with enterprise information systems, along with increasing automation, and extensive use of common technology in facilitating integration and connectivity. The complexity of this technology infrastructure, together with its interconnected nature, has the potential to heighten existing risks as well as to create new ones. A significant and growing exacerbating factor is the emergence of sophisticated artificial intelligence tools and applications, and the pace at which they may be integrated into critical infrastructure. As a result, there could be heightened risks of catastrophic or systemic failure.

The functioning of the Corporation's technology and communications infrastructure depends to a great degree on the expertise, reliability and resilience of third parties. The performance of these third parties is not assured.

Hydro Ottawa Limited's key systems draw upon data and signals from several hundred thousand smart devices as well as the related systems and web interfaces. The processing of data in many cases entails a number of automated interfaces, as well as multiple internal and external dependencies, including Ontario's Smart Metering Entity. Risks arising from the reliability and performance of any single component of this integrated network, or of the system as a whole, could lead to a disruption of key business processes.

On a smaller scale, the Corporation's other businesses face similar exposures, as they draw upon data and information from a number of devices and systems, including some that are owned or operated by third parties.

Cybersecurity

The Corporation's reliance on information systems and expanded data transmission and exchange networks, in conjunction with the growing extent of systems and data integration, increases its exposure to information security threats, including cybersecurity risks. Hydro Ottawa's information systems and information assets could be put at risk by a security breach, data corruption, or system failure at a shared resource or common service

provider. Cybersecurity risks could also be aggravated by the increased prevalence of working from home. Artificial intelligence could amplify the impact of malicious acts through the automation of brute-force and denial-of-service attacks, as well as through highly effective social engineering.

The potential impacts of a cyber breach include the following: the compromise of customer- or employee-related information systems; loss of service to customers; unavailability of critical assets; misuse or destruction of sensitive or proprietary information; or prolonged impairment of operational capacity. The consequences could be wide-ranging and long-lasting, creating substantial financial, reputational and legal risks. These could lead to material losses in terms of lost revenue, higher costs, regulatory penalties and third-party damages. Insurance may not suffice to offset these costs and effects, or the costs relating to recovery, remediation and regulatory proceedings.

Human capital

Talent attraction and retention

The Corporation expects the market for trades, technical, and professional staff to remain intensely competitive. In such conditions, Hydro Ottawa's capacity to match or exceed the compensation and benefits offered by its comparators cannot be guaranteed. The prolonged inability to attract, train and/or retain a skilled or qualified workforce could have an adverse effect on the Corporation's service delivery and business results.

Labour force demographics

The demographics of the Corporation's workforce have changed substantially in recent years. On average, employees are much younger and have fewer years of experience than historical norms. This presents a range of potential challenges and considerations for the Corporation to address, such as reduced institutional knowledge and an elevated need for safety training and awareness.

Health and safety

The work environment in which Hydro Ottawa carries out its activity is inherently dangerous. It encompasses a wide range of risks and hazards to the health and safety of both employees and the general public. The Corporation is subject to federal and provincial legislation and regulations governing occupational health and safety. Findings of non-compliance with these requirements could result in penalties and reputational risk.

Pension plans

The Corporation provides a defined benefit pension plan for the majority of its employees through the Ontario Municipal Employees Retirement System ['OMERS']. As OMERS is a multi-employer, contributory, defined benefit pension plan, it is not practicable to determine the Corporation's portion of pension obligations or the fair value of plan assets. Future funding shortfalls and net losses at OMERS, if any, are subject to the OMERS Sponsors Corporation Funding Management Strategy, which outlines how benefits and contributions will be modified as the OMERS Primary Plan cycles through periods of funding deficit and surplus.

Hydro Ottawa also has a separate defined benefit pension plan and a separate defined contribution pension plan for a small number of employees in the generation portfolio, with appropriate financial and investment procedures and oversight, as required by law. Pension benefit obligations and related net pension costs can be affected by volatility in the global financial and capital markets. There is no assurance that pension plan assets will earn the assumed long-term rates of return. Market-driven changes impacting the performance of the pension plan assets may result in material variations in actual returns.

Hazards and business continuity

Parts of the Corporation's business operations entail exposure to a range of hazards and events arising from a number of potentially inter-related factors: environmental [e.g. extreme weather; floods and earthquakes]; industrial [e.g. toxic and hazardous substances]; public health [e.g. pandemic]; public safety [e.g. civil disorder, terrorism]; structural [e.g. building or

dam failure]; cybersecurity; and infrastructural [e.g. communications or transport failures].

Although the Corporation has a robust Business Continuity program, there can be no assurance that it will be able to withstand future challenges, especially if these emergencies and exceptional events should occur more often and with greater severity. Apart from creating risks to organizational resilience, hazards may also exacerbate financial risks. For example, the power and utilities sector may be required to absorb a greater proportion of the resulting losses if the insurance industry continues to reduce its coverage and offerings for such events.

Outlook

The end of 2025 marked not only the conclusion of another fiscal year but of Hydro Ottawa's 2021-2025 Strategic Direction term. Over the course of this recent strategic planning cycle, significant transformations unfolded across the external business environment and within the Corporation itself.

Hydro Ottawa emerged from this period as a more resilient and agile organization, and will draw on these strengths as it enters a new five-year Strategic Direction window which, at the outset, looks set to be characterized by rising levels of uncertainty, risk and complexity, as outlined in the preceding section of the MD&A.

A major milestone on the near-term horizon, expected in the second quarter of 2026, will be the OEB's decision on Hydro Ottawa Limited's 2026-2030 distribution rate application. The decision will approve operational expenditures, along with other governing parameters, for the utility's five-year rate plan. With capital spending having been approved in early 2026 through a partial settlement agreement, the utility is preparing to deliver the largest grid investment program in its history—nearly double that of the 2021-2025 period. These investments will be essential to maintaining reliability, modernizing the grid, supporting local economic development and facilitating customer-driven electrification. Key determinants for successful execution will include mitigating supply chain and cost pressures, strengthening workforce capacity,



and implementing effective productivity and continuous improvement measures.

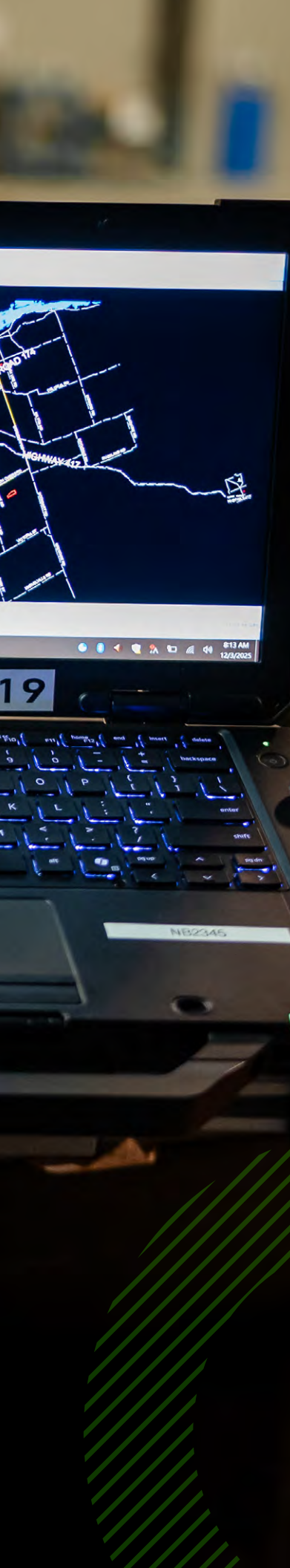
The respective outlooks for Portage Power and Envari remain positive, on account of a favourable business climate and sharpened competitive postures. From a renewable generation perspective, projected increases in electricity demand in Ontario and other jurisdictions present significant opportunities for new development and strategic acquisitions. In 2025, Portage Power positioned itself for future growth in this space by submitting its first-ever greenfield project bids into a competitive procurement and establishing a robust project pipeline [equivalent in size to six times its current asset base]. From an energy solutions perspective, conditions remain conducive to increased earnings in light of a diverse portfolio of signature community-building projects, robust appetite in commercial and institutional sectors for customized services, and ongoing expansion of Envari's client base and network of partners.

Following two years of operations, hiboo has established an initial presence in the local market for fibre-optic solutions, gaining valuable insight into prevailing market conditions and competitive challenges. Based on its early experience, hiboo is refining its strategy with a focus on tailoring digital connectivity and data resilience solutions for businesses and institutions. Strengthening its position, supporting strong financial outcomes and expanding its customer base will remain core imperatives going forward.

The Corporation will present its formal strategy for the 2026-2030 term alongside its delivery of 2025 results to the shareholder. The strategy will examine the transformative shifts and trends shaping the external business environment and outline Hydro Ottawa's plans for navigating the attendant challenges and opportunities, as the Corporation pursues its vision of being a leading partner in a smart energy future.



Driving innovation through artificial intelligence



Experiment. Learn. Adapt. Repeat.

Hydro Ottawa Group has been quick to embrace and embed AI solutions across our operations. In 2025, we expanded our AI toolkit and positioned ourselves for deeper integration of AI capabilities. Generative AI applications were made available to all employees, while we developed our own custom-made AI tools for such use cases as customer contacts and equipment isolation procedures. Importantly, we strengthened our governance framework for the ethical use of AI by formalizing new corporate policies around AI usage.

By equipping our workforce with these tools and boosting our AI literacy, we are building a more agile organization capable of delivering more efficient, high-quality service to customers. We are only scratching the surface of AI's promise and potential, and we look forward to unlocking the enormous possibilities for transformation and value creation.

Consolidated financial statements



Hydro Ottawa Holding Inc.
Consolidated Financial Statements
December 31, 2025

Report of Management

Management is responsible for the integrity of the financial data reported by Hydro Ottawa Holding Inc. [the 'Corporation']. Fulfilling this responsibility requires the preparation and presentation of consolidated financial statements and other data using management's best judgment and estimates, as well as International Financial Reporting Standards as issued by the International Accounting Standards Board.

Management maintains appropriate systems of internal control and corporate-wide policies and procedures, which provide reasonable assurance that the Corporation's assets are safeguarded and that financial records are relevant and reliable.

The Board of Directors, through the Audit Committee, ensures that management fulfills its responsibility for financial reporting and internal control. The Audit Committee consists of outside directors and, at regular meetings, reviews audit, internal control and financial reporting matters with management and external auditors. The Audit Committee has reviewed the consolidated financial statements and submitted its report to the Board of Directors.

On behalf of Management,



Bryce Conrad
President and Chief Executive Officer



Angela Collier
Executive Vice President, Finance and Chief
Financial Officer



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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Hydro Ottawa Holding Inc.

Opinion

We have audited the consolidated financial statements of Hydro Ottawa Holding Inc. (the Entity), which comprise:

- the consolidated balance sheet as at December 31, 2025
- the consolidated statement of income for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.



Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditor's report thereon, included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the Management's Discussion and Analysis as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.



Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.



KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

April 23, 2026

Hydro Ottawa Holding Inc.

Consolidated Statement of Income
Year ended December 31, 2025 with comparative information for 2024
[in thousands of Canadian dollars]

	2025	2024
	\$	\$
Revenue and other income		
Power recovery revenue [Note 20]	1,038,950	957,565
Distribution revenue [Note 20]	250,775	243,062
Generation revenue [Note 20]	35,433	52,892
Commercial services revenue [Note 20]	84,680	63,733
Other revenue [Note 20]	17,669	16,997
Government grant income	3,978	5,955
Business interruption proceeds [Note 4]	4,063	6,755
	1,435,548	1,346,959
Expenses		
Purchased power	959,056	923,195
Operating costs [Note 21]	231,876	215,553
Depreciation [Note 7]	77,425	73,005
Amortization [Note 8]	11,886	11,113
	1,280,243	1,222,866
Income before the undernoted items	155,305	124,093
Financing costs [Note 22]	56,964	56,598
Interest income	(1,848)	(1,930)
Share of loss from joint ventures [Note 9(a)]	2,180	669
Income before income taxes	98,009	68,756
Income tax expense [Note 23]	20,623	20,740
Net income	77,386	48,016
Net movements in regulatory balances, net of tax [Note 6]	(41,940)	(5,894)
Net income after net movements in regulatory balances	35,446	42,122

The accompanying notes are an integral part of these consolidated financial statements.

Hydro Ottawa Holding Inc.

Consolidated Statement of Comprehensive Income
Year ended December 31, 2025 with comparative information for 2024
[in thousands of Canadian dollars]

	2025 \$	2024 \$
Net income after net movements in regulatory balances	35,446	42,122
Other comprehensive income		
Items that may be subsequently reclassified to net income		
Exchange differences on translation of foreign operations, net of tax	(2,135)	3,653
Items that will not be subsequently reclassified to net income		
Actuarial (loss) gain on post-employment benefits, net of tax	(186)	149
Net movement in regulatory balances related to other comprehensive income, net of tax	142	(102)
Total comprehensive income	33,267	45,822

The accompanying notes are an integral part of these consolidated financial statements.

Hydro Ottawa Holding Inc.

Consolidated Balance Sheet
As at December 31, 2025 with comparative information for 2024
[in thousands of Canadian dollars]

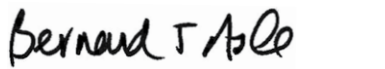
	2025 \$	2024 \$
Assets		
Current assets		
Cash	19,946	16,525
Accounts receivable [Note 4]	246,614	232,699
Contract assets [Note 5]	14,526	11,192
Income taxes receivable	400	762
Prepaid expenses	10,161	11,392
Inventory	2,602	2,330
	294,249	274,900
Non-current assets		
Property, plant and equipment [Note 7]	2,339,023	2,173,262
Intangible assets [Note 8]	147,713	149,036
Investment properties, at cost	5,260	4,798
Investments in joint ventures [Note 9(a)]	20,365	19,060
Note receivable from related party [Note 10]	20,000	20,000
Restricted cash [Note 15(b)]	7,650	8,630
Deferred income tax asset [Note 23]	6,142	7,474
Total assets	2,840,402	2,657,160
Regulatory debit balances [Note 6]	124,055	140,811
Total assets and regulatory balances	2,964,457	2,797,971
Liabilities and equity		
Current liabilities		
Bank indebtedness [Note 11]	13,378	28,204
Commercial paper [Note 11]	189,783	382,585
Accounts payable and accrued liabilities [Note 12]	260,515	221,019
Income taxes payable	47	-
Deferred revenue [Note 13]	14,862	13,093
Current portion of long-term debt [Notes 15 and 25]	3,812	204,882
	482,397	849,783
Non-current liabilities		
Deferred revenue [Note 13]	376,623	319,329
Employee future benefits [Note 14]	14,665	13,701
Customer deposits	26,295	21,089
Long-term debt [Notes 15 and 25]	1,289,248	870,022
Deferred income tax liability [Note 23]	152,235	136,820
Other liabilities [Note 16]	1,571	1,813
Total liabilities	2,343,034	2,212,557
Equity		
Share capital [Note 18]	228,453	228,453
Accumulated other comprehensive income	5,136	7,315
Retained earnings	332,869	319,723
Total liabilities and equity	2,909,492	2,768,048
Regulatory credit balances [Note 6]	54,965	29,923
Total liabilities, equity and regulatory balances	2,964,457	2,797,971

Contingent liabilities, commitments and subsequent events [Notes 26, 27 and 29]

On behalf of the Board:



Director



Director

The accompanying notes are an integral part of these consolidated financial statements.

Hydro Ottawa Holding Inc.

Consolidated Statement of Changes in Equity
Year ended December 31, 2025 with comparative information for 2024
[in thousands of Canadian dollars]

	Share capital \$	Accumulated other comprehensive income \$	Retained earnings \$	Total \$
Balance at December 31, 2023	228,453	3,615	297,601	529,669
Net income after net movements in regulatory balances	-	-	42,122	42,122
Other comprehensive income	-	3,700	-	3,700
Dividends [Note 18(b)]	-	-	(20,000)	(20,000)
Balance at December 31, 2024	228,453	7,315	319,723	555,491
Net income after net movements in regulatory balances	-	-	35,446	35,446
Other comprehensive income	-	(2,179)	-	(2,179)
Dividends [Note 18(b)]	-	-	(22,300)	(22,300)
Balance at December 31, 2025	228,453	5,136	332,869	566,458

The accompanying notes are an integral part of these consolidated financial statements.

Hydro Ottawa Holding Inc.

Consolidated Statement of Cash Flows
Year ended December 31, 2025 with comparative information for 2024
[in thousands of Canadian dollars]

	2025 \$	2024 \$
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net income after net movements in regulatory balances	35,446	42,122
Adjustments for:		
Depreciation and amortization	89,311	84,118
Gain on disposal of non-financial assets	(3,518)	(5,708)
Amortization of debt-issuance costs	460	341
Share of losses from joint ventures	2,180	669
Amortization of deferred revenue [Note 20]	(10,919)	(8,793)
Financing costs, net of interest income and debt-issuance costs	54,656	54,327
Income tax expense	20,623	20,740
Other	154	265
Changes in non-cash working capital and other operating balances [Note 24]	16,773	(50,202)
Income tax refunds received	313	1,345
Income taxes paid	(1,393)	(1,082)
Financing costs paid, net of interest income received	(48,895)	(59,690)
Capital contributions from customers	44,427	24,254
Capital contributions from developers [Note 7]	13,226	25,114
Change in customer deposits	299	22,824
Net movements in regulatory balances	41,940	5,894
	255,083	156,538
Investing		
Acquisition of property, plant and equipment [Note 7]	(229,520)	(190,677)
Acquisition of intangible assets [Note 8]	(11,012)	(7,426)
Proceeds from disposal of property, plant and equipment	669	1,020
Insurance proceeds from third party [Note 7]	4,891	6,552
Capital contributions to joint venture [Note 15(c)]	(250)	-
Investment in joint ventures, net of dividends received	(3,485)	(2,880)
Financing costs paid	(1,841)	(965)
Restricted cash held in-trust	980	(1,470)
Government grant received [Note 15(c)]	250	-
	(239,318)	(195,846)
Financing		
Proceeds from the issuance of commercial paper, net of repayments [Note 11]	(192,802)	44,480
Proceeds from issuance of long-term debt, net of repayments [Note 15]	217,696	(3,796)
Dividends paid [Note 18(b)]	(22,300)	(20,000)
Repayments of lease liabilities	(112)	(153)
	2,482	20,531
Net change in bank indebtedness, net of cash	18,247	(18,777)
Bank indebtedness, net of cash, beginning of year	(11,679)	7,098
Cash, net of bank indebtedness, end of year	6,568	(11,679)

The accompanying notes are an integral part of these consolidated financial statements.

Hydro Ottawa Holding Inc.

Notes to the Consolidated Financial Statements
Year ended December 31, 2025
[in thousands of Canadian dollars]

1. DESCRIPTION OF BUSINESS AND CORPORATE INFORMATION

Hydro Ottawa Holding Inc. [the 'Corporation'] is a holding company incorporated on October 3, 2000 whose sole shareholder is the City of Ottawa. The Corporation's primary operations, as carried out by its subsidiaries and joint ventures below, are the distribution of electricity within the City of Ottawa, the generation of renewable energy, and the provision of distribution and energy related commercial services. The Corporation is domiciled in Canada with its registered head office located at 2711 Hunt Club Road, Ottawa, Ontario, K1G 5Z9.

Significant operating subsidiaries, each wholly-owned, either directly or indirectly by the Corporation as at December 31, 2025, are as follows:

Subsidiary	Principal activity
Hydro Ottawa Capital Corporation ['HOCC']	A holding company incorporated on March 7, 2024, that holds and manages its investments in Hydro Ottawa Limited, Envari Holding Inc., Telecom Ottawa Holding Inc and 2725163 Ontario Inc.
Hydro Ottawa Energy Services Inc. ['HOESI']	A holding company incorporated on March 7, 2024, that holds and manages its investments in Energy Ottawa Inc. and Hydro Ottawa District Energy Inc.
Hydro Ottawa Limited ['Hydro Ottawa']	An electricity distribution company regulated by the Ontario Energy Board ['OEB'] that owns and operates electrical infrastructure in the City of Ottawa and the Village of Casselman. In addition to distribution services, Hydro Ottawa Limited invoices customers for amounts it is required to pay to other organizations in Ontario's electricity system for providing wholesale generation and transmission services.
Energy Ottawa Inc. ['Energy Ottawa']	Operating under the Portage Power brand, Energy Ottawa owns and operates 18 hydroelectric generating stations totalling 118 MW located in Ontario and Québec [at Chaudière Falls] and New York state. Significant subsidiaries of Energy Ottawa include Chaudiere Hydro L.P. ['CHLP'], Hull Energy L.P. ['Hull Energy LP'], EONY Generation Limited ['EONY'], Chaudiere Hydro North L.P. ['CHLP North'], EO Generation LP ['EO Gen'] and Chaudiere Financial L.P. ['CFLP'].
Envari Holding Inc. ['Envari']	Envari provides energy management and infrastructure services to commercial and government entities and non-destructive cable testing services to utility companies. Significant subsidiaries of Envari include Envari Energy Solutions Inc. and Energy Ottawa Cable Testing Services Inc. ['Cable Q'].
Telecom Ottawa Holding Inc. ['TOHI']	TOHI owns 100% of Hiboo Networks Inc. ['Hiboo'] (formerly 13310361 Canada Inc.). Hiboo provides secure, high-speed fibre optic network solutions and internet service to businesses in the Ottawa and Gatineau area.
Hydro Ottawa District Energy Inc. ['HODEI']	Serves as a holding company for district energy partnerships.

Hydro Ottawa Holding Inc.

Notes to the Consolidated Financial Statements
Year ended December 31, 2025
[in thousands of Canadian dollars]

Joint ventures the Corporation is a party of as at December 31, 2025, are as follows:

Joint venture	Principal activity
PowerTrail Inc. ['PowerTrail'] [60% owned]	Owns and operates a 6 MW landfill gas-to-energy plant at the Trail Road landfill site in Ottawa, Ontario.
Moose Creek Energy LP ['Moose Creek LP'] [50.05% owned]	Owns and operates a 4 MW landfill gas-to-energy plant at the Lafèche landfill site in Moose Creek, Ontario.
Zibi Community Utility LP ['ZCU'] [50% owned]	Owns and operates a thermal utility for the Zibi development in downtown Ottawa and Gatineau.
Civic Community Utility Partnership ['CCUP'] [50% owned]	Formed to construct, own and operate a community energy utility for The Ottawa Hospital.
LeBreton Community Utility Partnership ['LCUP'] [50% owned]	Formed to construct, own and operate a community energy utility for LeBreton Flats area of downtown Ottawa.
Teraflex Limited [50% owned]	Provides electrical, communication, and civil construction services to land developers, contractors, and government entities, including high-voltage distribution, utility infrastructure installation, and streetlight maintenance.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These consolidated financial statements have been prepared by management on a going-concern basis in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ['IFRS Accounting Standards'], and have been approved and authorized by the Corporation's Board of Directors for issue on April 23, 2026.

(b) Basis of measurement

The Corporation's consolidated financial statements are prepared on a historical cost basis, except for employee future benefits as disclosed in Note 3(n).

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

(d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires management to make estimates, judgments and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements.

Due to the inherent uncertainty involved in making estimates, actual results could differ from estimates recorded in preparing these consolidated financial statements, including changes as a result of future decisions made by regulators and governments. Management reviews its estimates and judgments on an ongoing basis using the most current information available. These consolidated financial statements have, in management's opinion, been properly prepared using careful judgment and reasonable limits of materiality within the framework of the material accounting policies. Significant areas where estimates and judgments are made in the application of IFRS Accounting Standards are as follows:

Hydro Ottawa Holding Inc.

Notes to the Consolidated Financial Statements
Year ended December 31, 2025
[in thousands of Canadian dollars]

i. Account receivable

Accounts receivable, which include unbilled receivables, are reported based on the amounts expected to be recovered less a loss allowance for expected credit losses. Management utilizes historical loss experience and forward-looking information in conjunction with the aging and arrears status of accounts receivable at year-end in the determination of the allowance.

ii. Regulatory balances

The recognition and measurement of regulatory balances is subject to certain estimates, judgments and assumptions, including assumptions made in the interpretation of the OEB's regulations and decisions. The Corporation continues to assess the likelihood of recovery of all regulatory debit balances subject to recovery through a future rate filing. The absence of OEB approval is a consideration in this evaluation.

iii. Useful lives of depreciable assets

Depreciation and amortization expense are calculated based on estimates of the useful lives of property, plant and equipment, intangible assets and investment properties. Management estimates the useful lives of the various types of assets using assumptions and estimates of life characteristics of similar assets based on a long history of electricity distribution and generation industry experience.

iv. Impairment of non-financial assets

Non-financial assets are reviewed by management for impairment using the future cash flows method as outlined in Note 3(m). By their nature, estimates of future cash flows, including estimates of future capital expenditures, revenue, operating expenses, discount rates, generation production, inflation, terminal capitalization rates and forecasted market pricing [including ancillary, capacity and other market incentives] are subject to measurement uncertainty. Management factors in current economic conditions, past experience and obtains third party consultations to support its estimates when necessary.

v. Employee future benefits

The measurement of employee future benefits involves the use of numerous estimates and assumptions. Actuaries make assumptions for items such as discount rates, future salary increases and mortality rates in the determination of benefits expenses and defined benefit obligations.

vi. Capital contributions

The timing of the satisfaction of performance obligations for capital contributions from customers is subject to certain estimates of future electricity usage.

vii. Deferred income taxes

Tax interpretations, regulations and legislation in the various jurisdictions in which the Corporation and its subsidiaries operate are subject to change. Deferred income tax assets are assessed by management at the end of each reporting period to determine the likelihood that they will be realized from future taxable income, taking into account potential tax planning opportunities. Deferred income tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilized.

Hydro Ottawa Holding Inc.

Notes to the Consolidated Financial Statements
Year ended December 31, 2025
[in thousands of Canadian dollars]

viii. Indicator of asset impairment

At the end of each reporting period, or earlier if required, management uses its judgment to assess whether there is an indication that the carrying amount of a non-financial asset [or cash-generating unit, 'CGU'] exceeds its recoverable amount. This assessment involves the consideration of whether any events or changes in circumstances could have affected the recoverability of the carrying amount of a non-financial asset or CGU. Management considers various indicators including, but not limited to, adverse changes in the industry or economic conditions; changes in the degree or method of use of an asset; a lower-than-expected economic performance of an asset or a significant change in market or interest rates.

Based on management's judgment, an indicator of impairment [under IAS 36 – *Impairment of Assets* ['IAS 36']] existed within EONY at December 31, 2025 pertaining to the volatility in energy market prices in New York State and the increase in market interest rates. Assumptions with respect to these cash flows are sensitive to the various inputs into the value-in-use calculation, and thus are subject to measurement uncertainty [Note 2(d)(iv)] and details regarding management's 2025 value-in-use analysis are presented in Note 8 of these consolidated financial statements.

(e) New standard not yet adopted

i. IFRS 18 *Presentation and Disclosure in Financial Statements*

In April 2024, the IASB issued a new standard, IFRS 18 *Presentation and Disclosure of Financial Statements* ['IFRS 18'], which replaces IAS 1. IFRS 18 is effective for reporting periods beginning on or after January 1, 2027. The standard is to be applied retrospectively, with early adoption permitted. IFRS 18 is expected to improve the quality of financial reporting by requiring defined subtotals in the statement of income or loss, requiring disclosure about management-defined performance measures, and adding new principles for aggregation and disaggregation of information.

The Corporation has not yet determined the impact of this standard on its disclosures.

ii. IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*

In May 2024, the IASB issued amendments to IFRS 9 *Financial Instruments* ['IFRS 9'] and IFRS 7 *Financial Instruments: Disclosures* ['IFRS 7'], which will be effective for reporting periods beginning on or after January 1, 2026. The amendments address narrow-scope issues identified during the post-implementation review of the classification and measurement requirements of IFRS 9. The amendments focus on two key areas: the classification of financial assets with contingent features, and the derecognition of financial liabilities settled through electronic payment systems. Furthermore, the amendments introduce new and enhanced disclosure requirements to improve transparency regarding the application of the amended IFRS requirements.

The Corporation does not expect these amendments to have a material impact on the consolidated financial statements.

3. MATERIAL ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries including those described in Note 1. Subsidiaries are entities controlled by the Corporation. The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns by directing and controlling the activities of the entity. Subsidiaries are fully consolidated from the date on which the Corporation obtains control, and continue to be consolidated until the date that control ceases to exist. Intercompany balances and transactions have been eliminated in these consolidated financial statements. The financial statements of the subsidiaries are prepared for the same reporting period as the Corporation using consistent accounting policies.

Hydro Ottawa Holding Inc.

Notes to the Consolidated Financial Statements
Year ended December 31, 2025
[in thousands of Canadian dollars]

(b) Joint ventures

All joint arrangements are either classified as joint ventures or joint operations in accordance with IFRS 11 – *Joint Arrangements* [‘IFRS 11’]. The Corporation is party to six joint ventures as described in Note 1 of these consolidated financial statements whereby control is shared with third parties via a contractual agreement. Joint ventures are accounted for using the equity method. Under this method, the Corporation’s interests in joint ventures are initially recorded at cost, and subsequently adjusted to recognize the Corporation’s share of post-acquisition profits or losses, movements in other comprehensive income [‘OCI’] and dividends or distributions received, as applicable.

(c) Foreign currency translation

Transactions denominated in foreign currencies are translated at exchange rates in effect at the transaction date. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the end of the reporting period. Non-monetary assets and liabilities carried at historical cost are not re-translated; they remain at the exchange rate in effect at the date of the original transaction. Non-monetary assets and liabilities carried at fair value are translated at the exchange rate in effect at the date the fair value was measured. Any resulting exchange gains or losses are included in net income for the year.

The assets and liabilities of EONY are translated into Canadian dollars at the exchange rate in effect at the end of the reporting period. Revenue and expenses are translated into Canadian dollars at the average exchange rate in effect during the reporting period. Any resulting exchange gains and losses arising from the translation are included in OCI for the year.

(d) Regulation - Hydro Ottawa

Hydro Ottawa is regulated by the OEB under the authority of the *Ontario Energy Board Act, 1998*. The OEB is charged with the responsibilities of approving or setting rates for the transmission and distribution of electricity, and ensuring that distribution companies fulfill obligations to connect and service customers.

For fiscal year ended December 31, 2025, Hydro Ottawa continued to operate under a custom incentive rate-setting application [‘Custom IR’] prescribed by the OEB. The Custom IR is one of the rate setting options contained in the *Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach* policy.

Annual Custom IR Update applications are required to set rates and charges for the 2022-2025 rate years. On August 15, 2024, Hydro Ottawa filed its Custom IR year 4 update application seeking approval to change its base distribution rates effective January 1, 2025. Rates are adjusted using a formulaic approach following the first year base rates. The 2024 rates are based on an update to Hydro Ottawa’s custom price escalation factor, working capital allowance, and Hydro Ottawa’s annual incremental capital stretch factor for capital-related revenue requirement. Hydro Ottawa’s 2025 rates were approved by the OEB on December 17, 2024.

Once rates are approved, they are not adjusted as a result of actual costs being different from those that were estimated, other than for certain prescribed costs that are eligible for deferral treatment and are either collected or refunded in future rates.

On April 15, 2025, Hydro Ottawa filed a Custom Incentive Rate-setting application with the OEB (EB-2024-0115) seeking approval for changes to the rates that it charges for electricity distribution based on a Custom Framework for a period of five years, effective from January 1, 2026, and for each following year through to December 31, 2030. A final Decision and Rate Order from the OEB has not yet been issued. On December 3, 2025, the OEB declared Hydro Ottawa’s current rates and charges interim as of January 1, 2026.

Hydro Ottawa Holding Inc.

Notes to the Consolidated Financial Statements
Year ended December 31, 2025
[in thousands of Canadian dollars]

Hydro Ottawa continues to apply the requirements of IFRS 14 – *Regulatory Deferral Accounts* [IFRS 14], and has determined that certain debit and credit balances arising from rate-regulated activities qualify for the application of regulatory accounting treatment in accordance with IFRS 14 and the accounting principles prescribed by the OEB in the Accounting Procedures Handbook for Electricity Distributors. Regulatory debit and credit balances primarily represent costs that have been deferred because it is probable that they will be recovered in future rates, revenues that are required to be returned or collected to/from customers or balances that arise from differences in amounts billed to customers for electricity services and the costs that Hydro Ottawa incurs to purchase these services.

Regulatory balances principally comprise of the following:

- Regulatory asset/liability refund account ['RARA'/'RLRA'] consists of balances of regulatory assets or regulatory liabilities approved for disposition by the OEB through temporary additional rates referred to as rate riders.
- Settlement variances relate primarily to the charges Hydro Ottawa incurred for transmission services, commodity, wholesale market operations and global adjustment in comparison to those settled with customers during the year. The nature of the settlement variances is such that the balance can fluctuate between assets and liabilities over time, and they are reported at year-end dates in accordance with rules prescribed by the OEB.
- Lost Revenue Adjustment Mechanism ['LRAM'] account tracks and disposes of lost electricity distribution revenues that result from Conservation and Demand Management ['CDM'] programs.
- Earnings Sharing Mechanism ['ESM'] variance account captures 50% of any regulated earnings above Hydro Ottawa's approved return on equity for specific rate periods.
- Other Post-employment Benefits deferral account ['OPEB deferral account'] was authorized by the OEB in 2011 to record the adjustment to employee future benefits other than pension relating to the cumulative actuarial gains or losses. This account is adjusted annually to record any changes in the cumulative actuarial gains or losses. No interest charges are recorded on this account as instructed by the OEB.
- Other Post-employment Benefits cash versus accrual account ['OPEB cash vs accrual'] tracks the interest on the differential of Hydro Ottawa's contributions to OPEB versus the accrued OPEB expense recorded in Hydro Ottawa's statement of income.
- Gain/Loss on Asset Disposal variance account is the difference between actual amount of gain or loss from disposal of fixed assets and the forecasted gain or loss.

Other variances and deferred costs include the following:

- The Connection Cost Recovery Agreement ['CCRA'] account allows Hydro Ottawa to record annual revenue requirements related to the difference between forecasted payments built into rates and actual payments made to Hydro One Networks Inc. ['HONI'] under the CCRA's.
- Capital Variance Account ['CVA'] account (excluding the System Access capital variance sub-account relating to plant relocation requested by third parties and residential expansion) is an asymmetrical variance account. Accordingly, the CVA tracks on an annual basis [for years 2021-2025], the cumulative revenue requirement difference resulting from the underspending in the Corporation's three capital spending categories: System Renewal/System Service, System Access, and General Plant. The System Access capital variance sub-account records the cumulative revenue requirement difference due to both overspending or underspending and is referred to as a symmetrical variance account.
- A Performance Outcomes Accountability Mechanism account to return up to \$200 annually for each under-achieved target during the 2021-2025 custom incentive rate-setting period. The five targets impacted by this mechanism account are identified in Hydro Ottawa's settlement agreement.

Hydro Ottawa Holding Inc.

Notes to the Consolidated Financial Statements
Year ended December 31, 2025
[in thousands of Canadian dollars]

- The OEB established a variance account for electricity distributors to record any material differences between OEB cost assessments currently built into rates, and cost assessments that will result from the application of the new cost assessment models.

Hydro Ottawa accrues interest on the regulatory balances as directed by the OEB.

Hydro Ottawa continues to assess the likelihood of recovery of all regulatory debit balances subject to recovery through a future rate filing. The absence of OEB approval is a consideration in this evaluation. If the requirement for a provision becomes more likely than not, Hydro Ottawa will recognize the provision in operating costs for the year.

(e) Revenue recognition

Depending on whether certain criteria are met, the Corporation recognizes revenue from contracts with customers when it transfers control over a product or service to a customer either over time or at a point in time. For revenue from other sources, the Corporation recognizes revenue over time taking into consideration the facts and circumstances of the arrangement.

Revenue is measured at the consideration received or receivable, excluding any discounts, rebates and sales taxes and other amounts collected on behalf of third parties in the following revenue arrangements.

i. Power recovery

Power recovery revenue represents the flow-through of the cost of power to the consumer as purchased by the Corporation and is recognized over time as electricity is delivered to the customer, as measured by meter readings or usage estimates. Power recovery revenue is regulated by the OEB and includes charges to customers for the electricity commodity, the transmission of electricity and the administration of the wholesale electricity system. The Corporation has determined that it acts as a principal in this revenue arrangement and therefore has presented it on a gross basis.

ii. Distribution

The Corporation charges customers for the delivery of electricity, based on rates established by the OEB. The rates are intended to allow the Corporation to recover its prudently-incurred costs and earn a fair return on invested capital. Distribution revenue is recognized over time as electricity is delivered to the customer, as measured by meter readings or usage estimates.

iii. Generation

Generation revenue is recognized over time upon the delivery of generated electricity to the customer, as measured by meter readings in accordance with the applicable contractual arrangement.

iv. Commercial services

Commercial services revenue comprise revenue earned under contracts for service work related to distribution operations, turnkey energy management and analysis projects, the provision of streetlight installation and maintenance services, pole attachment and duct rental services and non-destructive cable testing.

Certain commercial services [distribution projects, turnkey energy management projects and streetlight installation services] are accounted for using the percentage-of-completion method, whereby revenue and the corresponding costs are recognized over time proportionately with the degree of completion of the services under contract and the Corporation has an enforceable right to payment for performance completed to date. Losses on such contracts are fully recognized when they become evident and probable. Other commercial services revenues are recognized over time as services are rendered, or on a straight-line basis over the period of the contract if the services performed consist of an indeterminate number of acts over a specified period of time.

Hydro Ottawa Holding Inc.

Notes to the Consolidated Financial Statements
Year ended December 31, 2025
[in thousands of Canadian dollars]

Under the terms of certain energy service contracts, the Corporation is contractually restricted from billing the customer prior to the completion of performance-related milestones or final inspections. Revenue recognized prior to the completion of such milestones or inspections are recognized as a contract asset (i.e. accrued revenue). The Corporation evaluates its contract assets for impairment in the same manner as its financial assets via the expected credit loss method as described in Note 3(j).

v. Other

Other revenue consists primarily of investment property rentals, capital contributions received from customers amortized to revenue, and other account-related charges such as account set-up and late payment fees.

In certain situations, capital contributions are required from customers to finance additions to property, plant and equipment when the estimated revenue resulting from the addition to property, plant and equipment is less than the cost of providing the service or where special equipment is needed to supply the customers' specific requirements. Since the contributions will provide current and future customers with ongoing access to the supply of electricity, these contributions are classified as deferred revenue and amortized into revenue on a straight-line basis over time [the period a customer will receive services], which is typically equivalent to the rate used for the depreciation of the related property, plant and equipment [service life of the related assets].

Capital contributions received from developers to construct or acquire property, plant and equipment for the purpose of connecting future customers to the Corporation's distribution network are considered out of scope of IFRS 15 – *Revenue from Contracts with Customers* [IFRS 15]. Capital contributions received from developers are recognized as deferred revenue and amortized into revenue from other sources at an equivalent rate to that used for the depreciation of the related property, plant and equipment.

(f) Interest income and financing costs

Interest income is recognized as it accrues under the effective interest method and comprises interest earned on cash and notes receivable from related parties.

Financing costs are calculated using the effective interest rate method and are recognized as an expense unless they are capitalized as part of the cost of a qualifying asset.

(g) Income taxes

The Corporation, HOCC, HOESI, Hydro Ottawa, Energy Ottawa and Envari are each considered to be a Municipal Electric Utility [MEU] and are required to make payments in lieu of corporate income taxes [PILS] as contained in the *Electricity Act, 1998*, as all of their share capital is indirectly owned by the City of Ottawa and not more than 10% of its income is derived from activities carried on outside the municipal boundaries of the City of Ottawa. The *Electricity Act, 1998* provides that a MEU that is exempt from tax under the Income Tax Act (Canada) [ITA] and the Taxation Act, Ontario [TAO] is required to make, for each taxation year, a PILs payment to the Ontario Electricity Financial Corporation in an amount equal to the tax that it would be liable to pay under the ITA and the TAO if it were not exempt from tax. TOHI, Hiboo and HODEI are taxable under the ITA and TAO.

The Corporation and its subsidiaries follow the liability method for recording income taxes. Under the liability method, current income taxes payable is recorded based on taxable income. Deferred income taxes arising from temporary differences in the accounting and tax basis of assets and liabilities are provided based on substantively enacted tax rates that will be in effect when the differences are expected to reverse.

The Corporation evaluates the realizability of its deferred income tax assets at the end of each reporting period. To the extent that it is not probable that taxable profit will be available against which the unused tax losses can be utilized, the deferred income tax asset is not recognized.

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Hydro Ottawa recognizes regulatory balances for the amounts of future income taxes expected to be refunded to or recovered from customers in future electricity rates as prescribed by the OEB.

EONY is subject to the income tax regime in the United States [the 'Internal Revenue Service']. PowerTrail and Teraflex are taxable under the ITA and TAO as less than 90% of each company's capital is owned by the City of Ottawa through the Corporation. Corporate income taxes are accounted for using the liability method as described above.

Moose Creek LP, CHLP, EO Gen, CHLP North, Hull Energy LP, CFLP, ZCU, CCUP and LCUP are not taxable entities for federal and provincial income tax purposes. Tax on the net income (loss) is borne by the individual partners through the allocation of taxable income.

(h) Restricted cash

Cash that is restricted as to withdrawal or use under the terms of certain contractual agreements is classified as restricted cash.

(i) Bank indebtedness

Bank indebtedness includes short-term advances and/or bankers' acceptances drawn on the Corporation's credit facility with a maturity date of three months or less, and outstanding cheques. Cash and bank indebtedness are offset and the net amount is presented on the consolidated balance sheet when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(j) Financial instruments

Financial instruments are initially measured at the fair value of the consideration given or received plus transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

The Corporation's financial assets, upon initial recognition, are classified as amortized cost or fair value [whereby subsequent changes in fair value are recognized either through OCI ['FVOCI'] or through profit and loss ['FVTPL'] as unrealized market adjustments]. Financial assets are classified based on the Corporation's business model for managing such assets and the contractual terms of the related cash flows.

The Corporation's financial liabilities, upon initial recognition, are classified as amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

The Corporation classifies and subsequently measures its financial instruments as follows:

- Cash, restricted cash, accounts receivable and note receivable from related part are financial assets classified and measured at amortized cost using the effective interest method, less any impairment if applicable.
- Bank indebtedness, commercial paper, accounts payable and accrued liabilities, customer deposits and long-term debt are financial liabilities classified and measured at amortized cost using the effective interest rate method.

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between willing parties. The Corporation's own credit risk and the credit risk of the counterparty are taken into account in determining the fair value of financial assets and liabilities. Financial instruments are classified using a three level hierarchy. The levels reflect the inputs used to measure the fair values of financial assets and financial liabilities, and are as follows:

- Level 1: inputs are unadjusted quoted prices of identical instruments in active markets;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

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- Level 3: inputs for the liabilities that are not based on observable market data [unobservable inputs].

All financial assets except for those classified as FVTPL or FVOCI are subject to review for impairment at least at each reporting date. Impairment losses, if material, are recognized in net income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

The Corporation recognizes loss allowances for expected credit losses ["ECLs"] on financial assets measured at amortized cost. The Corporation measures loss allowances for electricity receivables, unbilled receivables and trade receivables via a simplified approach as permitted by IFRS 9 – *Financial Instruments* ["IFRS 9"], at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased, the Corporation performs a quantitative and qualitative analysis based on the Corporation's historical experience and forward-looking information. The Corporation assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Corporation considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Corporation in full, without recourse by the Corporation to actions such as realizing security.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery.

(k) Property, plant and equipment

Property, plant and equipment consist principally of land, buildings and fixtures, electricity distribution and infrastructure, furniture and equipment, rolling stock, generating equipment, reservoirs, dams and waterways, civil structures and assets under construction. Right-of-use ["ROU"] assets under IFRS 16 – *Leases* ["IFRS 16"] are classified within property, plant and equipment in these consolidated financial statements.

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Self-constructed asset costs comprise all directly attributable expenditures to bring the asset into operation including labour, materials, employee benefits, transportation, contracted services and borrowing costs. Where parts of an item in property, plant and equipment are significant and have different estimated economic useful lives, they are accounted for as separate items [major components] of property, plant and equipment. Certain assets may be acquired or constructed with financial assistance in the form of contributions from customers and developers. Assets that are acquired from customers and developers are measured at fair value. Contributions from customers and developers are treated as deferred revenue.

The cost of major inspections and maintenance is recognized in the carrying value of an asset provided that the Corporation will derive future economic benefits from the expenditure. The carrying amount of a replaced part is derecognized. The costs of day-to-day servicing, repairs, and maintenance are expensed as incurred.

Depreciation is recorded on a straight-line basis over the estimated service life of each component of property, plant and equipment. Emergency capital spare parts that are expected to be used for more than one year are considered to be assets under construction and are depreciated only once they are put into service.

Gains and losses on disposal of retired, sold or otherwise derecognized property, plant and equipment are recognized in income and are calculated as the difference between net proceeds from disposal and the carrying amount of the asset. Compensation from third parties for property, plant and equipment lost, impaired or given up is measured at fair value and recognized when the compensation becomes receivable.

The estimated useful lives, residual values and depreciation methods are reviewed at each year-end with the effect of any changes in estimate being accounted for on a prospective basis.

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Estimated service lives for property, plant and equipment classes are as follows:

Land, buildings and structures	
Land	Indefinite
Buildings and fixtures	10 to 100 years
Civil structures	100 years
Electricity distribution infrastructure	10 to 60 years
Generation and other	
Generating equipment	10 to 50 years
Dark fibre	20 to 25 years
Reservoirs, dams and waterways	100 to 125 years
Furniture and equipment	5 to 40 years
Rolling stock	7 to 15 years

Assets under construction and land are not subject to depreciation.

Borrowing costs are capitalized as a component of the cost of self-constructed property, plant and equipment assets that take a substantial period of time to get ready for their intended use. The capitalization rate is the Corporation's weighted average cost of borrowing.

(I) Intangible assets

Intangible assets include land and water rights, computer software, capital contributions, power purchase agreements, deferred contract costs and assets under development. Water rights represent the inherent value of the right to draw water from government-owned rivers and lakes for purposes of generating electricity.

Intangible assets with finite lives are measured at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets with finite lives are amortized on a straight-line basis over the estimated service lives of the related assets while those with indefinite lives are not amortized.

Intangible assets are derecognized on disposal or when no further future economic benefits are expected from their use. Gains or losses on disposal of intangible assets are recognized in income and are calculated as the difference between net proceeds from disposal and the carrying amount of the asset.

The estimated useful lives and amortization methods are reviewed at each year-end with the effect of any changes in estimate being accounted for on a prospective basis.

Estimated service lives for intangible assets with finite lives are as follows:

Land rights	50 years
Water rights with a definite useful life	7 to 100 years
Computer software	5 to 15 years
Other contractual rights	
Capital contribution agreements	45 years
Power purchase agreements ['PPA']	15 years
Deferred contract costs	14 years

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(m) Impairment of non-financial assets

At the end of each reporting period, or earlier if required, the Corporation assesses whether there is an indication that a non-financial asset [or 'CGU'] may be impaired. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If any indication exists, the Corporation estimates the asset's recoverable amount, which is the higher of an asset or CGU's fair value less costs of disposal and its value-in-use. If the carrying value of a non-financial asset materially exceeds its recoverable amount, the difference is immediately recognized as an impairment loss in the consolidated statement of income.

Intangible assets with indefinite useful lives [i.e. certain water rights] and assets under development are tested for impairment [within their respective CGUs] at least annually, and whenever there is an indication that the asset may be impaired.

When determining the recoverable amount, the Corporation determines its value-in-use by discounting estimated future cash flows to their present value using a discount rate that reflects changes in the time value of money and the risks specific to the asset of the CGU. The discount rate estimated and used by management represents the weighted average cost of capital determined for the CGU being tested. Terminal values are included in the determination of management's value-in-use calculations and are based on an earnings multiple approach via a terminal capitalization rate.

At the end of a reporting period, the Corporation assesses whether there is any indication that an impairment loss recognized in a prior period no longer exists or has decreased. If any such indication exists, the loss is reversed up to its recoverable amount where there has been a change in estimated service potential. The carrying amount following the reversal must not be higher than the carrying amount that would have prevailed [net of amortization] had the original impairment not been recognized in prior periods.

Compensation for impairment of non-financial assets, such as insurance recoveries, is included in determining profit or loss when it becomes receivable and is not offset against the cost of restoring, purchasing or constructing replacement assets.

(n) Employee future benefits

i. Pension plans

The Corporation provides pension benefits for its employees through the Ontario Municipal Employees Retirement System ['OMERS'] Fund [the 'Fund']. OMERS is a multi-employer pension plan that provides pensions for employees of Ontario municipalities, local boards, public utilities and school boards. The Fund is a defined benefit pension plan, which is financed by equal contributions from participating employers and employees and by the investment earnings of the Fund.

Although the plan is a defined benefit plan, sufficient information is not available to the Corporation to account for it as such because it is not possible to attribute the fund assets and liabilities between the various employers who contribute to the Fund. As a result, the Corporation accounts for the plan as a defined contribution plan, and contributions payable as a result of employee service are expensed as incurred as part of operating costs. The Corporation shares in the actuarial risks of the other participating entities in the plan, and its future contributions may therefore be increased due to actuarial losses relating to the other participating entities. In addition, the Corporation's contributions could be increased if other entities withdraw from the plan.

CHLP is the sponsoring employer of the Pension Plan for Employees of Chaudiere Hydro L.P. and Participating Employers ['Chaudiere Hydro Pension Plan'] which provides pension benefits for certain of the Corporation's employees and is accounted for as follows:

- Chaudiere Hydro Pension Plan assets are held by an insurance corporation and are measured at fair value, which are determined as follows: bond, equity and other investment funds are valued using the unit values supplied by the fund manager, which reflects the fund's proportionate share of underlying net assets at fair values determined using closing quotations from Canadian investment dealers, and short-

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term investments are valued at cost, including accrued interest, which due to their short-term maturity approximates fair value.

- Defined benefit obligations of the Chaudiere Hydro Pension Plan are determined based on the expected future benefit payments discounted using market interest rates on high-quality debt instruments that match the timing and amount of expected benefit payments.
- The cost of pension earned by employees is actuarially determined using the projected benefit method prorated on services, and management's best estimate of salary escalation, retirement ages and life expectancy.
- The defined benefit expense is presented in employee benefits in net income on the consolidated statement of income and includes, as applicable, the estimated cost of employee benefits for the current year service, interest cost, interest income on Chaudiere Hydro Pension Plan's assets, plan amendments, curtailments, other administration costs of the pension plans and any gain or loss on settlement. Current service cost, interest income on Chaudiere Hydro Pension Plan's assets and interest costs are computed by applying the discount rate used to measure the plan obligation at the beginning of the annual period.
- Remeasurements arising on Chaudiere Hydro Pension Plan's assets and defined benefit obligation are presented in OCI on the consolidated statement of comprehensive income and arise from actuarial gains and losses on defined benefit obligations, the difference between the actual return [net of costs of managing Chaudiere Hydro Pension Plan's assets] and interest income on plan assets, if applicable. Chaudiere Hydro Pension Plan's significant assumptions are assessed and revised, as appropriate.
- Past service costs are included in the cost of the Chaudiere Hydro Pension Plan for the year when they arise.

The fair value of the Chaudiere Hydro Pension Plan assets is offset against the defined benefit obligation. The net amount is recognized as a retirement benefit asset or retirement benefit liability.

ii. Other post-employment benefits

Other post-employment benefits provided by the Corporation include life insurance, a collectively bargained retirement grant and other benefits. These plans provide benefits to certain employees when they are no longer providing active service.

Employee future benefits expense is recognized in the period during which the employees render services.

Employee future benefits are recorded on an accrual basis. The defined benefit obligation and current service costs are calculated using the projected benefit method prorated on service and based on assumptions that reflect management's best estimates. The current service cost for a period is equal to the actuarial present value of benefits attributed to employees' services rendered in the period. Actuarial gains and losses resulting from experience different from that assumed or from changes in actuarial assumptions are recognized in OCI. However, for Hydro Ottawa, these amounts are reclassified to a regulatory debit balance as prescribed by the OEB.

(o) Customer deposits

Customer deposits are cash collections from non-residential customers to guarantee the payment of future energy bills and fulfillment of construction obligations. Deposits from customers to guarantee the payment of energy bills includes related interest amounts owed to the customers. Deposits estimated to be refundable to customers within the next fiscal year are classified as current liabilities and included in accounts payable and accrued liabilities.

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(p) Provisions and contingencies

The Corporation recognizes provisions when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The evaluation of the likelihood of the contingent events requires judgment by management as to the probability of exposure to potential loss. Actual results could differ from these estimates.

A contingent asset is not recognized in the consolidated financial statements. However, a contingent asset is disclosed where an inflow of economic benefits is probable.

(q) Deferred revenue

In certain situations, assistance in the form of contributions is required from customers and developers to finance additions to property, plant and equipment. This occurs when the estimated revenue resulting from the addition to property, plant and equipment is less than the cost of providing the service or where special equipment is needed to supply the customers' specific requirements. Since the contributions will provide customers with ongoing access to the supply of electricity, these contributions are classified as deferred revenue, and recognized in revenue in accordance with Note 3(e)(v). In addition, loan arrangement fees received by the Corporation are treated as deferred revenue and amortized into revenue over the term of the associated loan.

4. ACCOUNTS RECEIVABLE

	2025 \$	2024 \$
Receivables from contracts with customers		
Electricity receivable	76,319	75,330
Unbilled receivables related to electricity	103,869	96,073
IESO receivable	19,821	12,086
Trade and other receivables	17,514	17,940
Amounts due from related parties [Note 28]	33,075	34,400
Less: loss allowance [Note 19(c)]	(4,910)	(5,128)
	245,688	230,701
Receivables from other sources		
Business interruption proceeds	-	1,133
Sales tax receivable	839	351
Investment tax credit receivable	87	514
	246,614	232,699

On March 19, 2023, the Corporation had a mechanical failure at its Unit 1 turbine-generator at CHLP [of 4 Units] while in operation, resulting in significant damage, requiring replacement of the turbine-generator [the 'Unit 1 Event']. The Corporation initiated a claim under its insurance policy for the generating facility providing business interruption compensation in circumstances such as the Unit 1 Event. Business interruption proceeds are available following a 30 day grace period from the date of notice and for a total coverage maximum of \$48,800. In 2025, the Corporation recognized \$4,063 [2024 – \$6,755] and to date a total of \$15,300 in business interruption proceeds under its insurance policy for lost generation revenues. In 2025, the Corporation received \$5,196

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[2024 – \$8,275] and to date a total of \$15,300 in cash proceeds from its insurance provider pertaining to these lost revenues. As at December 31, 2025 has accrued business interruption proceeds of \$nil [December 31, 2024 – \$1,133].

5. CONTRACT ASSETS

The change in contract assets for the year is as follows:

	2025 \$	2024 \$
Balance, beginning of year	11,192	4,631
Increase in contract assets related to performance	14,526	11,192
Decrease in contract assets related to accrual reversal	(11,192)	(4,631)
Balance, end of year	14,526	11,192

Contract assets represent the Corporation's right to receive payment for services performed or equipment procured, where that right is conditional on contractual milestones or customer acceptance. The increase in contract assets is primarily due to the ongoing City of Ottawa Zero Emission Bus ['ZEB'] project. The Corporation expects to invoice and collect all unbilled contract assets within the next 12 months.

6. REGULATORY BALANCES

Information about the Corporation's regulatory balances is as follows:

	Remaining recovery/ reversal [years]	2024 \$	Balances arising in the year \$	Recovery/ reversal \$	Other movements ⁽¹⁾ \$	2025 \$
Regulatory debit balances						
RARA	1 - 5	2,343	508	(949)	(5)	1,897
Settlement variances	1 - 5	39,225	(3,997)	-	(24,752)	10,476
OPEB cash vs accrual	1 - 5	3,372	224	-	-	3,596
Regulatory asset for deferred income taxes	(2)	95,355	10,868	-	-	106,223
Other variances and deferred costs	1 - 5	516	1,428	-	(81)	1,863
		140,811	9,031	(949)	(24,838)	124,055
Regulatory credit balances						
RLRA	1 - 5	1,256	(10,522)	11,310	(5)	2,039
Settlement variances	1 - 5	18,037	46,984	-	(24,752)	40,269
ESM	1 - 5	1,616	(266)	-	-	1,350
Gain on asset disposal	1 - 5	1,380	(63)	-	-	1,317
LRAM	1 - 5	4,294	1,083	-	-	5,377
OPEB deferral account	1 - 5	101	136	-	-	237
Other variances and deferred costs	1 - 5	3,239	1,218	-	(81)	4,376
		29,923	38,570	11,310	(24,838)	54,965

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	Remaining recovery/ reversal [years]	2023 \$	Balances arising in the year \$	Recovery/ reversal \$	Other movements ⁽¹⁾ \$	2024 \$
Regulatory debit balances						
RARA	1 - 5	8,941	2,120	(8,702)	(16)	2,343
Settlement variances	1 - 5	36,126	9,576	-	(6,477)	39,225
OPEB cash vs accrual	1 - 5	3,532	(160)	-	-	3,372
Regulatory asset for deferred income taxes	(2)	82,622	12,733	-	-	95,355
Other variances and deferred costs	1 - 5	622	(106)	-	-	516
		131,843	24,163	(8,702)	(6,493)	140,811
Regulatory credit balances						
RLRA	1 - 5	1,277	(10,799)	10,794	(16)	1,256
Settlement variances	1 - 5	4,841	19,673	-	(6,477)	18,037
ESM	1 - 5	1,541	75	-	-	1,616
Gain on asset disposal	1 - 5	1,093	287	-	-	1,380
LRAM	1 - 5	3,056	1,238	-	-	4,294
OPEB deferral account	1 - 5	63	38	-	-	101
Other variances and deferred costs	1 - 5	3,088	151	-	-	3,239
		14,959	10,663	10,794	(6,493)	29,923

⁽¹⁾ Other movements represent reclassifications of balances

⁽²⁾ The balance is being reversed through timing differences in the recognition of deferred income tax assets [Note 3(g)]

Details and descriptions pertaining to the above regulatory debit and credit balances are disclosed in Note 3(d) of these consolidated financial statements.

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7. PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and structures \$	Electricity distribution infrastructure \$	Generation and other \$	Assets under construction \$	Total \$
Cost					
Balance as at December 31, 2023	331,808	1,612,852	482,461	105,516	2,532,637
Additions, net of transfers	12,720	143,844	11,479	36,969	205,012
Disposals	(149)	(2,748)	(1,358)	-	(4,255)
Exchange differences	1,461	1,340	2,069	31	4,901
Balance as at December 31, 2024	345,840	1,755,288	494,651	142,516	2,738,295
Additions, net of transfers	13,061	164,134	29,604	40,488	247,287
Disposals	-	(2,672)	(1,295)	-	(3,967)
Exchange differences	(860)	(798)	(1,217)	(31)	(2,906)
Balance as at December 31, 2025	358,041	1,915,952	521,743	182,973	2,978,709
Accumulated depreciation					
Balance as at December 31, 2023	(43,696)	(338,818)	(110,850)	-	(493,364)
Depreciation	(6,865)	(50,299)	(15,770)	-	(72,934)
Disposals	36	1,445	910	-	2,391
Exchange differences	(301)	(173)	(652)	-	(1,126)
Balance as at December 31, 2024	(50,826)	(387,845)	(126,362)	-	(565,033)
Depreciation	(7,062)	(53,784)	(16,454)	-	(77,300)
Disposals	-	1,114	811	-	1,925
Exchange differences	193	111	418	-	722
Balance as at December 31, 2025	(57,695)	(440,404)	(141,587)	-	(639,686)
Net book value					
As at December 31, 2024	295,014	1,367,443	368,289	142,516	2,173,262
As at December 31, 2025	300,346	1,475,548	380,156	182,973	2,339,023

In 2023, the Corporation sustained damages to one of its generating stations as described in Note 4 [the 'Unit 1 Event']. The Unit 1 event was covered under the property insurance coverage held by the Corporation. As a result, the Corporation received \$4,891 [2024 – \$6,552] in property insurance proceeds for replaced components, which were recognized in the statement of income as detailed in Note 21.

As at December 31, 2025, land, buildings and structures and generation and other includes \$3,769 [2024 – \$4,057] of ROU assets with remaining lease terms ranging between 8 and 18 years, comprising of a cost of \$5,252 [2024 – \$5,277] and accumulated depreciation of \$1,482 [2024 – \$1,220].

During the year, the Corporation capitalized borrowing costs of \$1,550 [2024 – \$836] to property, plant and equipment. The average annual interest rate for 2025 was 3.9% [2024 – 3.6%].

The Corporation has entered into non-cash transactions that have been excluded from the consolidated statement of cash flows as detailed in Note 24. In addition, \$12,329 [2024 – \$10,528] of property, plant and equipment was contributed by developers, the directly related liability of which is included in deferred revenue.

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8. INTANGIBLE ASSETS

	Land rights and water rights \$	Computer software \$	Other contractual rights \$	Assets under development \$	Total \$
Cost					
Balance as at December 31, 2023	62,606	87,807	86,389	6,692	243,494
Additions, net of transfers	-	6,098	1,232	(458)	6,872
Exchange differences	1,948	33	-	101	2,082
Balance as at December 31, 2024	64,554	93,938	87,621	6,335	252,448
Additions, net of transfers	598	3,193	115	7,075	10,981
Exchange differences	(1,155)	(19)	-	(54)	(1,228)
Balance as at December 31, 2025	63,997	97,112	87,736	13,356	262,201
Accumulated amortization					
Balance as at December 31, 2023	(20,361)	(61,089)	(9,547)	-	(90,997)
Amortization	(1,576)	(7,390)	(2,147)	-	(11,113)
Exchange differences	(1,269)	(33)	-	-	(1,302)
Balance as at December 31, 2024	(23,206)	(68,512)	(11,694)	-	(103,412)
Amortization	(1,612)	(8,221)	(2,053)	-	(11,886)
Exchange differences	791	19	-	-	810
Balance as at December 31, 2025	(24,027)	(76,714)	(13,747)	-	(114,488)
Net book value					
As at December 31, 2024	41,348	25,426	75,927	6,335	149,036
As at December 31, 2025	39,970	20,398	73,989	13,356	147,713

Other contractual rights includes connection and cost recovery agreements [‘capital contribution agreements’] that govern the construction by HONI of new or modified transformer stations for the purpose of serving Hydro Ottawa’s customers, including anticipated electricity load growth. Each of Hydro Ottawa’s capital contribution agreements has a term of 25 years. All terms and conditions of CCRAs follow the *Transmission System Code* issued by the OEB.

During the year, the Corporation capitalized borrowing costs of \$291 [2024 – \$129] to intangible assets. The average annual interest rate for 2025 was 3.9% [2024 – 3.6%].

A significant portion of the Corporation’s water rights with indefinite lives [78% or \$16,941] stems from a historical 1889 lease agreement with Public Services and Procurement Canada. This contract provides rights to waters on the Ottawa River at Chaudière Falls for two of the Corporation’s CGUs – the CHLP CGU [water rights carrying value of \$9,575] and the CHLP North CGU [water rights carrying value of \$7,366] – and renews every 21 years into perpetuity. The Corporation also retains water rights with indefinite lives [22% or \$4,650 translated US-to-CAD] at two of its EONY generating stations which stem from historical agreements with the U.S. Federal Energy Regulatory Commission [‘FERC’]. These FERC licenses have an indefinite life as the Corporation is granted a legal exemption from re-qualifying for these licenses due to the size of the stations.

The Corporation’s annual impairment tests with respect to the CHLP and CHLP North CGUs were based on value-in-use [‘VIU’] calculations. Management’s VIU calculations performed in light of an indicator of asset impairment as described in Note 2(d)(iv), was based on discounted future cash inflows to be earned under each CGUs’ 40-year HESOP contract, while the cash outflows are based on management’s industry experience and third party input; taking into account the estimated cost to complete the refurbishment projects. The key assumption in each VIU calculation was a weighted average cost of capital [‘WACC’] of 4.6% [2024 – 4.4%].

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The Corporation's impairment test at December 31, 2025 performed in light of the circumstances disclosed in Note 2(d)(viii) was based on a VIU calculation. Management's VIU calculation involves a third-party outlook primarily used in the forecasting of New York energy prices and a third-party forecast of supplementary revenue for the indirect provision of capacity services, all over a 20-year timeframe [a typical period used by industry analysts when forecasting electricity pricing]. Other key assumptions in the VIU calculation were a discount rate via a WACC of 7.5% [2024 – 7.6%], a US inflation rate of 2.3% [2024 – 2.2%], and a terminal capitalization rate of 9.0% [2024 – 8.4%]. Historical production and future capital and maintenance plans were also important assumptions in the VIU analysis. After conducting its impairment test, management concluded that the value-in-use recoverable amount exceeded the carrying value of the aforementioned generating assets.

Management has identified that a reasonable possible change in one key assumption could cause the carrying value to exceed the recoverable amount. The following table shows the amount by which one assumption would need to change individually for the carrying amount to exceed the estimated recoverable amount.

Assumption	Increase (decrease)	Revised rate
Discount rate [WACC]	7.0 %	8.0 %
20-year forecasted market pricing: Mohawk Valley Zone E	(4.0)%	
20-year forecasted capacity market pricing	(8.0)%	

9. INVESTMENTS IN JOINT VENTURES

(a) Investment in joint ventures summary

	2025 \$	2024 \$
Moose Creek LP [50.05%]		
Investment in joint venture, beginning of year	5,325	5,474
Share of loss	(79)	(149)
Distributions declared and paid	-	
Investment in joint venture, end of year	5,246	5,325
PowerTrail [60%]		
Investment in joint venture, beginning of year	3,678	3,864
Share of profit, net of tax	99	234
Dividends received	(120)	(420)
Investment in joint venture, end of year	3,657	3,678
Zibi Community Utility LP [50%]		
Investment in joint venture, beginning of year	6,811	7,511
Share of loss	(670)	(710)
Other adjusting items related to loss	-	10
Investment in joint venture, end of year	6,141	6,811

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	2025 \$	2024 \$
Other joint ventures		
Investment in joint ventures, beginning of year	3,246	-
Share of loss	(1,530)	(54)
Capital investment	3,605	3,300
Investment in joint venture, end of year	5,321	3,246
Total investments in joint ventures	20,365	19,060

(b) **Balance sheet and statement of income summaries for material joint ventures**

	2025 \$	2024 \$
Moose Creek LP		
Current assets	679	937
Non-current assets	10,360	10,598
Total assets	11,039	11,535
Current liabilities	313	652
Total liabilities	313	652
Revenue	3,470	3,345
Net loss	(157)	(297)
PowerTrail		
Current assets	1,295	1,376
Non-current assets	7,165	7,828
Total assets	8,460	9,204
Current liabilities	382	961
Non-current liabilities	1,666	1,796
Total liabilities	2,048	2,757
Revenue	3,915	3,939
Net income	165	396

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	2025	2024
	\$	\$
Zibi Community Utility LP		
Current assets	4,328	3,655
Non-current assets	34,645	34,860
Total assets	38,973	38,515
Current liabilities	2,286	752
Non-current liabilities	24,171	23,905
Total liabilities	26,457	24,657
Revenue	2,447	2,311
Net loss	(1,342)	(1,419)

(c) Credit facility

PowerTrail has an operating revolving line of credit totaling \$1,000 for general business purposes and bears an annual interest at the prime rate. At December 31, 2025, PowerTrail had no amount outstanding on this line of credit. PowerTrail also has a credit facility of \$200 [2024 – \$200] to provide standby letters of credit to the IESO. At December 31, 2025, PowerTrail had drawn an amount of \$193 [December 31, 2024 – \$193] in standby letters of credit against this facility. Both of the above facilities contain customary covenants and events of default, including a covenant to maintain a tangible net worth of \$1,000 [2024 – \$1,000]. At December 31, 2025, PowerTrail is in compliance with these customary covenants [December 31, 2024 – in compliance].

Moose Creek LP maintains an operating revolving line of credit of \$1,000 for general business purposes that bears annual interest at the prime rate. At December 31, 2025, Moose Creek LP had no outstanding balances drawn against its operating revolving line of credit [December 31, 2024 – \$nil]. The facility contains customary covenants and events of default. At December 31, 2025, Moose Creek LP is in compliance with these customary covenants [December 31, 2024 – in compliance].

ZCU maintains an operating revolving line of credit of \$1,000 for general business purposes that bears annual interest at the prime rate plus 1.25% or the banker's acceptance rate plus 2.75%. At December 31, 2025, ZCU had no outstanding balances drawn against its operating revolving line of credit [December 31, 2024 – \$nil]. The facility contains customary covenants and events of default. At December 31, 2025, ZCU is in compliance with these customary covenants [December 31, 2024 – in compliance]. The facility is secured by a second ranking general security agreement and guaranteed by the Corporation up to its ownership share of the ZCU joint venture.

On January 1, 2025, the Corporation subscribed to 50% of the issued and outstanding common shares of Teraflex from Oakville Enterprises Corporation ['OEC'] in exchange for \$2,600. ECHI (a subsidiary of Envari) and OEC are the sole registered and beneficial shareholders of the Corporation. Teraflex maintains an operating revolving line of credit of \$2,000 for general business purposes that bears annual interest at the prime rate plus 0.75%. At December 31, 2025, Teraflex had outstanding balances drawn an amount of \$2,000 against its operating revolving line of credit.

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10. NOTE RECEIVABLE FROM RELATED PARTY

On January 22, 2021, the Corporation entered into a mirror loan agreement with ZCU to flow through funds received from Federation of Canadian Municipalities ["FCM"] to its joint venture to fund an ongoing green district energy construction project undertaken by ZCU. The agreement mirrors the terms of the FCM loan and grant agreement discussed in Note 15, which allows ZCU to borrow the lesser of \$20,000 and 69.6% of eligible project expenditures, repayable over a term of 20 years and receive a non repayable grant based on the total eligible project expenditures incurred.

The loan, bearing interest of 4.66% [December 31, 2024 – 4.66%], was issued to ZCU on February 18, 2021 and as at December 31, 2025 has an outstanding balance of \$20,000 [December 31, 2024 – \$20,000]. Interest payments are due semi-annually on the principal amount outstanding, with principal payments beginning on December 16, 2026 and ending on February 18, 2041.

In addition, the mirror agreement also includes a loan arrangement fee payable by ZCU to the Corporation at a rate of 1.1% per annum on 50% of the initial principal amount of the loan. As at December 31, 2025, the Corporation has received \$960 [December 31, 2024 – \$960] in loan arrangement fees and is included in deferred revenue and amortized over the term of the loan.

11. SHORT-TERM BORROWINGS

During the year, the Corporation maintained its credit facility in an amount of \$551,000 and US\$200 at December 31, 2025 [December 31, 2024 – \$551,000 and US\$200]. The facility is structured into three types of credit availability and consists of a \$500,000 [2024 – \$500,000] revolving operating line maturing on August 1, 2028, as well as a \$50,000 [2024 - \$50,000] revolving operating line maturing on August 1, 2027 and commercial card facilities of \$1,000 and US\$200 [2024 – \$1,000 and US\$200]. The revolving operating lines are committed and unsecured and can be drawn for prime rate loans, CORRA loans, letter of credit and other bank guarantee issuances. Generally, the need to use these forms of credit is based on Hydro Ottawa Holding Inc.'s consolidated cash position and therefore any drawings outstanding may not necessarily coincide with the amount of outstanding amounts on the working capital facility presented on the Corporation's consolidated balance sheet. This credit facility contains customary covenants and events of default including a covenant that requires the debt to capitalization ratio to be at or below 75% on a consolidated basis excluding non-recourse debt.

On October 1, 2024, through its subsidiary, HOCC, launched a new Commercial Paper Program permitting the issuance of up to \$450,000 of unsecured short-term promissory notes to be issued in various maturities of no more than one year. Proceeds from the issuance of commercial paper are used to fund general corporate purposes. The Commercial Paper Program is backstopped by HOCC's credit facility and reduces the credit facility capacity, at any given time, by the total amount of commercial paper issued and outstanding. Borrowings under the Commercial Paper Program bear interest based on the prevailing market conditions at the time of issuance and had a weighted average interest rate of 2.91% during the 2025 year [2024 – 4.70%]. As at December 31, 2025, the Corporation had \$189,783 in commercial paper outstanding consisting of three tranches: \$89,993, \$49,943, and \$49,847 maturing on January 2, 2026, January 19, 2026, and February 18, 2026, respectively [December 31, 2024 – \$382,585, four tranches: \$232,957, \$49,927, \$49,921, and \$49,780 maturing on January 3, 2025, January 17, 2025, January 17, 2025, and February 19, 2025, respectively].

At December 31, 2025, the Corporation had drawn \$12,050 in direct advances against the revolving operating line of credit [2024 – \$25,900] and \$nil in CORRA Loans against the \$551,000 revolving operating line [2024 – \$nil and \$551,000].

At December 31, 2025, the Corporation has drawn \$11,000 [2024 – \$10,000] against its facilities in standby letters of credit. Drawings include a \$10,000 [2024 – \$10,000] letter of credit to cover its prudential support obligation as described in Note 26; and two \$500 letters of credit issued by Energy Ottawa Inc. on behalf of each Kanata Solar I LP and Kanata Solar II LP, to the Independent Electricity System Operator ["IESO"] as Proposal Security in connection with Long-Term 2 Energy Supply [Window 1] procurement bids, which may be converted to Completion and Performance Security should Kanata Solar I LP's and/or Kanata Solar II LP's bid(s) be successful and receive a power purchase agreement from the IESO.

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On June 21, 2024, CFLP signed a renewed 3 year \$14,526 working capital facility to fund working capital needs and/or letter of credit bond indenture requirements of CFLP, CHLP North and Hull Energy LP. The borrowers may draw from the facility by way of prime rate loans, CORRA loans or letter of credit issuances. During 2025, pursuant to the terms of the CFLP Trust Indenture, standby letters of credit were issued for the Debt Service Reserve Account ['DSRA'] as described in Note 15 in the amount of \$6,209 [December 31, 2024 – \$6,467], the Major Maintenance Reserve Accounts ['MMRA'] for CHLP North and Hull Energy LP in the amount of \$556 and \$2,818 respectively [December 31, 2024 – \$429 and \$1,964]. As at December 31, 2025, direct borrowings of \$nil were outstanding and the facility had \$4,943 available for general business purposes [December 31, 2024 – \$nil and \$5,666].

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2025 \$	2024 \$
Purchased power payable	96,095	66,951
Trade accounts payable and accrued liabilities	84,741	68,208
Customer deposits	50,258	63,217
Customer credit balances	14,002	14,541
Accrued interest on long-term debt	13,667	7,952
Due to related parties [Note 28]	1,752	150
	260,515	221,019

13. DEFERRED REVENUE

	2025 \$	2024 \$
Capital contributions from customers	187,525	147,583
Capital contributions from developers	202,616	182,685
Property insurance proceeds	-	1,068
Loan arrangement fee received [Note 10]	960	960
Loan arrangement fee recognized to income [Note 10]	(233)	(186)
Other deferred revenue	617	312
	391,485	332,422
Less: current portion	14,862	13,093
	376,623	319,329

14. EMPLOYEE FUTURE BENEFITS

(a) Pension plans

The Corporation contributes to two defined benefit plans covering substantially all of its employees.

The Corporation's participating employer contributions under OMERS for the year ended December 31, 2025 amounted to \$9,033 [2024 – \$8,183]. The Corporation also provides retirement benefits to certain employees through the Chaudiere Hydro Pension Plan.

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Information about the Chaudiere Hydro Pension Plan is as follows:

i. Defined benefit obligation

	2025 \$	2024 \$
Balance, beginning of year	6,134	6,371
Current service cost	60	65
Interest cost	280	291
Benefits paid	(315)	(676)
Employee contributions	87	92
Actuarial gain	(114)	(9)
Balance, end of year	6,132	6,134

ii. Plan assets

	2025 \$	2024 \$
Fair value, beginning of year	5,914	5,808
Interest credit	279	284
Employer contributions	214	210
Benefits paid	(315)	(676)
Non-investment expenses	(90)	(90)
Employee contributions	87	92
Actuarial (loss) gain	(495)	286
Fair value, end of year	5,594	5,914

iii. Funded status

	2025 \$	2024 \$
Net defined benefit liability, beginning of year	(220)	(503)
Change in net defined benefit liability	(318)	283
Funding deficit	(538)	(220)
Impacts on minimum funding requirements	(23)	-
Net defined benefit liability, end of year	(561)	(220)

The assets of the Chaudiere Hydro Pension Plan are held and managed by an independent custodian and accounted for separately in the Corporation's pension plan. The asset allocation structure is subject to diversification requirements and constraints which reduce risk by limiting exposure to individual equity investments, credit rating categories and foreign currency exposures. Based on the fair value of assets held as at December 31, 2025, the Chaudiere Hydro Pension Plan's assets were comprised of 72.2% [2024 – 72.2%] fixed income Canadian bonds, 25.0% [2024 – 25.5%] Canadian and international equities and 2.8% [2024 – 2.3%] in cash. The Chaudiere Hydro Pension Plan's investments are primarily held and managed in pooled funds, and thus do not have a quoted market price in an active market.

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Employee future benefits under the Chaudiere Hydro Pension Plan are calculated using an annual compensation rate of 2.0% [2024 – 2.0%], an inflation rate of 2.0% [2024 – 2.0%] and a discount rate of 4.9% [2024 – 4.7%]. The valuations also include several other economic and demographic assumptions including mortality rates, which are based on the Canadian Pensioners' Mortality report published by the Canadian Institute of Actuaries in February 2014. An actuarial extrapolation was performed at December 31, 2025 and December 31, 2024. The last actuarial valuation was performed at January 1, 2025.

Significant actuarial assumptions for defined benefit obligation measurement purposes are discount rate and salary scale. The following sensitivities are based on reasonable changes of the assumptions, in isolation of one another, occurring at the end of the reporting period. A 1.0% decrease in discount rate would increase the defined benefit obligation by \$851 or 13.9% [2024 – \$921 or 15%], while a 1.0% increase in salary scale would increase the defined benefit obligation by \$157 or 2.6% [2024 – \$170 or 2.8%].

(b) Other post-employment benefits

The Corporation provides life, health and dental benefits to certain employees. Employee future benefits are calculated using an annual compensation rate increase of 2.0% [2024 – 2.0%] and a discount rate of 4.9% [2024 – 4.7%]. Cost trends for health are estimated to increase [5.3% in 2026 grading down to 3.8% in 2040] and dental benefits are estimated to increase by 3.8% per annum. The valuations also include several other economic and demographic assumptions including mortality rates, which are based on the Canadian Pensioners' Mortality report published by the Canadian Institute of Actuaries in February 2014.

Information about the Corporation's other post-employment benefits is as follows:

	2025	2024
	\$	\$
Defined benefit obligation, beginning of year	13,481	13,154
Current service costs	638	610
Interest on defined benefit obligation	637	620
Benefits paid	(724)	(761)
Actuarial loss (gain)	72	(142)
Defined benefit obligation, end of year	14,104	13,481

An actuarial valuation was performed as at December 31, 2025. As a result of this exercise, the Corporation increased the accumulated liability by \$623 [December 31, 2024 – increased by \$327 based on an actuarial extrapolation].

Significant changes in actuarial assumptions related to discount rates, future health and dental costs, mortality rates and retirement age may affect the valuation of the defined benefit obligation.

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15. LONG-TERM DEBT

	2025 \$	2024 \$
Senior unsecured debentures		
Series 2006-1, 4.97%, due December 19, 2036	50,000	50,000
Series 2013-1, 3.99%, due May 14, 2043	150,000	150,000
Series 2015-1, 2.61%, due February 3, 2025	-	200,000
Series 2015-2, 3.64%, due February 2, 2045	175,000	175,000
Series 2025-1, 4.37% due January 30, 2035	425,000	-
Senior secured amortizing bonds		
Series 2016-1, 4.08%, due March 31, 2057	195,238	197,825
Series 2019-1, 3.53%, due December 31, 2059	286,872	289,167
Note payable		
4.26% loan, due February 18, 2041	20,000	20,000
	1,302,110	1,081,992
Less: current portion	(3,812)	(204,882)
Less: unamortized debt-issuance costs	(9,050)	(7,088)
	1,289,248	870,022

(a) Senior unsecured debentures

Interest payments on each of the above debentures are payable semi-annually in arrears in equal installments. Each debenture contains customary covenants and events of default, including a covenant to ensure that the aggregate principal amount of the consolidated funded obligations does not exceed 75% of the total consolidated capitalization excluding non-recourse debt. Interest payments on these debentures will be \$33,420 in 2026, \$33,420 per year between 2027 and 2030.

(b) Senior secured amortizing bonds

The Series 2019-1 senior secured amortizing green bonds [the '2019-1 bonds'] totalling \$290,514 were issued on behalf of Hull Energy LP and CHLP North [refurbishment 'project owners'] in 2019. The Series 2019-1 bonds carry an interest rate of 3.53% and mature on December 31, 2059. Equal semi-annual interest-only payments are due and payable on June 30 and December 31 each year until and including June 30, 2024. Thereafter, semi-annual blended repayments of principal and interest will be due and payable on June 30 and December 31 each year commencing on December 31, 2024 until and including the maturity date. In addition, a balloon payment of \$43,577 [15% of the principal] will be due and payable on the maturity date. The 2019-1 bonds are secured by the total refurbishment project assets, where the project assets of Hull Energy LP and CHLP North represent 76.8% and 23.2% of the security, respectively.

The Corporation's senior secured amortizing bonds [the '2016-1 bonds'] carry an interest rate of 4.08% and mature on March 31, 2057. Equal semi-annual interest-only payments were due and payable on March 31 and September 30 each year until and including March 31, 2022. Thereafter, semi-annual blended payments of principal and interest will be due and payable on March 31 and September 30 in each year commencing on September 30, 2022 until and including the maturity date. In addition, a balloon payment of \$30,570 [15% of the principal] will be due and payable on the maturity date. The 2016-1 bonds are secured by a first-charge interest on the assets of CHLP.

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In accordance with the Trust Indenture, CFLP was required to maintain in a DSRA [classified as restricted cash on the consolidated balance sheet], an amount equal to the next six months of interest and principal, funded in accordance with Chaudiere North LP's Pro Rata Portion of the DSRA. During 2022, the DSRA has been fully funded with a standby letter of credit as described in Note 11.

As required by the applicable Trust Indenture, CHLP is to maintain in a DSRA an amount equal to the next six months of interest and principal and payments due under the bonds; during the year CHLP maintained a deposit of \$5,330 [December 31, 2024 – \$5,330] in the DSRA [classified as restricted cash on the consolidated balance sheet] to replace a standby letter of credit as described in Note 11. CHLP also maintained, in a Major Maintenance Reserve Account ['MMRA'], an amount that covers a portion of the projected major maintenance expenditures in the coming three years [2025 – \$2,320 and 2024 – \$3,300] which is also classified as restricted cash on the consolidated balance sheet.

The Corporation is required to maintain a minimum debt-coverage service ratio ['DCSR'] for both CFLP and CHLP. Both CFLP and CHLP's DCSR's divides the sum of the respective entities net operating and investing cash flows [as defined by their respective Trust Indentures] by the applicable interest and principal repayments due within the next calendar year. The Corporation was in compliance with all financial covenants associated with the 2019-1 and 2016-1 bonds at December 31, 2025 and 2024, as applicable.

(c) Note payable

On January 22, 2021, the Corporation entered into a loan and grant agreement with the FCM to fund an ongoing green district energy construction project undertaken by its 50% owned-and-controlled joint venture, ZCU. The FCM loan and grant agreement allows the Corporation to borrow the lesser of \$20,000 and 69.6% of eligible project expenditures, repayable over a term of 20 years, in addition to a non-repayable grant based on the total eligible project expenditures incurred.

The loan, bearing interest of 4.26% [December 31, 2024, 4.26%], was issued from FCM to the Corporation on February 18, 2021 and has an outstanding balance of \$20,000 as at December 31, 2025 [December 31, 2024 – \$20,000]. Interest payments are payable semi-annually on the principal amount outstanding, with principal payments beginning on December 16, 2026 and ending on February 18, 2041. Interest payments on the loan will be \$850 in 2026, \$828 in 2027, \$772 in 2028, \$713 in 2029, and \$658 in 2030. In addition, the Corporation received grant funds of \$250 [2024 – \$nil] from FCM.

The Corporation has a mirror loan agreement with ZCU to flow through the above loan and grant funds received from FCM to its joint venture as discussed in Note 10.

16. OTHER LIABILITIES

	2025	2024
	\$	\$
Lease liabilities	1,431	1,575
Other	140	238
	1,571	1,813

17. CAPITAL DISCLOSURES

The Corporation's main objectives when managing capital are to:

- Ensure continued access to funding to maintain and improve the operations and infrastructure of the Corporation;
- Ensure compliance with covenants related to the credit facilities and its long-term debt; and

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- Align the capital structure of the Corporation's regulated subsidiary, Hydro Ottawa, with the debt to equity structure recommended by the OEB.

The Corporation's capital consists of the following:

	2025 \$	2024 \$
Commercial paper	189,783	382,585
Long-term debt	1,293,060	1,074,904
Total debt	1,482,843	1,457,489
Equity	566,458	555,491
Total capital	2,049,301	2,012,980

A subsidiary of the Corporation, Hydro Ottawa is deemed by the OEB to have a capital structure that is funded by 56% long-term debt, 4% short-term debt and 40% equity. The OEB uses this deemed structure only as a basis for setting distribution rates. As such, the Corporation's actual capital structure may differ from the OEB deemed structure.

As at December 31, 2025, the Corporation's debt to capitalization ratio, the calculation of which takes into account outstanding letters of credit, was 72.9% [2024 – 73.1%]. The Corporation's debt to capitalization ratio excluding non-recourse debt is 64.6% [2024 – 64.7%]. The Corporation is in compliance with all financial covenants and limitations associated with its credit facilities and its long-term debt.

The Corporation is subject to debt agreements that contain various covenants. The Corporation's unsecured debentures limit consolidated funded indebtedness to a maximum of 75% of total consolidated capitalization as defined in its trust indenture. The Corporation's revolving credit facility limits the debt to capitalization ratio to a maximum of 75%, excluding non-recourse debt.

The Corporation's debt arrangements also include restrictive covenants such as limitations on designated subsidiary indebtedness, and restrictions on mergers and dispositions of designated subsidiaries. As at December 31, 2025 and December 31, 2024, the Corporation was in compliance with all covenants included in its trust indenture, supplemental trust indentures and revolving credit facility agreement.

The Corporation met its capital management objectives, which have not changed during the year.

18. SHARE CAPITAL

(a) Authorized

Unlimited number of voting first preferred shares, redeemable at one dollar per share
Unlimited number of non-voting second preferred shares, redeemable at ten dollars per share
Unlimited number of non-voting third preferred shares, redeemable at one hundred dollars per share
Unlimited number of voting fourth preferred shares [ten votes per share], redeemable at one hundred dollars per share
Unlimited number of voting Class A common shares
Unlimited number of non-voting Class B common shares
Unlimited number of non-voting Class C common shares, redeemable at the price at which such shares are issued

The above shares are without nominal or par value.

Holders of second preferred shares, fourth preferred shares and common shares are entitled to receive dividends as and when declared by the Board of Directors at their discretion.

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(b) Issued

	2025 \$	2024 \$
214,901,003 Class A common shares	228,453	228,453

Any invitation to the public to subscribe for shares of the Corporation is prohibited by shareholder resolution.

A shareholder's resolution directs the Corporation to target dividends at the greater of 60% of its subsidiary, Hydro Ottawa's net income or \$20,000, provided that the Corporation is in compliance with the *Business Corporations Act (Ontario)* and relevant OEB Guidelines; is not in breach of any covenants on its senior unsecured debentures or credit facility obligations; and the payment thereof does not negatively impact the Corporation's credit rating.

On April 24, 2025, the Board of Directors declared a \$22,300 dividend to the City of Ottawa, which was paid in increments of \$7,300, \$5,000, \$5,000, and \$5,000 on April 30, 2025, July 2, 2025, October 1, 2025 and December 1, 2025, respectively [April 23, 2024 the Board of Directors declared a \$20,000 dividend to the City of Ottawa, which was paid in increments of \$5,000, \$5,000, \$5,000, and \$5,000 on April 30, 2024, July 2, 2024, October 1, 2024 and December 2, 2024, respectively].

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Fair value disclosures

The carrying value of the Corporation's financial instruments, except for the instruments described below, approximate fair value because of the short maturity and nature of the instruments. The fair value measurement of the financial instrument for which the fair value has been disclosed is included in Level 2 of the fair value hierarchy [Note 3(j)].

The Corporation has estimated the fair value of the note receivable from its joint venture, ZCU, as at December 31, 2025 as amounting to \$16,842 [2024 – \$17,299]. The fair value has been determined based on discounting all estimated future repayments of principal and interest required to fully repay the loans at the estimated interest rate of 6.5% that would be available to ZCU on December 31, 2025 [2024 – 6.2%].

The Corporation has estimated the fair value of the senior unsecured debentures and note payable as at December 31, 2025 as amounting to \$777,641 [2024 – \$568,032]. The fair value has been determined based on discounting all future repayments of principal and interest required to fully repay the unsecured debentures and note payable at the estimated interest rate of 4.6% and 6.1%, respectively, that would be available to the Corporation on December 31, 2025 [2024 – 4.4% and 5.8%].

The Corporation has estimated the fair value of its senior secured amortizing bonds as at December 31, 2025 as amounting to \$362,974 [2024 – \$389,089]. The fair value has been determined based on discounting all estimated future repayments of principal and interest required to fully repay the bonds at the estimated interest rate of 5.9% that would be available to the Corporation at December 31, 2025 [2024 – 5.2%].

(b) Market risk

The Corporation is exposed to market risk, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risks: interest rate risk, foreign exchange risk and commodity price risk. As the Corporation has not entered into significant hedging transactions or derivative contracts, there is no exposure to commodity price risk.

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i. Interest rate risk

The Corporation is exposed to interest rate risk on its borrowings. Under the Corporation's credit facility, advances on its credit lines expose it to fluctuations in short-term interest rates related to prime rate loans and CORRA loans. In addition, the fees payable on CORRA loans via the operating and capital lines are based on a margin determined by reference to the Corporation's credit rating. The Corporation is also exposed to fluctuations in short term interest rates in connection with outstanding issuances under its Commercial Paper Program. Given the fact that the borrowing requirements on the credit lines are typically for a short duration [i.e., to bridge gaps between the cash outflows related to the Corporation's monthly power bill and the inflows related to settlements with customers, or the cash outflows related to significant capital acquisitions and the inflows related to the issuance of additional long-term fixed-interest-rate debt], and the Corporation incorporates a mix of fixed and floating rate instruments, there is limited exposure to interest rate risk.

The Corporation is also exposed to fluctuations in interest rates as the regulated rate of return for the Corporation's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

A sensitivity analysis was conducted to examine the impact of a change in the prime rate on the Corporation's outstanding drawings on its credit facility. A variation of 1% [100 basis points], with all other variables held constant, would increase or decrease the annual interest expense by approximately \$2,018.

ii. Foreign exchange risk

The Corporation's earnings from, and net investment in, its foreign operating subsidiary, EONY, are exposed to fluctuations in the U.S. dollar to Canadian dollar exchange rate. Also, the Corporation purchases a small proportion of goods and services that are denominated in foreign currencies, predominately the U.S. dollar. The Corporation monitors its exposure to foreign currency fluctuations on a regular basis, and has not used derivative instruments to hedge against these exposures to date. On an annual basis, it is estimated that a 5% increase [or decrease] in the U.S. dollar relative to the Canadian dollar exchange rate of CDN \$1 equals U.S \$0.73 as at December 31, 2025 would increase [or decrease] the equity of the Corporation by approximately \$2,672.

(c) Credit risk

Credit risk is the risk that a counterparty will default on its obligations, causing a financial loss to the Corporation. Concentration of credit risk associated with electricity-related accounts receivable is limited due to the large number of customers the Corporation services. The Corporation has approximately 377,000 customers served by Hydro Ottawa, the majority of which are residential. As a result, the Corporation did not earn a significant amount of electricity-related revenue and does not have a significant electricity-related receivable from any individual customer. The Corporation is exposed to a concentration of credit risk in generation-related accounts receivable due to the small number of entities the Corporation services. The Corporation relies on its power purchase agreements with the IESO and the Niagara Mohawk Power Corporation to support its Canadian and U.S. generation operations.

The Corporation performs ongoing credit evaluations of its customers serviced by Hydro Ottawa and requires collateral to support non-residential customer accounts receivable on specific accounts to mitigate significant losses in accordance with OEB legislation. As at December 31, 2025, the Corporation held security deposits related to power recovery and distribution revenue in the amount of \$14,196 [2024 – \$14,317] with respect to these customers. The Corporation's other subsidiaries limit credit risk by dealing with customers that are considered to be of high credit quality. These customers include government agencies, utilities, municipalities, universities, school boards, hospitals, and customers with investment grade credit ratings.

The Corporation monitors and limits its exposure to credit risk on a continuous basis.

Hydro Ottawa Holding Inc.

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The Corporation applies the *IFRS 9 – Financial Instruments* simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. The expected loss rates for trade receivables are based on the payment profiles of sales over a period of twelve months before December 31, 2025 or December 31, 2024 respectively and the corresponding historical credit losses experienced within this period and other information. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at December 31, 2025 and December 31, 2024 was determined as follows for trade and other receivables.

	Gross carrying amount \$	Weighted average loss rate	Loss allowance \$	Net carrying amount \$
December 31, 2025				
Outstanding for 30 days or less	124,421	0.00 %	-	124,421
Outstanding for more than 30 days but no more than 120 days	12,550	13.59 %	1,705	10,845
Outstanding for more than 120 days	10,684	26.71 %	2,854	7,830
Unbilled receivables relating to electricity	103,869	0.34 %	351	103,518
	251,524		4,910	246,614
December 31, 2024				
Outstanding for 30 days or less	119,324	0.00 %	-	119,324
Outstanding for more than 30 days but no more than 120 days	14,684	11.92 %	1,750	12,934
Outstanding for more than 120 days	7,746	30.58 %	2,369	5,377
Unbilled receivables relating to electricity	96,073	1.05 %	1,009	95,064
	237,827		5,128	232,699

The following table reconciles the opening and closing loss allowance for trade and other receivables:

	2025 \$	2024 \$
Balance, beginning of year	5,128	4,179
Net remeasurement of loss allowance	2,008	2,861
Write-offs	(2,355)	(2,067)
Recoveries of amounts previously written-off	129	155
Balance, end of year	4,910	5,128

Impairment losses on trade and other receivables are presented as net impairment losses within the consolidated statement of income. When a receivable is deemed to be uncollectible, it is written off and the expected loss allowance is adjusted accordingly. Subsequent recoveries of receivables previously provisioned or written off result in a reduction of impairment losses included in operating costs in the consolidated statement of income.

As at December 31, 2025, the Corporation's maximum exposure to credit risk is equal to the carrying value of accounts receivable less customer deposits held.

Hydro Ottawa Holding Inc.

Notes to the Consolidated Financial Statements
Year ended December 31, 2025
[in thousands of Canadian dollars]

(d) Liquidity risk

Liquidity risk is the risk that the Corporation will not meet its financial obligations as they come due. The Corporation regularly monitors and manages its liquidity risk to ensure access to sufficient funds to meet operational and capital investment requirements. The Corporation achieves this objective by ensuring that sufficient facilities, as described in Note 11, are maintained to meet obligations as they come due while minimizing standby fees and interest.

Liquidity risks associated with financial commitments are as follows:

	2025		
	Due within one year \$	Due between one and five years \$	Due after five years \$
Bank indebtedness	13,378	-	-
Commercial paper ⁽¹⁾	189,783	-	-
Accounts payable and accrued liabilities	260,515	-	-
Senior unsecured debentures			
Series 2006-1, 4.97%, due December 19, 2036	-	-	50,000
Series 2013-1, 3.99%, due May 14, 2043	-	-	150,000
Series 2015-1, 2.61%, due February 3, 2025	-	-	-
Series 2015-2, 3.64%, due February 2, 2045	-	-	175,000
Series 2025-1, 4.37% due January 30, 2035	-	-	425,000
Senior secured amortizing bonds			
Series 2016-1, 4.08%, due March 31, 2057	2,749	12,255	180,234
Series 2019-1, 3.53%, due December 31, 2059	1,063	16,102	269,707
Loan			
4.26% loan, due February 18, 2041	667	5,334	13,999
Interest to be paid on long-term debt	52,311	206,528	579,349
	520,466	240,219	1,843,289

⁽¹⁾ The notes under the Commercial Paper Program were issued at a discount and repaid at their principal amount.

Hydro Ottawa Holding Inc.

Notes to the Consolidated Financial Statements
Year ended December 31, 2025
[in thousands of Canadian dollars]

20. REVENUE FROM CONTRACTS WITH CUSTOMERS AND OTHER SOURCES

The Corporation's revenue breakdown is as follows:

	2025 \$	2024 \$
Revenue from contracts with customers		
Power recovery and distribution		
Residential service ⁽¹⁾	496,768	484,470
General service ⁽²⁾	725,526	655,029
Large users ⁽³⁾	67,431	61,128
	1,289,725	1,200,627
Generation	35,433	52,892
Commercial services		
Lighting	15,400	11,808
Buildings	9,714	12,781
Electrical	48,044	28,492
Service work related to distribution operations	7,211	6,584
Pole attachment and duct rental	4,311	4,068
	84,680	63,733
Other		
Account-related charges and miscellaneous	5,559	7,004
Capital contributions from customers amortized to revenue	5,304	3,952
	10,863	10,956
	1,420,701	1,328,208
Revenue from other sources		
Other		
Investment property rentals	1,191	1,200
Capital contributions from developers amortized to revenue	5,615	4,841
	6,806	6,041
	1,427,507	1,334,249

⁽¹⁾ Residential service means a service that is for domestic or household purposes, including single family or individually metered multifamily units and seasonal occupancy.

⁽²⁾ 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 kW averaged over a twelve-month period.

⁽³⁾ Large users means a service provided to a customer with a monthly peak demand of 5,000 kW or greater averaged over a twelve-month period.

Hydro Ottawa Holding Inc.

Notes to the Consolidated Financial Statements
Year ended December 31, 2025
[in thousands of Canadian dollars]

21. OPERATING COSTS

	2025 \$	2024 \$
Salaries, wages and benefits	118,011	106,607
Contracted services - distribution system maintenance	16,096	16,235
Contracted services - customer owned plant	3,703	8,799
Contracted services - other	64,496	44,613
General and administrative	58,693	66,404
Other electricity distribution costs	10,384	11,088
Inventory expensed as cost of goods sold and other	1,781	2,121
Property insurance proceeds [Note 7]	(4,891)	(6,552)
Capital recovery	(36,397)	(33,762)
	231,876	215,553

22. FINANCING COSTS

	2025 \$	2024 \$
Interest on long-term debt	51,985	39,449
Short-term interest and fees relating to credit facility	6,741	18,031
Interest on lease liabilities	79	83
Less: capitalized borrowing costs	(1,841)	(965)
	56,964	56,598

23. INCOME TAXES

Income tax expense recognized in net income comprises the following:

	2025 \$	2024 \$
Current tax expense		
Current income tax expense	3,171	2,679
Deferred income tax expense		
Origination and reversal of temporary differences	17,452	18,061
Income tax expense recognized in net income	20,623	20,740

Hydro Ottawa Holding Inc.

Notes to the Consolidated Financial Statements
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[in thousands of Canadian dollars]

Income tax (recovery) expense recognized in OCI comprises the following:

	2025 \$	2024 \$
Income tax effect on exchange differences on translation of foreign subsidiary	(770)	1,317
Other	(98)	74
Income tax (recovery) expense recognized in other comprehensive income	(868)	1,391

The provision for income taxes differs from the amount that would have been recorded using the combined Canadian federal and Ontario statutory income tax rates. A reconciliation between the statutory and effective tax rates is provided as follows:

	2025 \$	2024 \$
Federal and Ontario statutory income tax rate	26.50 %	26.50 %
Income attributable to equity shareholder before income taxes	56,069	62,862
Income taxes at statutory rate	14,859	16,658
Increase (decrease) in income taxes resulting from:		
Permanent differences	4,312	203
Tax rate differential	(15)	38
Impact on foreign exchange translation on subsidiary	(6)	2
Foreign tax rate differential	1	7
Provision to return adjustment	704	(859)
Change in unrecognized tax benefit	712	5,017
Tax impact on joint venture	(365)	(215)
Other	421	(111)
	20,623	20,740
Effective income tax rate	36.78 %	32.99 %

The Corporation's subsidiary Hydro Ottawa, as a rate-regulated enterprise, is required to recognize deferred income tax assets and liabilities and related regulatory deferral account credit and debit balances for the amount of deferred income taxes expected to be refunded to, or recovered from, customers in future electricity rates.

Significant components of the Corporation's net deferred income tax asset are as follows:

	2025 \$	2024 \$
Property, plant and equipment and intangible assets	(502)	181
Employee future benefits	442	340
Non-capital loss carryforwards	5,738	6,899
Other temporary differences	464	54
	6,142	7,474

Hydro Ottawa Holding Inc.

Notes to the Consolidated Financial Statements
Year ended December 31, 2025
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Significant components of the Corporation's net deferred income tax liability are as follows:

	2025 \$	2024 \$
Property, plant and equipment and intangible assets	(161,677)	(145,630)
Tax recognized in OCI	(1,919)	(2,689)
Non-capital loss carryforwards	-	276
Net capital loss carryforwards	1,977	1,977
Employee future benefits	4,272	4,100
Other	5,112	5,146
	(152,235)	(136,820)

Movements in the net deferred income tax asset balances during the year were as follows:

	2025 \$	2024 \$
Deferred income tax asset, beginning of year	7,474	8,442
Impact of foreign exchange rate change on opening deferred income tax asset	(163)	272
Recognized in net income	(1,175)	(1,244)
Recognized in OCI	6	4
Deferred income tax asset, end of year	6,142	7,474

Movements in the net deferred income tax liability balances during the year were as follows:

	2025 \$	2024 \$
Deferred income tax liability, beginning of year	(136,820)	(118,607)
Recognized in net income	(16,277)	(16,817)
Recognized in OCI	862	(1,396)
Deferred income tax liability, end of year	(152,235)	(136,820)

The Corporation's regulatory deferral account debit balance for the amounts of deferred income taxes expected to be collected from customers in future electricity rates is \$106,223 [2024 – \$95,355].

As at December 31, 2025, the Corporation had Canadian capital losses of \$nil [2024 – \$1,415] and Canadian non-capital losses of \$24,824 [2024 – \$25,028] for which the tax benefit has not been recognized in these consolidated financial statements.

As at December 31, 2025, the Corporation had Canadian capital losses of \$7,879 [2024 – \$7,879] and Canadian non-capital losses of \$2,681 [2024 – \$10,404] for tax purposes for which the tax benefit has been recognized in these consolidated financial statements.

As at December 31, 2025, the Corporation has U.S. federal losses carried forward of \$19,781 [December 31, 2024 – \$17,451] and New York losses carried forward of \$17,021 [December 31, 2024 – \$14,671] that can be carried forward indefinitely. These losses are considered more likely than not to be realized, resulting in a recognized deferred income tax asset of \$5,029 at December 31, 2025 [December 31, 2024 – \$4,418].

Hydro Ottawa Holding Inc.

Notes to the Consolidated Financial Statements
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Deferred income tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilized. Net deferred income tax assets of \$3,466 [2024 – \$3,579] have been recognized in EONY as there is sufficient positive evidence to demonstrate that it is probable that a net deferred income tax asset will be realized. Factors considered include: historic and expected future taxable income and the nature, amount and expected timing of reversal of taxable temporary differences.

A deferred income tax liability for taxable temporary differences associated with investments in subsidiaries and investments in joint ventures has not been recognized as the Corporation is able to control the timing of the reversal of the temporary difference of \$10,189 [December 31, 2024 – \$7,594] and it is probable that the temporary difference will not reverse in the foreseeable future.

The Corporation is within the scope of the global minimum tax under Pillar Two as developed by the Organisation for Economic Co-operations and Development ['OECD']. The new Global Minimum Tax Act ['GMTA'], Canada implements into Canadian domestic law the global minimum tax as envisioned under the Pillar Two model, which includes a minimum 15% tax rate by jurisdiction. The GMTA was enacted by Parliament in Bill C-69 on June 20, 2024 and is effective for years starting after December 31, 2023. The GMTA will affect entities that are members of a Multinational Enterprise ['MNE'] that report annual revenue equal to or greater than 750 million euros (or approximately \$1,115 million CAD) in at least two of the four immediately preceding fiscal years as reported in the consolidated financial statements of the MNE's group's ultimate parent entity ['UPE']. The Corporation is the UPE and to be considered a MNE group, a group must have at least one entity or permanent establishment that is not located in the jurisdiction in which the UPE of the group is located. Due to the above, the Corporation is subject to the new GMTA legislation for the Corporation's year ended December 31, 2025.

Under the legislation, the Corporation is liable to pay a top-up tax for the difference between the Global Anti-Base Erosion Rules ['GLOBE'] effective tax rate per jurisdiction and the 15% global minimum tax rate. The Corporation's GLOBE effective tax rate for 2025 is higher than the 15% global minimum tax rate. The Corporation is subject to the GMTA for the year ended December 31, 2025, however the Corporation has estimated that there is no top-up tax payable for 2025. The GMTA is in transition and additional legislation is still expected. The Corporation will continue to monitor and assess the GMTA for any potential future impacts to the Corporation.

24. CHANGES IN NON-CASH WORKING CAPITAL AND OTHER OPERATING BALANCES

	2025	2024
	\$	\$
Accounts receivable	(13,623)	(34,301)
Contract assets	(3,333)	(6,561)
Prepaid expenses	1,223	(1,906)
Accounts payable and accrued liabilities	32,121	15,834
Inventory	(272)	(775)
Customer deposits in accounts receivable	4,907	(19,761)
Net change in accruals related to property, plant and equipment	(4,250)	(2,732)
	16,773	(50,202)

Hydro Ottawa Holding Inc.

Notes to the Consolidated Financial Statements
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25. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2025	2024
	\$	\$
Long-term debt, beginning of year	1,074,904	1,074,563
Repayments of long-term debt	(204,882)	-
Proceeds from issuance of long-term debt	422,578	-
Amortization of debt-issuance costs expensed	460	341
	1,293,060	1,074,904
Less: current portion of long-term debt	(3,812)	(204,882)
Long-term debt, end of year	1,289,248	870,022

26. CONTINGENT LIABILITIES

Purchasers of electricity from the IESO are required to provide security to mitigate the risk of their default based on their expected activity in the market. The IESO could draw on these guarantees if the Corporation fails to make a payment required by a default notice issued by the IESO. A prudential support obligation is calculated based upon a default protection amount and the distributor's trading limit less a reduction for the distributor's credit rating. As at December 31, 2025, the Corporation had drawn standby letters of credit in the amount of \$10,000 [2024 – \$10,000] against its credit facility to cover its prudential support obligation.

The Corporation participates with other electrical utilities in Ontario in an agreement to exchange reciprocal contracts of indemnity through the Municipal Electrical Association Reciprocal Insurance Exchange. The Corporation is liable for additional assessments to the extent premiums collected and reserves established are not sufficient to cover the cost of claims and costs incurred. If any additional assessments were required in the future, their cost would be charged to income in the year during which they occur.

The Corporation is party to connection and cost recovery agreements with HONI as described in Note 8 of these consolidated financial statements. Each of the Corporation's CCRAs has a term of 25 years. To the extent that the cost of a project is not recoverable from future transformation connection revenues, the Corporation is obligated to pay a capital contribution equal to the difference between these revenues and the construction costs allocated to the Corporation. These agreements require periodic reviews whereby a comparison of actual to forecasted load is conducted, and a true-up calculation performed. When a true-up calculation shows the Corporation's actual load for the past period and updated load forecast for the future period are lower than the initial load, the Corporation is obligated to make up this shortfall. When the Corporation's actual load and updated load forecast are higher than the initial load, the Corporation is entitled to a rebate. HONI is expected to perform true-up calculations in years 5 and 10 and in year 15 if the difference between the actual incremental load and initial load at the end of year 10 is greater than 20%.

The Corporation is contingently liable for its contractor's obligations relating to the performance and completion of a project. As a result, the Corporation has provided its customer, the City of Ottawa, with surety performance bonds in connection with a project to design, procure and install charging and electrical infrastructure at one of its OC Transpo facilities. Surety bonds do not transfer risk, but instead provide a financial guarantee to the customer that the Corporation and its subcontractors will fulfill their obligations under the original contract. As at December 31, 2025, management does not foresee any possible issues relating to the performance and completion of the contract.

Various lawsuits have been filed against the Corporation for incidents that arose in the ordinary course of business. In the opinion of management, the outcomes of the lawsuits, now pending, are neither determinable nor material. Should any loss result from the resolution of these claims, such losses would be claimed through the Corporation's insurance carrier, with any unrecoverable amounts charged to income in the year of resolution.

Hydro Ottawa Holding Inc.

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27. COMMITMENTS

As at December 31, 2025, the Corporation has \$278,835 in total open commitments spanning between 2026 and 2031. These include commitments relating to a call centre services agreement, distribution-related construction projects, overhead and underground services and other services relating to the Corporation's operations.

The Corporation maintains leases with various entities for the rights to certain lands, waterways, buildings and other generating assets at its generating stations in Ontario, Québec and New York. These leases are in place through various dates, ranging between September 30, 2022 and December 13, 2116. Certain leases have annual payments which have a fixed and contingent portion, the latter of which is based on either annual gross revenues or power generation levels and are not factored in the calculation of the Corporation's lease liability or effective lease term. The Corporation's anticipated future minimum lease payments will be: 2026 to 2030 – \$791 and \$37,697 thereafter.

28. RELATED PARTY TRANSACTIONS

Transactions with related parties occur in the normal course of business, and are transacted at the amount of consideration determined and agreed to by the related parties. Trade amounts due from and to related parties are non-interest bearing, result from normal operations and are due within one year.

(a) Transactions and balances outstanding with parent

During the year, the Corporation earned power recovery and distribution revenue from the City of Ottawa and its other subsidiaries, which was billed at prices and terms approved by the OEB. In addition, the Corporation earned commercial services revenue from the City of Ottawa and its other subsidiaries totaling \$209 [2024 – \$193] via its regulated subsidiary, Hydro Ottawa, and \$64,696 [2024 – \$40,716] via Envari. During the year, the Corporation also received \$3,582 [2024 – \$1,025] in contributions relating to the upgrade and/or expansion of the Corporation's existing electricity distribution infrastructure, with an additional \$15,435 [2024 - \$9,287] in contributions related to the ZEB Offer to Connect system expansion; incurred \$28 [2024 – \$30] in lease interest expense and made \$56 [2024 – \$54] in lease liability repayments with respect to a long-term lease outstanding with the City of Ottawa at December 31, 2025.

The Corporation incurred \$5,071 [2024 – \$4,461] of operating costs to the City of Ottawa. The Corporation also incurred \$600 [2024 – \$530] in building permit costs and development charges, which are included in property, plant and equipment.

As at December 31, 2025, the Corporation's accounts receivable, contract assets and customer deposits include \$30,331 \$14,048 and \$2,260 [2024 – \$31,667, \$10,286 and \$2,090 respectively], respectively, while the Corporation's accounts payable and accrued liabilities include \$1,752 [2024 – \$150] due to the City of Ottawa and its subsidiaries in respect of the transactions described above. In addition, the Corporation's long-term lease liability to the City of Ottawa included in Note 16 at December 31, 2025 is \$633 [2024 – \$692].

(b) Transactions and balances outstanding with joint ventures

i. Moose Creek LP

During the year, the Corporation earned \$51 [2024 – \$45] in other revenue for the provision of administrative services. As at December 31, 2025, the Corporation's accounts receivable include \$nil [2024 – \$4] due in respect of the transactions described for balances paid on behalf of Moose Creek LP.

ii. PowerTrail

During the year, the Corporation earned other revenue of \$51 [2024 – \$45] for the provision of administrative services. As at December 31, 2025, the Corporation's accounts receivable include \$nil [2024 – \$3] due in respect of the transactions described.

Hydro Ottawa Holding Inc.

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iii. ZCU

During the year, the Corporation earned interest income in the amount of \$932 [2024 – \$893] on its note receivable from ZCU disclosed in Note 10 of these consolidated financial statements. In addition, the Corporation earned \$48 [2024 – \$57] in other revenue for the provision of administrative services. At December 31, 2025, accounts receivable includes \$345 due from ZCU with respect to the transactions described [2024 – \$344 with respect to amounts paid on the joint venture's behalf].

iv. Other joint ventures

During the year, the Corporation earned \$358 [2024 – \$437] in other revenue for the provision of administrative services. In addition, the Corporation earned interest income in the amount of \$38 on its operating revolving line of credit outstanding balance disclosed in Note 9(c) of these consolidated financial statements. As at December 31, 2025, the Corporation's accounts receivable include \$139 [2024 – \$292] due in respect to the transactions described.

(c) **Compensation of key management personnel**

	2025	2024
	\$	\$
Salaries, director fees and other short-term benefits	2,001	1,962
Employee future benefits	568	540
Other long-term benefits	19	23
	2,588	2,525

29. SUBSEQUENT EVENTS

On April 23, 2026, the Board of Directors declared a \$22,100 dividend on the common shares of the Corporation outstanding on December 31, 2025.

Governance and executive compensation



Corporate governance

In keeping with its commitment to robust Environmental, Social and Governance (ESG) performance, the Corporation continues to establish and maintain leading governance practices for a company of its size and mandate. Governance standards and best practices are always evolving; as such, the Corporation seeks to continuously improve its governance practices.

Hydro Ottawa Holding Inc. is a private, for-profit company, incorporated under the *Business Corporations Act* (Ontario).¹ At the same time, the Corporation is wholly owned by the City of Ottawa and fulfills a public mandate, and is therefore mindful of its responsibility to be accountable both to its shareholder and the public.

While the Corporation is not a reporting issuer under the *Securities Act* and is therefore not subject to governance standards that apply to publicly-traded companies, it is guided by these standards and seeks to meet or exceed them. In addition, the Corporation regularly compares its governance practices to those of private and public sector organizations, and to standards set by agencies such as the Canadian Securities Administrators and the Ontario Securities Commission.

Governance structure

Accountability for the effective oversight of the Corporation and its subsidiaries rests with a Board of Directors which is composed of a maximum of 13 members and which provides direction to the Corporation on behalf of its shareholder, the City of Ottawa. The Board provides leadership within a framework of effective controls that enables risks to be assessed and managed, and is responsible for supervising the management of the business and affairs of the Corporation and its subsidiaries. In carrying out its oversight function, the Board of Directors is guided by a Shareholder Declaration issued by Ottawa City Council and revised from time to time. The Corporation's Code of Business Conduct, its

¹ Hydro Ottawa Holding Inc. is the legal name of the Corporation. Elsewhere in this Annual Report, the Corporation is referred to by its public-facing name, Hydro Ottawa Group.

Director Conflict of Interest and Conduct Guidelines, and a Related Party Transaction Disclosure Policy and Process also govern the actions of the Board.

In 2006, a separate Board of Directors was established to oversee the operations of the Corporation's electricity distribution affiliate, Hydro Ottawa Limited, in accordance with the Affiliate Relationships Code for Electricity Distributors and Transmitters issued by the Ontario Energy Board. The powers and functions of that Board are set out in a Shareholder Declaration issued by the Corporation's Board of Directors.

On a day-to-day basis, the Corporation is led by an Executive Management Team, comprising the President and Chief Executive Officer, the Executive Vice President, Finance and Chief Financial Officer, and the senior executives of the subsidiaries and critical functional areas. This team oversees the alignment of business practices and strategies with the goals of the Corporation, and drives performance by managing risks and opportunities. The Executive Management Team is accountable to the Corporation's Board of Directors through the President and Chief Executive Officer.

Appointments to the Boards of Directors

As noted above, the governance structure for the Corporation and its subsidiaries includes two boards of directors – the Hydro Ottawa Holding Inc. Board and the Hydro Ottawa Limited Board.

In accordance with the terms of the Shareholder Declaration, the City of Ottawa appoints all directors to the Hydro Ottawa Holding Inc. Board except the President and Chief Executive Officer. In doing so, the City considers candidates recommended by the Nominating Committee of the Board of Hydro Ottawa Holding Inc., but is not obliged to select these candidates. The Nominating Committee is assisted by outside consultants in its search for candidates for appointment to the Board.

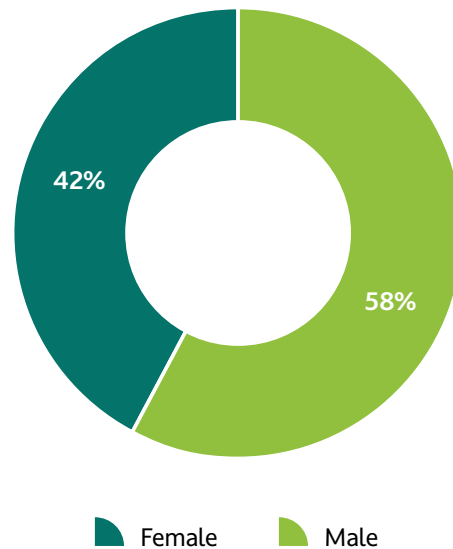
As set out in their respective Shareholder Declarations, all candidates for appointment to the Boards must meet certain requirements, including demonstrated integrity and high ethical standards, relevant career experience and expertise, and an understanding of the role of the Corporation both as a service to local ratepayers and an asset of taxpayers.

In addition, the nomination and selection process is designed to maintain Boards that include the following overarching competencies among one or more directors: strong business background, including competitive business experience and strategic planning; a strong financial background, including financial accreditation and public or private market financing experience; industry sector experience in the areas of business of the subsidiary companies; engineering experience; board experience; and merger and acquisition experience.

In step with its strong ESG culture, the Corporation seeks to establish representation on the Board that reflects the diverse population which it serves. The Board has adopted a formal Diversity Policy which affirms the Corporation's merit-based approach to Board composition as well as the value that a wide

range of perspectives, ideas and backgrounds brings to Board oversight and decision-making. The policy identifies diversity as a factor that is assessed alongside skills, competencies and experiences in evaluating potential candidates for Board membership.

Board of Directors gender representation



Gender diversity leadership at the Board level

The Corporation is committed to building an organization — from leadership at the top to employees on the front-line — that reflects the diversity of the communities it serves.

The Corporation takes great pride in the high levels of gender diversity maintained on the Board of Directors over many years. Its competitive advantage is sharpened when decision-making is enhanced by a broad spectrum of competencies, skills and backgrounds on the Board.

In 2025, 42 per cent of Board Directors were women, which significantly exceeded the national average (as compared to publicly-traded companies). This places the Corporation in the top-tier of companies who are benefitting from more women with a seat at the boardroom table.

Key governance processes and controls

The Corporation has established a number of leading governance processes and controls to assist the Board and executive management in carrying out their oversight functions.

Risk management: An extensive, corporate-wide risk management system has been established to track indicative and predictive measures of risk. Risk assessments are included with regular reporting to the Board on all areas of the Corporation's operations.

Internal audit: The Corporation conducts a rigorous internal audit program to verify controls and maximize business efficiency and effectiveness. A number of business processes and functions are audited annually based on an audit plan approved by the Board. The use of experienced auditors, both internal and external to the Corporation, ensures rigour and objectivity.

Business continuity plans: Plans are in place to ensure the continuance of critical operations in the event of a major emergency such as an imminent threat, natural disaster, pandemic or significant outage, and to return the Corporation to normal operations as quickly as possible after such an event. They include detailed strategies for the re-assignment of resources to critical processes, and redundant supply arrangements with critical external suppliers.

Committees

The following committees were created to help the Boards of Directors carry out their duties. The committees meet regularly and provide feedback on their discussions to their respective Boards.

Audit: The Audit Committee reviews financial statements, accounting practices and policies, auditing processes and the results of internal and external audits and related matters. It also oversees financial risk management and assesses internal controls.

Governance and Management Resources: The Governance and Management Resources Committee

reviews the Corporation's governance structures and practices to ensure that the Board of Directors can fulfill its mandate. It reviews management resources and compensation practices to ensure systems are in place to attract, retain and motivate qualified management employees. It also reviews and assesses the performance of the President and Chief Executive Officer, oversees the Board Assessment process and monitors compliance with codes of conduct.

Nominating: The Nominating Committee, with the assistance of outside consultants, identifies and evaluates potential candidates for appointment as directors. The Nominating Committee makes recommendations to the shareholder (represented by Ottawa City Council) for the appointment of directors.

Strategic Initiatives Oversight: The Strategic Initiatives Oversight Committee is responsible for assisting the Board of Directors in guiding management and providing support and focus for large-scale capital project efforts, as identified by the Board from time to time. In addition, it assists management and the Board of Directors in the review and pursuit of business development, acquisition, and investment opportunities. In carrying out these functions, the Committee focuses on the consistency of opportunities with strategic plans and investment guidelines, the maximization of shareholder value, and the management of risk.



Statement of executive compensation

The Governance and Management Resources Committee of Hydro Ottawa Holding Inc.'s Board of Directors is responsible for developing and recommending the approval of the compensation framework for the Corporation and each of its subsidiaries.

In developing the compensation framework, the Governance and Management Resources Committee is guided by two principles: the need to provide a total compensation package that will attract and retain qualified and experienced executives, and linking compensation to performance.

Executive compensation is reviewed by the Governance and Management Resources Committee and approved by the Board of Directors. In making its recommendations to the Board, the Committee examines the responsibilities and performance of individual executives, and considers the recommendations of the President and Chief Executive Officer.

In an effort to attract and retain qualified and experienced executives, the Corporation aims to offer a total compensation package that is competitive with other organizations of a similar size and scope. Executive compensation is reviewed on an annual basis and compared to market data, with the assistance of independent consultants, on an ad hoc basis to ensure competitiveness.

Total cash compensation for executives consists of two components: base salary and an at-risk performance incentive. (The President and Chief Executive Officer receives a base salary only).

The at-risk performance incentive component is paid on an annual basis, and is expressed as a percentage of base

salary. It is designed to retain and motivate executives, to reward them for their performance during the preceding year, and to ensure alignment with shareholder expectations and objectives. Payments are based on the achievement of corporate and division objectives, both financial and non-financial, which are established each year by the Board of Directors. Non-financial targets are designed to achieve continuous improvement in relation to a number of strategic objectives including, but not limited to, customer service, operational and organizational efficiency and effectiveness, and service reliability.

Executives participate in a benefits program, which includes extended health care, dental care, basic and optional life insurance, and short-term and long-term disability insurance. Executives also participate in the Ontario Municipal Employees Retirement System (OMERS) pension plan. This plan is a multi-employer, contributory, defined benefit pension plan established by the Province for employees of municipalities, local boards and school boards in Ontario. Pension benefits are determined by a formula based on the highest consecutive five-year average of contributory earnings and years of service. Pension benefits are subject to Shared Risk Indexing, meaning any indexation to increases in the Consumer Price Index is conditional upon the OMERS Sponsors Corporation Board's annual assessment of the overall financial health of the plan. Both participating employers and participating employees are required to make equal contributions to the plan based on the participating employees' contributory earnings. Earnings for pension purposes are capped by the plan.



Compensation of officers and Board members

Officers

Name and principal position ¹	Year	Base salary (\$)²	At-risk performance incentive (\$)³	Other compensation (\$)⁴
Bryce Conrad President and Chief Executive Officer	2025	481,150	N/A	126,675
	2024	430,838	N/A	44,788
	2023	412,865	N/A	92,328
Guillaume Paradis Executive Vice President, Distribution, Generation and Chief Operating Officer	2025	294,036	97,021	17,559
	2024	232,033	74,577	47,720
	2023	192,444	65,098	16,829
Adnan Khokhar Executive Vice President, Energy Solutions & Infrastructure	2025	234,028	85,362	27,475
	2024	218,569	73,020	10,441
	2023	209,544	72,715	15,330
Angela Collier Executive Vice President, Finance and Chief Financial Officer ⁵	2025	204,832	48,719 ⁶	1,423

Board members

The remuneration of the members of the Boards of Directors of Hydro Ottawa Holding Inc. and Hydro Ottawa Limited is determined by the City of Ottawa and the Hydro Ottawa Holding Inc. Board, respectively. In addition to reimbursement for reasonable out-of-pocket expenses incurred while performing their duties, directors receive an annual stipend and meeting fees for service:

- The Board Chair receives an annual stipend of \$40,000;
- All other Board members receive an annual stipend of \$7,000;
- The Board Chair receives \$600 for each Board or committee meeting chaired or attended;

- Committee Chairs receive \$800 for each committee meeting chaired; and
- All other Board members receive \$600 for each Board or committee meeting attended.

Only one annual stipend is paid where an individual is a director of both the Hydro Ottawa Holding Inc. and Hydro Ottawa Limited Boards of Directors. Members of the Council of the City of Ottawa, as well as the President and Chief Executive Officer and the one member of management on the Hydro Ottawa Limited Board, receive no remuneration in their capacity as directors of the Boards.

¹ Officers whose earnings are reported are those who occupied the position on December 31, 2025.

² Base salary (\$) normally represents 26 pay periods. In 2025, there were 27 pay periods, resulting in a higher base salary.

³ Amounts shown in this column reflect the at-risk performance incentive for the executive in respect of the achievement of the performance objectives for the previous financial year, paid in the reporting year. These amounts have been rounded to the nearest dollar.

⁴ Amounts in this column include Board-approved discretionary payments such as payments of earned and unused vacation credits, car allowance, computer allowance, one-time lump sum payments and employer's share of basic life insurance premiums. These amounts have been rounded to the nearest dollar.

⁵ Ms. Collier assumed the position of Executive Vice President, Finance and Chief Financial Officer on December 8, 2025.

⁶ Given that Ms. Collier assumed the position on December 8, 2025, the at-risk performance incentive for 2025 is based on her previous position with the Corporation.

Board and committee meeting attendance

The following tables illustrate the attendance of members at meetings of the Boards of Directors and their committees in 2025.

Hydro Ottawa Holding Inc.

Director	Board meetings	Committee meetings
Bernie Ashe (Chair)	6/6	14/14
Bryce Conrad (President and CEO)	6/6	14/14
Catherine Clark	6/6	5/5
Matt Davies	6/6	10/13
Brian Doxtator ¹	3/3	4/4
Councillor Laura Dudas	5/6	3/6
Jacqueline Gauthier	6/6	9/9
Councillor Allan Hubley	4/6	5/5
Melissa Kruyne ¹	3/3	2/2
Paul McCarney	6/6	8/8
Madeleine Meilleur	6/6	3/4
Lynn Norton	6/6	8/9
Rumina Velshi ²	N/A	1/2

Hydro Ottawa Limited

Director	Board meetings
Bernie Ashe (Chair)	4/4
Bryce Conrad (President and CEO)	4/4
Laurie Heuff	4/4

¹ Denotes Board members whose term took effect on July 1, 2025.

² Ms. Velshi resigned from the Board effective April 20, 2025.

Members of the Boards of Directors

Hydro Ottawa Holding Inc.



Bernie Ashe (Chair)



Bryce Conrad



Catherine Clark



Matt Davies



Brian Doxtator



Laura Dudas



Jacqueline Gauthier



Allan Hubley



Melissa Kruyne



Paul McCarney



Madeleine Meilleur



Lynn Norton

Hydro Ottawa Limited



Bernie Ashe (Chair)



Bryce Conrad



Laurie Heuff

This list comprises the members of the Board of Directors as of December 31, 2025.



Electricity Distributors Association —
Public Relations Excellence Award



Electricity Human Resources Canada —
HR Innovator Award of Excellence



Hydro Ottawa Group wishes to thank all of the employees whose photos appear in this Annual Report.

La version française du présent rapport annuel est affichée sur le site groupehydroottawa.com

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