

# Management's Discussion and Analysis 2025



## **Management's Discussion and Analysis**

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This Management's Discussion and Analysis ("MD&A") contains important information about our business and our performance for the year ended December 31, 2025, (the "Consolidated Financial Statements"). This MD&A should be read in conjunction with the Corporation's Consolidated Financial Statements and accompanying notes as at and for the years ended December 31, 2025 and 2024, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in effect at December 31, 2025. All dollar amounts are in millions of Canadian dollars, which are presented in whole numbers. All percentage changes are calculated using the rounded numbers as they appear in the tables. 2024 amounts are re-presented as a result of the discontinued operation. Refer to note 7 in the Consolidated Financial Statements.

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## Glossary

The following acronyms and abbreviations are used in this document.

<b>AES</b>	Alectra Energy Solutions Inc.	<b>OEBA</b>	Ontario Energy Board Act
<b>AESI</b>	Alectra Energy Services Inc.	<b>OEFC</b>	Ontario Electricity Finance Corporation
<b>AFFO</b>	Adjusted Funds from Operations	<b>PP&amp;E</b>	Property, Plant and Equipment
<b>Alectra</b>	Alectra Inc.	<b>PWU</b>	Power Workers' Union
<b>Alectra Utilities</b>	Alectra Utilities Corporation	<b>ROE</b>	Return on Equity
<b>APSI</b>	Alectra Power Services Inc.	<b>RoU</b>	Right of Use
<b>CAM</b>	Capacity Allocation Model	<b>RRF</b>	Renewed Regulatory Framework for Electricity Distributors
<b>CAPEX</b>	Capital Expenditures	<b>S&amp;P</b>	Standard & Poor's
<b>CC</b>	Customer Contributions	<b>SAIDI</b>	System Average Interruption Duration Index, Adjusted Excluding Loss of Supply and Major Events
<b>CP</b>	Commercial Paper	<b>SAIFI</b>	System Average Interruption Frequency Index, Adjusted Excluding Loss of Supply and Major Events
<b>DBRS</b>	Dominion Bond Rating Service	<b>SP</b>	Spare Parts
<b>DER</b>	Distributed Energy Resource	<b>VASH</b>	Vulnerability & System Hardening
<b>DVA</b>	Deferral and Variance Accounts	<b>WMS</b>	Wholesale Market Service Charge
<b>EBITDA</b>	Earnings before interest, taxes, depreciation, and amortization		
<b>ECL</b>	Expected Credit Loss		
<b>GHG</b>	Greenhouse Gas		
<b>GLC</b>	Gagnon Line Construction Inc.		
<b>HPSI</b>	Holland Power Services Inc.		
<b>IASB</b>	International Accounting Standards Board		
<b>IBEW</b>	International Brotherhood of Electrical Workers		
<b>ICM</b>	Incremental Capital Module		
<b>IDR</b>	Issuer Default Rating		
<b>IESO</b>	Independent Electricity System Operator		
<b>IFRS</b>	International Financial Reporting Standards		
<b>IR</b>	Incentive Rate		
<b>LDC</b>	Local Distribution Company		
<b>LRAMVA</b>	Lost Revenue Adjustment Mechanism Variance Account		
<b>MD&amp;A</b>	Management's Discussion and Analysis		
<b>MIFRS</b>	Modified International Financial Reporting Standards		
<b>OEB</b>	Ontario Energy Board		

## LEGEND

	Higher	Lower
<b>Revenue</b>	↑	↓
<b>Expenses</b>	↑	↓

	Lower	Higher
<b>Assets</b>	↓	↑
<b>Liabilities</b>	↓	↑

## Forward Looking Statements and Information

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The oral and written public communications of Alectra Inc. ("the Corporation"), including this document, often contain forward-looking statements that are based on current expectations, estimates, forecasts and projections about the business and the industry in which the Corporation operates, and include beliefs and assumptions made by the management of the Corporation. Such statements include, but are not limited to:

- Statements about strategy, including strategic objectives;
- Statements related to economic conditions;
- Statements regarding liquidity and capital resources and operational requirements;
- Statements regarding credit facilities and other sources of corporate liquidity;
- Statements regarding ongoing and planned projects and/or initiatives including the expected results of these projects and/or initiatives and their completion dates;
- Statements regarding expected future capital and development expenditures, the timing of these expenditures and investment plans;
- Statements regarding contractual obligations and other commercial commitments;
- Statements related to the Ontario Energy Board ("OEB");
- Statements regarding future post-retirement benefit contributions, and actuarial valuations;
- Statements related to the outlook and approach of the Corporation to distribution sector rationalization;
- The estimated impact of changes in the forecasted long-term Government of Canada bond yield (used in determining the regulated rate of return) on the results of operations;
- Expectations regarding financing activities; and
- Expectations regarding the recoverability of large capital expenditures.

Words such as "expect", "anticipate", "intend", "attempt", "may", "plan", "will", "believe", "seek", "estimate", "goal", "aim", "target", and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed, implied or forecasted in such forward-looking statements.

The Corporation does not intend, and disclaims any obligation, to update any forward-looking statements, except as required by law. These forward-looking statements are based on a variety of factors and assumptions including, but not limited to the following:

- Unforeseen changes in the legislative and operating framework for Ontario's electricity market;
- Decisions from the OEB and other regulatory bodies concerning outstanding rate and other applications;
- Delays in obtaining required approvals;
- Unforeseen changes in rate orders or rate structures;
- A stable regulatory environment;
- Unexpected changes in environmental regulation; and
- Unforeseen significant events occurring outside the ordinary course of business.

These assumptions are based on information currently available to the Corporation, including information obtained from third-party sources. Actual results may significantly differ from those predicted by such forward-looking statements.

## **Forward Looking Statements and Information (continued)**

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Readers are cautioned that the above list of factors is not exhaustive. Some of these and other factors are discussed in more detail in the section “Risk Management and Risks” in this MD&A. In addition, the Corporation cautions the reader that information provided in this MD&A regarding the Corporation’s outlook on certain matters, including future expenditures, is provided in order to give context to the nature of some of the Corporation’s future plans and may not be appropriate for other purposes.

## 2025 Performance at a Glance

(in millions of Canadian Dollars)

Total Assets <b>\$6,851</b>	Net Income <b>\$227</b>
Revenue <b>\$4,536</b>	Expenses <b>\$4,170</b>
Dividends Paid <b>\$79</b>	Loans and borrowings <b>\$2,775</b>
MIFRS Net Income <sup>1</sup> <b>\$144</b>	MIFRS EBITDA <sup>1</sup> <b>\$396</b>

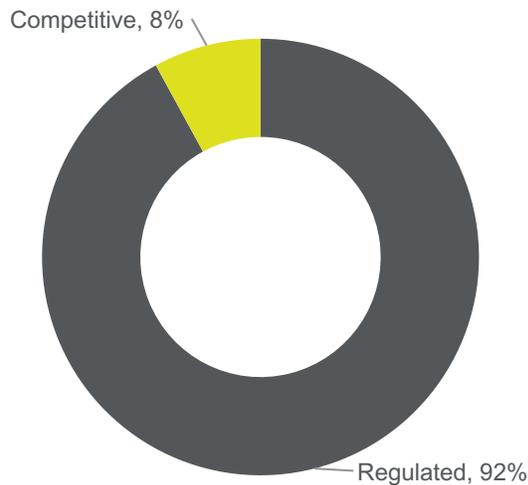
<sup>1</sup> MIFRS Net Income for Regulatory Activities represents the net income for the year, adjusted for the effect of rate regulation. Refer to Note 29 of the Consolidated Financial Statements for details.

### KEY BUSINESS STATISTICS

Key Metrics	2025 Performance	2024 Performance	2024 Average Urban Distributor Benchmark <sup>2</sup>
Distribution volume in GWh	<b>28,010</b>	<b>27,251</b>	<b>n/a</b>
SAIDI	<b>0.88</b>	<b>0.75</b>	<b>1.07</b>
SAIFI	<b>1.26</b>	<b>1.08</b>	<b>1.17</b>

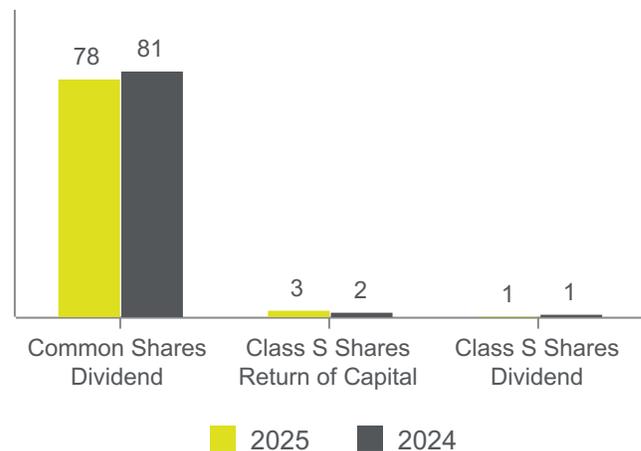
<sup>2</sup> The Average Urban Distributor is based on the average 2024 System Average Interruption Duration Index ("SAIDI") and System Average Interruption Frequency Index ("SAIFI") performance results for Urban Ontario Distributors with at least 50k customers from 2024 Open Data published by the OEB.

### 2025 Net Income Breakdown



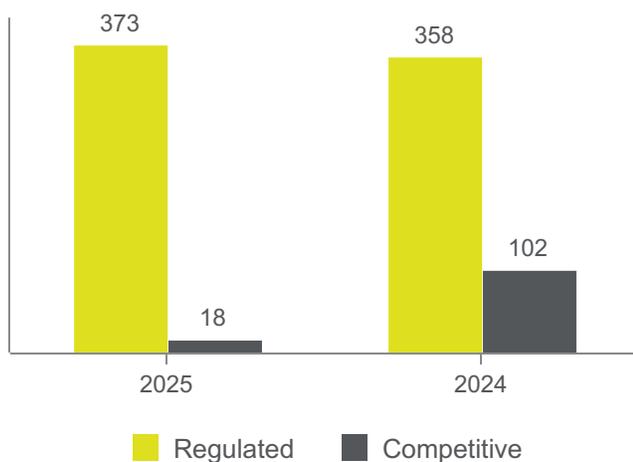
### Dividend and Return of Capital

(in millions of Canadian dollars)



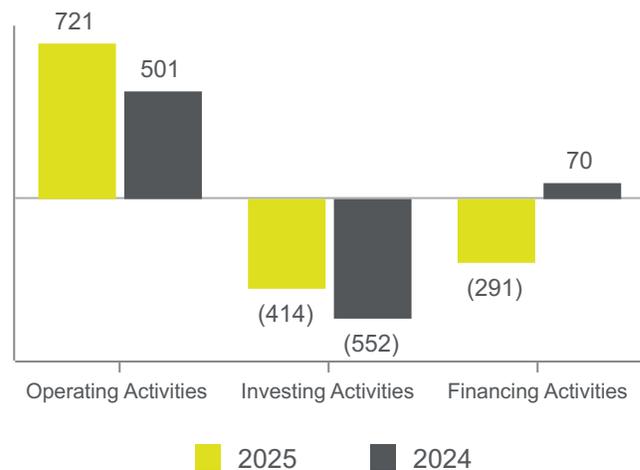
### CAPEX, Net of Contributions

(in millions of Canadian dollars)



### Cashflow Overview

(in millions of Canadian dollars)



## Selected Annual Financial Information

The following table presents selected annual financial information for the years ended December 31, 2025 and 2024. This information is derived from the Corporation's Consolidated Financial Statements.

(in millions of Canadian dollars)	2025	2024*	Change %
<b>Year Ended December 31,</b>			
Revenue	4,536	4,351	4 %
Cost of power	3,523	3,356	5 %
Operating expenses	444	448	(1)%
Depreciation and amortization	203	204	— %
Net finance costs	105	108	(3)%
Net income	227	167	36 %
<b>As at December 31,</b>			
Total assets	6,851	6,611	4 %
Loans and borrowings	2,775	2,874	(3)%
Total liabilities	4,814	4,725	2 %
Shareholder's equity	2,037	1,886	8 %

\*The comparative information has been re-presented due to the discontinued operation. Refer to Note 7 of the Consolidated Financial Statements.

The Corporation's most recent Consolidated Financial Statements are available on its website at [www.alectra.com/investor-relations](http://www.alectra.com/investor-relations).

## Corporate Overview

Alectra Inc. ("Alectra") is an investment holding company with a head office in Mississauga, Ontario. Alectra is indirectly owned through holding companies by eight shareholders: the City of Barrie; the City of Hamilton; the City of Markham; the City of Mississauga; the City of St. Catharines; the City of Vaughan; the City of Guelph; and BPC Energy Corporation.

### Our Vision, Mission, and Values

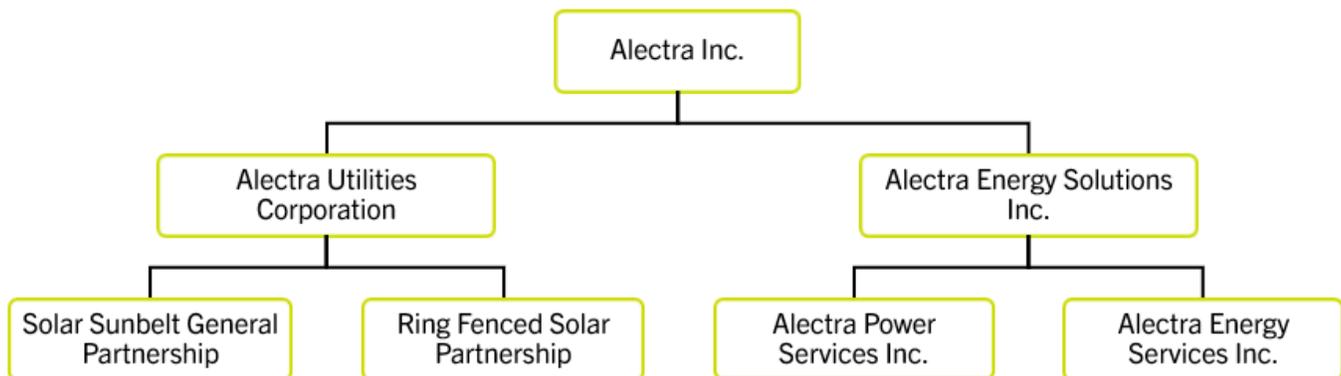
*Vision: We will be your trusted energy partner empowering a sustainable and brighter future.*

*Mission: To provide innovative and reliable energy solutions which deliver lasting value for all.*

*Values: Safety, customer focus, respect, excellence, and innovation.*

By integrating our people, processes, and systems, Alectra has emerged as one of Canada's leading energy companies, driving energy innovation while maintaining a strong balance sheet and endeavoring to deliver maximum value for our employees, customers, shareholders, and communities.

### Organization Structure



Refer to Note 1 of the Consolidated Financial Statements.

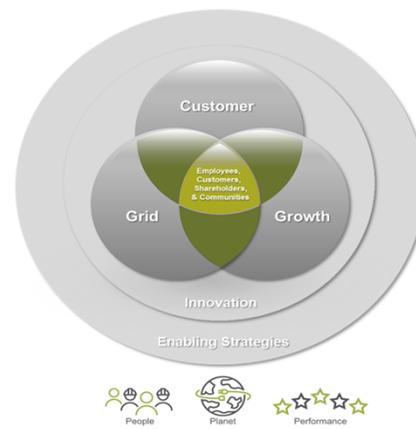
## Corporate Overview (continued)

### Vision and Strategic Intent

Alectra's vision is to be a trusted energy partner that enables a sustainable, resilient, and brighter future for the communities it serves. As the electricity sector undergoes a profound shift, from a traditional, centralized, one-way system to one that is increasingly customer-driven, distributed, and digitally integrated, Alectra is positioning itself to lead this transition.

"Strategy 2.0" was designed to be a natural evolution of Alectra's initial post-merger strategy, anchoring the organization around three core strategic pillars:

- Customer (Experience) - Improving service, building stronger customer relationships and understanding of their needs, and creating a digital experience.
- Grid (Modernization) - Adapting to the news of the future, while ensuring reliability for today, a digital grid.
- Growth (Enterprise) - Seeking new opportunities in distribution and energy solutions.



These core strategic pillars are intertwined and supported by four enabling strategies: culture and transformation, digital and innovation, advocacy as well as financing, which will provide Strategy 2.0 with greater reliability and resiliency.

As a sustainable organization Alectra remains committed to meeting the needs of current and future generations by empowering customers, communities, and employees; protecting the environment; and embracing innovation.

AlectraCARES is the Corporation's overarching sustainability framework, embedding People, Planet, and Performance into its core strategy and operations to create enduring value.

For further details on the values and the mission of Alectra, please review Alectra's latest Annual Environmental Social and Corporate Governance Reports on the Corporation's website at:

<https://www.alectra.com/esgreport>

## Regulated Business

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### Alectra Utilities Corporation

Alectra Utilities provides electricity distribution to over one million customers and is the largest municipally owned local distribution company ("LDC") in Canada by number of customers. In addition to its electricity distribution business, Alectra Utilities also has a competitive commercial rooftop solar photovoltaic generation business under which it develops, constructs, owns, finances, and operates rooftop photovoltaic generation equipment. The electricity generated by the Solar Photovoltaic Business is sold to the Independent Electricity System Operator ("IESO") under its Feed-In-Tariff long-term power purchase agreements.

### Industry Regulation

The Corporation, through Alectra Utilities, is regulated by the OEB. In its capacity to approve or set rates, the OEB has the authority to specify regulatory accounting treatments that differ from IFRS. The regulatory accounting treatments of the OEB require the recognition of regulatory assets and liabilities which do not meet the definition of an asset or liability under IFRS.

### Rate Setting

The electricity distribution rates and other regulated charges of the Corporation are determined in a manner that provides shareholders of the Corporation with opportunity to earn a regulated Maximum Allowable Return on Equity on the amount of shareholders' equity supporting the business of electricity distribution, which is also determined by regulation.

The rate-making policies of the OEB are guided by its statutory objectives under *The Ontario Energy Board Act, 1998 (Ontario)* that include, among other matters, to support the cost-effective planning and operation of the electricity distribution network and to provide an appropriate alignment between a sustainable, financially viable electricity sector and the expectations of customers for reliable service at a reasonable price.

The OEB regulates the electricity distribution rates charged by LDCs, such as Alectra Utilities, through periodic rate applications to the OEB and its ongoing monitoring and reporting requirements. At present, LDCs may apply to the OEB for electricity distribution rates under options specified in its *Report of the Board - A Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach* ("RRF"). The three rate-setting methods available to LDCs under the RRF are Price Cap Incentive Rate-setting ("Price Cap IR"), Custom Incentive Rate-setting ("Custom IR"), or Annual Incentive Rate-setting Index ("Annual IR"). These methods are described in more detail in the Consolidated Financial Statements.

## Regulated Business (continued)

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### Rate Setting (continued)

The Incremental Capital Module ("ICM") is available to distributors operating under the Price Cap IR method and is designed to address capital investment needs that arise during the rate-setting term and exceed the OEB's materiality threshold. To qualify for ICM funding, a distributor must demonstrate that the requested amount is incremental to its capital requirements supported by existing rates and meets the OEB's criteria of materiality, need, and prudence. For distributors in an extended rebasing deferral period following utility consolidations (i.e., years six to ten of the deferral period), the OEB permits ICM funding requests for annual capital programs. Distributors seeking incremental capital relief must provide comprehensive evidence supporting the need, including the calculation of a rate rider to recover incremental revenue from each applicable customer class. Incremental revenues are recognized in the year the related ICM assets are expected to enter service, aligning recovery with the timing of benefits to customers and the expected approval of ICM rate adjustments.

Alectra Utilities is required to charge its customers for the following amounts, all of which other than distribution rates, represent pass-through charges to third parties:

- **Commodity Charge** - represents the market price of electricity consumed by customers and is remitted through the IESO to operators of generating stations. This charge includes the Global Adjustment, which reflects the difference between the market price of electricity and the rates paid to regulated and contracted generators.
- **Retail Transmission Rate** - reflects the costs of transmitting electricity from generating stations to local distribution systems. These charges are passed through to transmission facility operators.
- **Wholesale Market Service Charge ("WMS")** - covers a range of wholesale market support costs, including the IESO's costs to administer the electricity market, operate the provincial grid, and maintain system reliability. These amounts are remitted to the IESO.
- **Distribution Rate** - recovers the costs incurred by Alectra Utilities to deliver electricity to customers, including the OEB-approved cost of capital. Distribution rates, regulated by the OEB, consist of fixed and variable (usage-based) components and are set using a forecast of customer count and load.

### Rate Applications

#### *2025 Rate Applications*

On August 15, 2024, Alectra Utilities filed an application for all five predecessor utility rate zones for the approval of 2025 electricity distribution rates and other charges, effective January 1, 2025. On December 12, 2024, the OEB issued its Decision and Rate Order on the Price Cap IR application, approving a 3.3% rate adjustment to distribution rates effective January 1, 2025, and providing for disposition of deferral and variance account balances.

#### *2026 Rate Application*

On August 14, 2025, Alectra Utilities filed an application for all five predecessor utility rate zones for the approval of 2026 electricity distribution rates and other charges, effective January 1, 2026. On December 16, 2025, the OEB issued its Decision and Rate Order on the Price Cap IR application, approving a 3.4% rate adjustment to distribution rates effective January 1, 2026, and providing for disposition of deferral and variance account balances.

## Regulated Business (continued)

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### Rate Applications (continued)

#### *2027 - 2031 Rate Application*

Alectra Utilities filed a Custom IR application on October 14, 2025 for the 2027 to 2031 period. The application outlines proposed electricity distribution rates intended to meet evolving customer needs and support the continued delivery of reliable and efficient service across the communities it serves. The five-year plan focuses on:

- renewing and replacing aging and deteriorating infrastructure;
- meeting customer requirements and supporting municipal growth through system expansion and modernization; and
- strengthening system resilience against extreme weather events and cybersecurity threats to maintain a safe and reliable distribution network.

As part of the application, Alectra Utilities requested OEB approval to harmonize electricity distribution rates and other related charges (including retail transmission rates, low voltage rates, loss factors, and transformer allowance) across all legacy rate zones into a single Alectra Utilities-wide rate zone.

Refer to <https://www.alectrautilities.com/regulatory-affairs/> for the status of the Corporation's rate applications.

### Select Energy Policies and Regulation Affecting the Corporation

#### *Ontario Energy Board Initiatives and Consultation:*

- **Cost of Capital – OEB Generic Hearing** – In March 2024, the OEB initiated a generic hearing to review the methodology for determining cost of capital parameters and the deemed capital structure used in utility rate-setting. In March 2025, the OEB issued its Decision, establishing a revised methodology for calculating the cost of capital on a go-forward basis. Effective January 1, 2025, the OEB updated the parameters as follows: the Return on Equity (“ROE”) was reduced to 9.00% (from 9.25%), the deemed long-term debt rate to 4.51% (from 4.66%), and the deemed short-term debt rate to 3.91% (from 5.04%). The deemed capital structure remains unchanged at 56% long-term debt, 4% short-term debt, and 40% equity. The short-term debt rate will be set using the Bloomberg 3-Month Utility Bond Yield Index. Future annual updates to cost of capital parameters will follow a formula-based adjustment mechanism aligned with directional movements in long Canada Bond rates and Utility Bond Yield spreads. The OEB has committed to another review of the cost of capital within five years.

## Regulated Business (continued)

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### Select Energy Policies and Regulation Affecting the Corporation (continued)

- **System Expansion for Housing Developments** – In June 2025, the OEB introduced the Capacity Allocation Model (“CAM”) to facilitate housing development connections. The CAM applies to areas where there are multiple developers, large capacity expansions due to significant residential growth, and where there is substantial paid or agreed financial commitments to build. The framework is intended to allocate expansion costs fairly among all benefiting parties, rather than burdening the initial developer. Distributors will be responsible for planning and managing capacity allocations based on committed and forecast needs.
- **Reliability & Power Quality** – In early 2025, the OEB implemented minimum customer communication standards for use during extended electrical service interruptions caused by severe weather events. The OEB also updated its reliability performance target-setting methodology to promote continuous improvement. Beginning in 2027, reliability targets (SAIDI and SAIFI) will be based on each distributor’s five-year average, adjusted for historical performance trends and peer benchmarking. Utilities can propose alternative custom targets in their rate rebasing, if supported by appropriate evidence.
- **Vulnerability & System Hardening (“VASH”)** – In October 2025, the OEB released its final VASH Report, requiring distributors to incorporate climate resilience considerations, including vulnerability assessments and system-hardening investments, into their system planning and rate applications. The Toolkit provides models and resources to assess extreme weather risks using a benefit-cost framework. These requirements will be mandatory for rates set beginning in 2028.
- **Framework for Energy Innovation 2.0 – Non-Wires Alternatives Incentives** - In November 2025, the OEB established a new incentive mechanism under the Framework for Energy Innovation 2.0 to encourage the use of distributed energy resources (“DERs”) as non-wires alternatives. Under the policy, distributors may earn a margin, set at a default rate of 25%, on payments made to third-party DER providers when those resources are used to meet a distribution system need. The incentive is designed to promote innovative, cost-effective system solutions and increase the utilization of DERs.

## Competitive Business

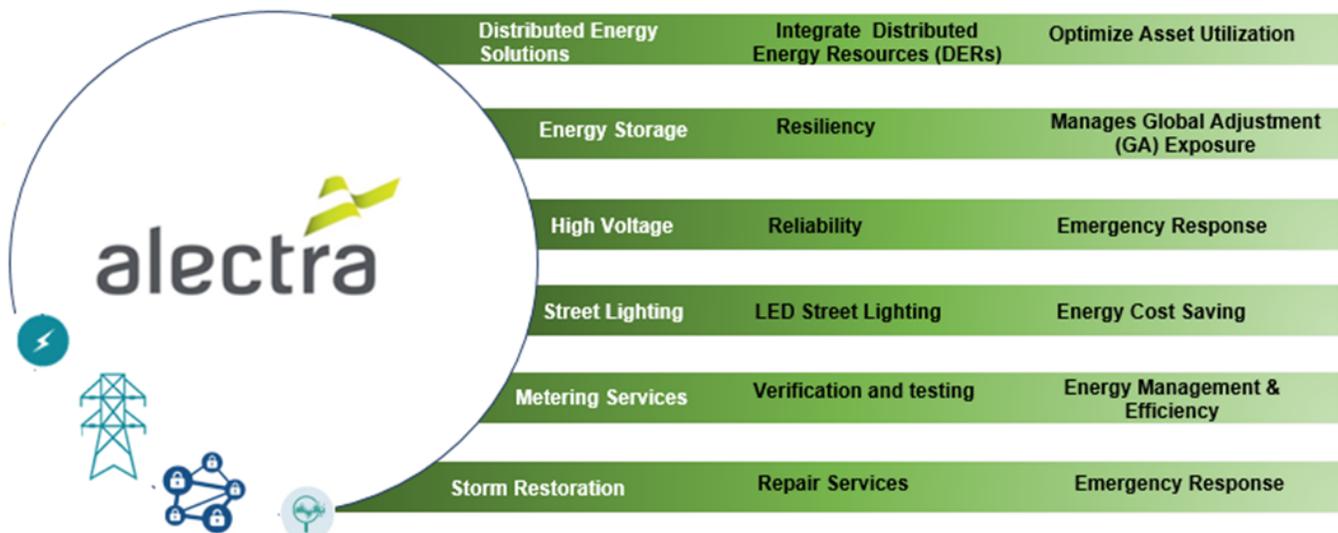
Alectra Energy Solutions Inc. ("AES") is a competitive energy services company owned by Alectra that provides innovative energy solutions including power services, street lighting, distributed energy solutions, energy storage, wholesale metering and emergency power restoration to institutional, commercial, and industrial customers. AES provides effective solutions to its customers through the use of current and emerging technologies, and empowers businesses and communities with efficient energy solutions that offer more choices and deliver sustainable value.

### Subsidiaries and Joint Venture of AES

- Alectra Power Services Inc. ("APSI") provides street lighting services including design, construction, and maintenance.
- Util-Assist Inc. provides consulting services with respect to advanced metering systems procurement and implementation; customer information systems procurement and implementation; billing and meter data exception management services; an outage management call centre ("PowerAssist"); and other smart grid applications and services.
- Alectra Microgrid Master Limited Partnership provides energy management services which includes installing, owning, and operating an industrial energy storage battery and gas system while providing services to third parties.
- Holland Power Services Inc. ("HPSI") and 748953 N.B. Ltd provide emergency power restoration services to utilities primarily located along the eastern seaboard of the United States and Canada, and also provide industrial electrical services to utilities and industrial clients.
- Alectra Convergent ELT-1 Development Holdco Inc., a joint venture in which Alectra Energy Services Inc. ("AESI") owns a 50% share, provides distributed energy solutions which includes developing, constructing, commissioning, owning, operating and maintaining front-of-the-meter storage system projects in Ontario.

### Key Business Updates

AES provides opportunities for customers to find energy solutions that fit their needs through services offered in each of its key divisions.

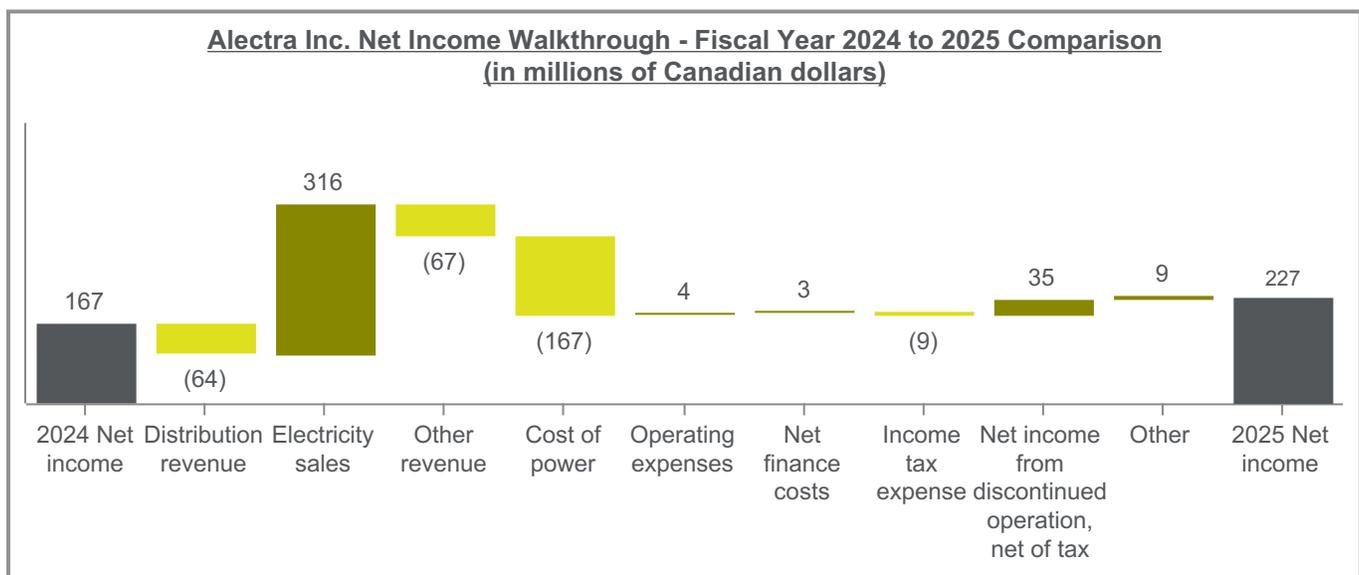


## Competitive Business (continued)

### Discontinued Operation

On October 1, 2025, AESI completed the sale of the submetering assets. The submetering business was established in 2013 and operated as a business unit under the legal entity AESI. The business offered customized residential and commercial submetering and billing solutions to developers, condominium boards, property managers, and property owners across Canada. Refer to Note 7 of the Consolidated Financial Statements.

## Results of Operations



Year ended December 31,  
(\$ millions, except as indicated)

	2025	2024	Change
<b>Net Income</b>	<b>\$227</b>	\$167	\$60 ↑ 36%

Net income for the year ended December 31, 2025, was \$227 and \$60 higher than 2024 net income of \$167. The increase in net income is principally attributable to:

- i. higher electricity sales (\$316) driven by higher electricity rates and higher electricity consumption;
- ii. higher net income from discontinued operations, net of tax (\$35) due to the gain recognized on sale of submetering assets; partially offset by
- iii. higher cost of power (\$167) primarily due to higher electricity consumption and higher electricity rates;
- iv. lower other revenue (\$67) mainly due to lower power restoration services revenue in the competitive business due to fewer storm events in 2025; and
- v. lower distribution revenue (\$64) mainly due to lower collection of rate riders; partially offset by higher distribution service rates, and higher consumption.

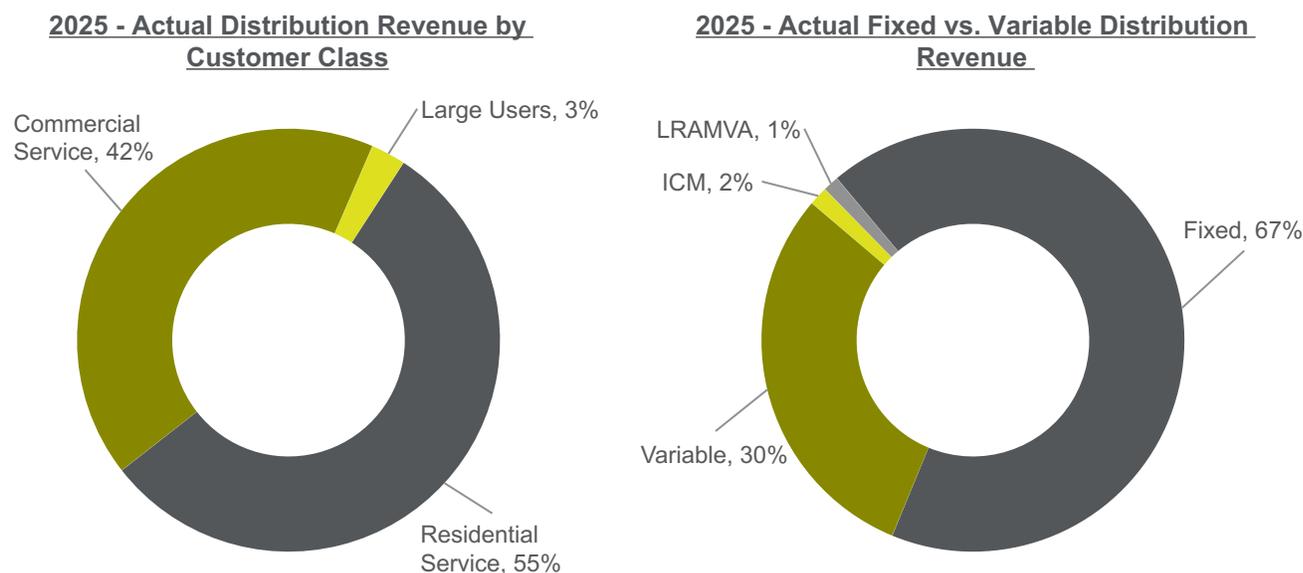
## Results of Operations (continued)

### Net Income Variance Analysis

The significant drivers contributing to the change in net income are discussed in further detail below:

### Distribution Revenue

Distribution revenue is recorded in accordance with OEB-approved distribution rates, which are set to recover the costs of operating and maintaining Alectra Utilities' electricity distribution system.



Alectra Utilities' customer classes are as follows:

- **Residential service** refers to electricity service provided for domestic or household purposes. This class includes single-family homes, individually metered multi-family units, and seasonal residential premises;
- **Commercial service** refers to electricity service provided to all premises that do not fall under the Residential or Large User classes. This category typically includes small businesses and bulk-metered multi-unit residential buildings. Customers in this class have a monthly peak demand of less than 5,000 kW, averaged over a 12-month period; and
- **Large users** refers to electricity service provided to customers with a monthly peak demand of 5,000 kW or greater, averaged over a 12-month period.

Year ended December 31, (\$ millions, except as indicated)	2025	2024	Change
<b>Distribution Revenue</b>	<b>\$733</b>	\$797	\$64 ↓ 8%

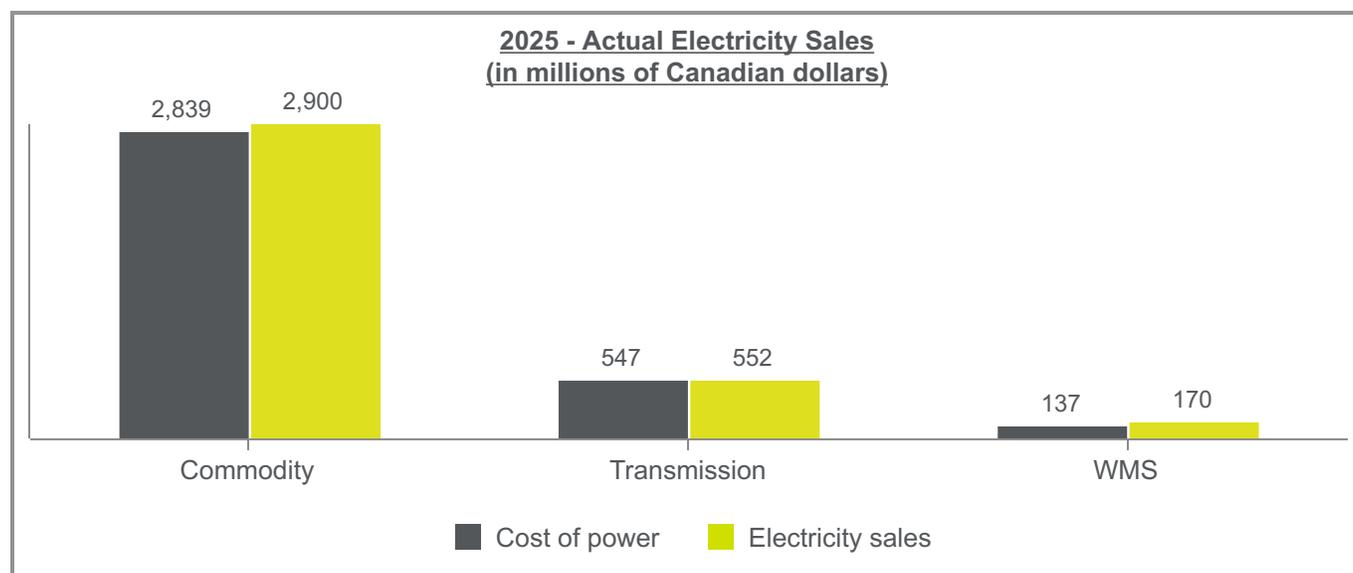
The decrease in distribution revenue of \$64 is mainly attributable to: (i) lower collection of rate riders (\$91); partially offset by (ii) higher OEB approved distribution rates driven by a higher inflation factor and higher customer consumption (\$27).

## Results of Operations (continued)

### Net Income Variance Analysis (continued)

#### Electricity Sales

Electricity sales arise from the Corporation's responsibility to bill customers for electricity generated by third parties and for the related costs of providing electricity service. The amounts billed to the Corporation for electricity generation by the IESO and Hydro One Networks often differ from the amount recovered from customers. The resulting difference between electricity sales and the corresponding cost of power represents a timing variance that is ultimately recoverable from or refundable to, ratepayers through the Corporation's annual OEB rate applications. Timing variances that exist at the end of the prior fiscal year are generally settled over the twelve-month period following the effective date of the annual rate order, and more broadly within the thirteenth to twenty-fourth month after year-end.



Year ended December 31, (\$ millions, except as indicated)	2025	2024	Change
<b>Electricity Sales</b>	<b>\$3,622</b>	\$3,306	\$316 ↑ 10%

The increase in electricity sales of \$316 is mainly driven by: (i) higher electricity prices (\$218); and (ii) higher electricity consumption in the current year (\$98).

## Results of Operations (continued)

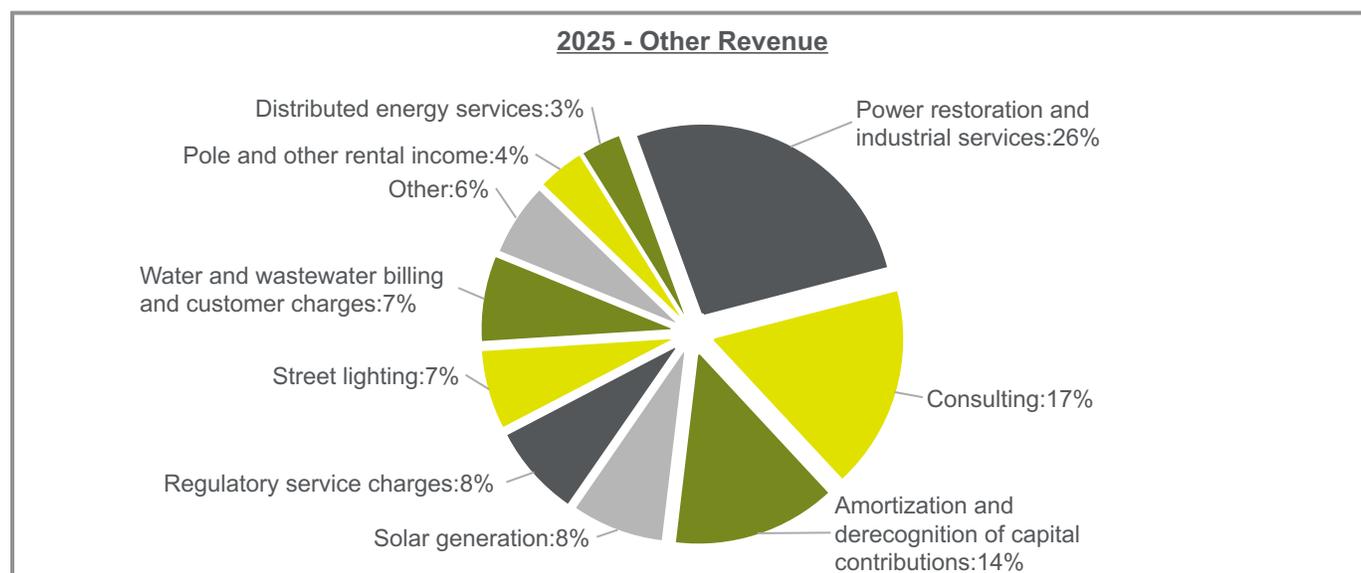
### Net Income Variance Analysis (continued)

#### Other Revenue

Other revenue is generated from both regulated electricity distribution activities and competitive business operations.

Regulated sources include the amortization and derecognition of capital contributions, regulatory service charges such as fees for connections, reconnections, late payment charges and other ancillary services, water and wastewater billing and customer charges, and pole and other rental income earned from third parties that attach equipment to Alectra Utilities' poles.

Competitive sources of other revenue include power restoration and industrial services, consulting services, solar generation revenue, street lighting and related ancillary services, distributed energy services, and metering services.



Note - submetering and metering services revenue is included in the note 7 'discontinued operation' in the Consolidated Financial Statements.

Year ended December 31, (\$ millions, except as indicated)	2025	2024	Change
<b>Other Revenue</b>	<b>\$181</b>	<b>\$248</b>	<b>\$67 ↓ 27%</b>

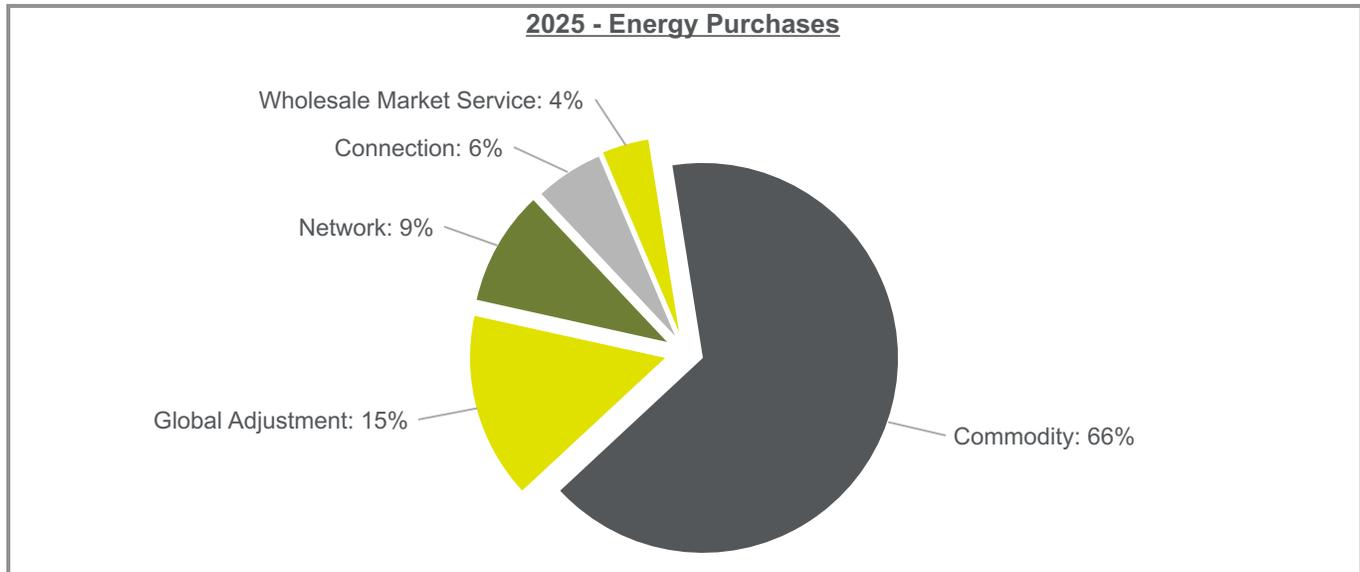
Other revenue decreased by \$67 mainly due to: (i) reduction in power restoration services revenue in the competitive business due to as fewer storm events in 2025 (\$79); partially offset by (ii) an increase in consulting revenue (\$6).

## Results of Operations (continued)

### Net Income Variance Analysis (continued)

#### Cost of Power

Cost of power reflects the actual amounts charged by third-party electricity generators for energy delivered through Alectra Utilities and subsequently passed through to customers as energy sales.



Year ended December 31,  
(\$ millions, except as indicated)

	2025	2024	Change
<b>Cost of Power</b>	<b>\$3,523</b>	\$3,356	\$167 <span style="color: red;">↑</span> 5%

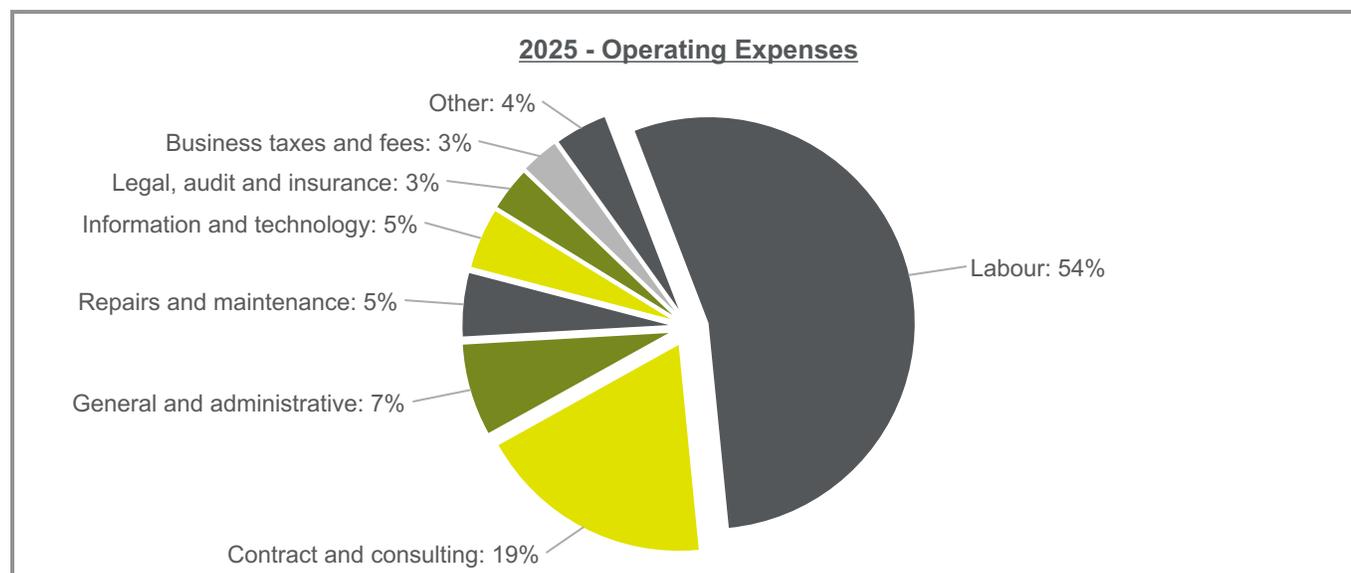
The increase in cost of power by \$167 is due to: (i) higher electricity consumption (\$95); and (ii) higher electricity prices (\$72).

## Results of Operations (continued)

### Net Income Variance Analysis (continued)

#### Operating Expenses

Operating expenses primarily include labour, contract and consulting services, general and administrative costs, repairs and maintenance, information and technology costs, and other third-party service expenditures that support the Corporation's operations.



Year ended December 31, (\$ millions, except as indicated)	2025	2024	Change
<b>Operating expenses</b>	<b>\$444</b>	\$448	\$4 ↓ 1%

The decrease in operating expense of \$4 is primarily driven by: (i) lower labour cost resulting from reduced storm response activity (\$36); partially offset by (ii) higher salary and benefit costs due to increased salaries and increased headcount in Alectra Utilities (\$12); and (iii) higher reactive cable repairs, credit losses, and environmental expenses in Alectra Utilities (\$6).

#### Net Finance Costs

Net finance costs include interest expense on the Corporation's short-term and long-term borrowings, net of interest income.

Year ended December 31, (\$ millions, except as indicated)	2025	2024	Change
<b>Net finance costs</b>	<b>\$105</b>	\$108	\$3 ↓ 3%

The decrease in net finance costs of \$3 is primarily due to: (i) lower short-term borrowing interest rates (\$9); partially offset by (ii) higher average long-term borrowings (\$8).

## Results of Operations (continued)

### Net Income Variance Analysis (continued)

#### Other

Other includes gain (loss) on the fair value of contingent consideration, loss on derecognition of property, plant and equipment and intangible assets, depreciation and amortization, foreign exchange loss, and share of net loss of joint ventures.

The significant variances within this category are as follows:

Year ended December 31, (\$ millions, except as indicated)	2025	2024	Change
Gain (loss) on fair value of contingent consideration	\$1	(\$4)	\$5 ↑ 125%

The gain on fair value of contingent consideration of \$5 is attributable to the updated valuation of the provision for the expected earnout payment to the former owner of Gagnon Line Construction Inc. Refer to Note 14 of the Consolidated Financial Statements.

Year ended December 31, (\$ millions, except as indicated)	2025	2024	Change
Loss on derecognition of property, plant and equipment and intangible assets	\$7	\$12	\$5 ↓ 42%

The decreased loss on the derecognition of property, plant and equipment and intangible assets of \$5 is mainly due to fewer distribution assets removed from service.

#### Income Tax Expense

The Corporation, Alectra Utilities, AES, and APSI are exempt from income taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively, the 'Tax Acts'). Accordingly, the Corporation, Alectra Utilities, AES and APSI are required to make payments in lieu of income taxes ('PILs') to the Ontario Electricity Finance Corporation ('OEF'), which are calculated in accordance with the Tax Acts and applied to reduce certain debt obligations of the former Ontario Hydro continuing in OEF. The remaining subsidiaries of the Corporation are subject to taxation under the Tax Acts, with income tax expense comprising current and deferred tax.

Year ended December 31, (\$ millions, except as indicated)	2025	2024	Change
Income tax expense	\$70	\$61	\$9 ↑ 15%

The increase in income tax expense by \$9 primarily relates to higher net income before tax (\$8).

#### Net Income from Discontinued Operation , Net of Tax

Year ended December 31, (\$ millions, except as indicated)	2025	2024	Change
Net income from discontinued operation, net of tax	\$44	\$9	\$35 ↑ 389%

The increase in net income from discontinued operation, net of tax by \$35 is primarily due to the gain on sale of the Submetering assets within the competitive business.

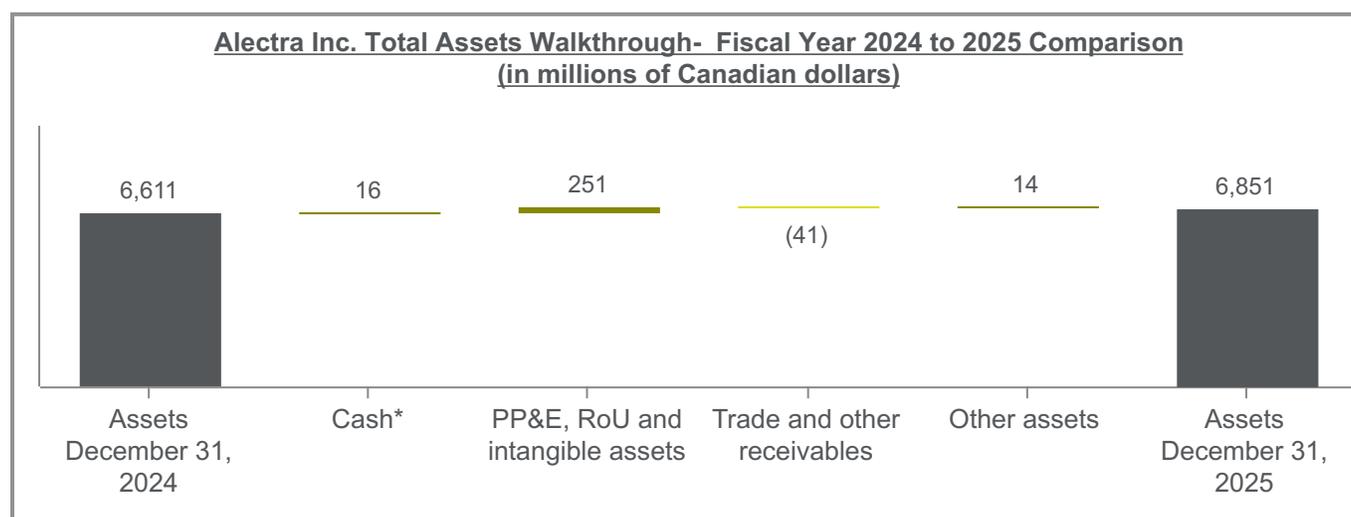
## Results of Operations (continued)

### Competitive Business Net Income Variance Analysis

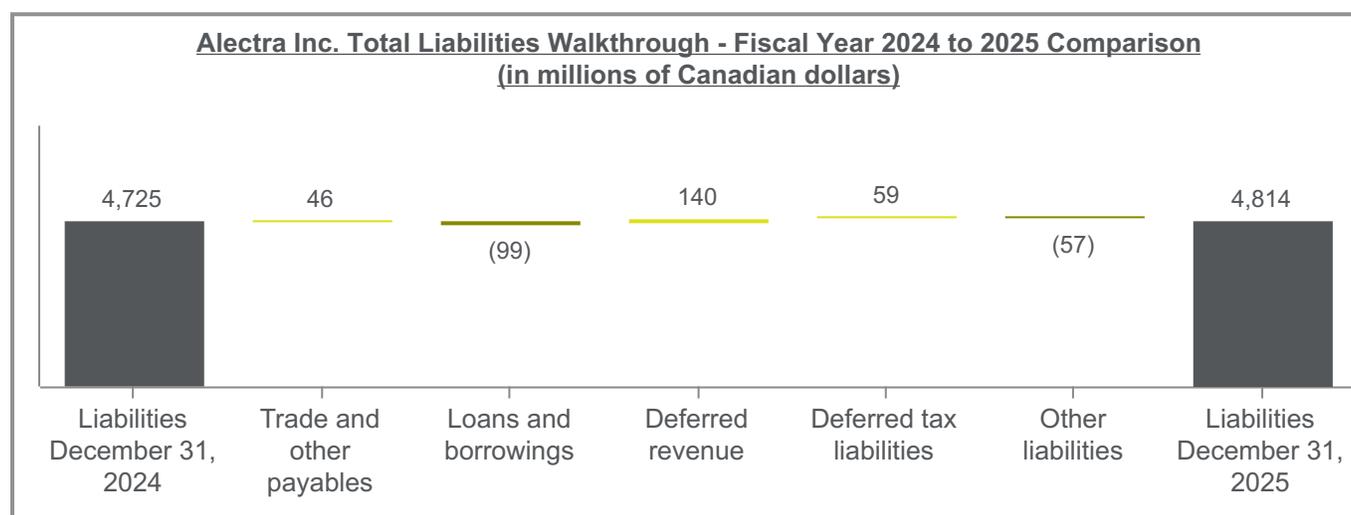
Year ended December 31, (\$ millions, except as indicated)	2025	2024	Change
<b>AES Net Income</b>	<b>\$15</b>	\$18	\$3 ↓ 17%

The decrease in net income of \$3 is primarily due to: (i) lower revenue net of cost of services rendered due to reduced storm response activities (\$43); partially offset by (ii) higher net income from discontinued operation, net of tax, resulting from the gain on the sale of Submetering assets (\$35).

## Financial Position



\*For details, refer to the Liquidity and Capital Resources section.



For details, refer to the Consolidated Financial Statements.

## Financial Position (continued)

Significant year over year changes in the Corporation's assets and liabilities as at December 31, 2025, are as follows:

Assets	\$ Change (millions)	% Change	Trend	Explanation
PP&E, RoU and intangible assets	251	4 %	↑	The increase is primarily driven by: (i) in-service additions of distribution system and computer software assets; (ii) investments in land, buildings, fleet and IT assets; partially offset by (iii) disposals of meters associated with the discontinued operation in the competitive business; (iv) disposals of retired distribution assets; and (v) higher accumulated depreciation.
Trade and other receivables	(41)	(6)%	↓	The decrease is primarily due to: (i) lower storm response activities in the competitive business; (ii) lower energy bill receivables due to timing; and (iii) lower trade receivables and unbilled revenue due to the derecognition of receivable resulting from the discontinued operation; partially offset by (iv) higher unbilled revenue due to higher consumption and higher average energy prices.
Other assets	14	12 %	↑	The increase is primarily due to (i) increase in income tax receivable; and (ii) higher investment in a joint venture in the competitive business.

Liabilities	\$ Change (millions)	% Change	Trend	Explanation
Deferred revenue	140	17 %	↑	The increase is primarily driven by (i) additional customer contributions received for customer connections projects; and (ii) additional contributions for transit projects.
Loans and borrowings	(99)	(3)%	↓	The decrease is primarily due to lower short-term borrowings required to fund working capital and general corporate requirements.
Deferred tax liabilities	59	32 %	↑	The increase is primarily driven by (i) increased regulatory balances; and (ii) higher temporary differences associated with PP&E and intangible assets.

## Liquidity and Capital Resources

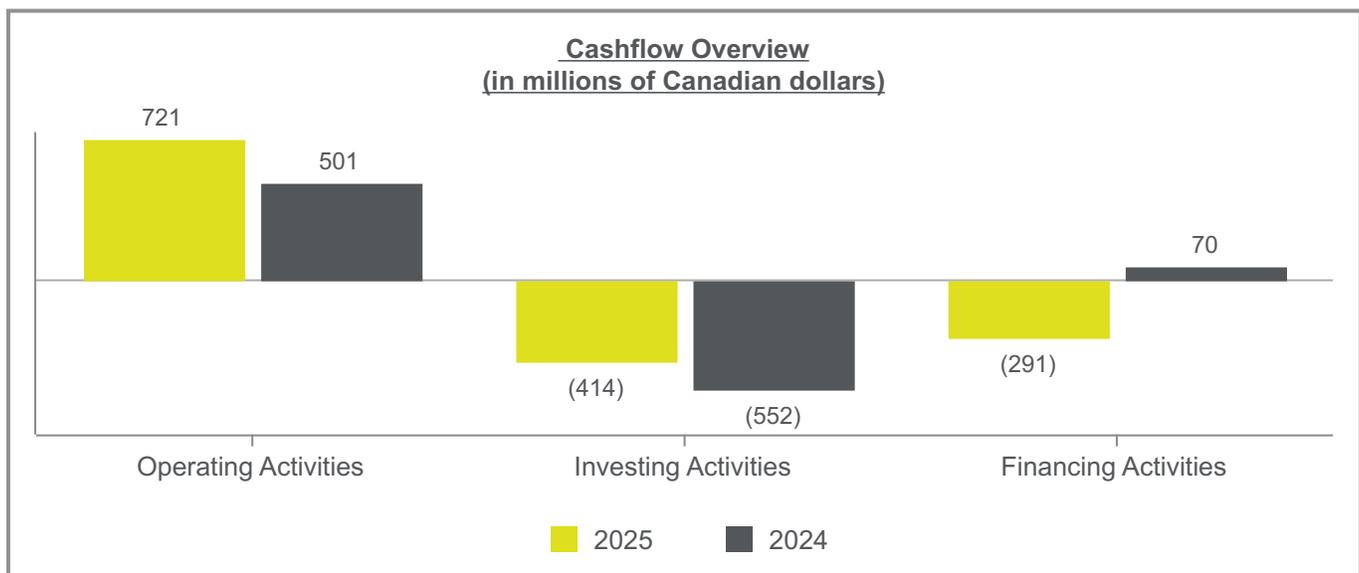
### Sources of Liquidity and Capital Resources

The Corporation maintained a strong liquidity position in 2025, supported by improved operating cash flows, lower short-term borrowing requirements, and continued access to committed credit facilities and capital markets.

The Corporation’s current ratio (current assets over current liabilities) increased year over year from 0.75 in 2024 to 0.81 in 2025. This improvement was primarily driven by a reduction in short-term borrowings required to fund working capital and general corporate requirements, as well as a decrease in other current liabilities, mainly reflecting the release of a holdback payable in the competitive business. These favourable changes were partially offset by a decrease in trade receivables, largely attributable to lower revenue from storm response activities in the competitive business.

The Corporation uses its commercial paper (“CP”) program as its primary source of short-term liquidity to fund working capital requirements, prior to accessing long-term debt markets. This approach allows the Corporation to maintain an efficient mix of short-term and long-term debt, reduce overall financing costs, and enhance borrowing flexibility. In addition to short-term liquidity, the Corporation continues to access long-term debt capital markets through the issuance of senior unsecured debentures, as required, to fund capital investment programs and refinance maturing debt.

Liquidity and capital resources are required primarily to support system expansion and enhancement expenditures to maintain and improve the reliability and service quality of the electricity distribution system, to fund energy purchases, and to meet working capital and other operational obligations. The Corporation’s principal sources of liquidity and capital resources consist of funds generated from operating activities, supplemented by financing and investing activities.



## Liquidity and Capital Resources (continued)

### Sources of Liquidity and Capital Resources (continued)

#### Operating Activities

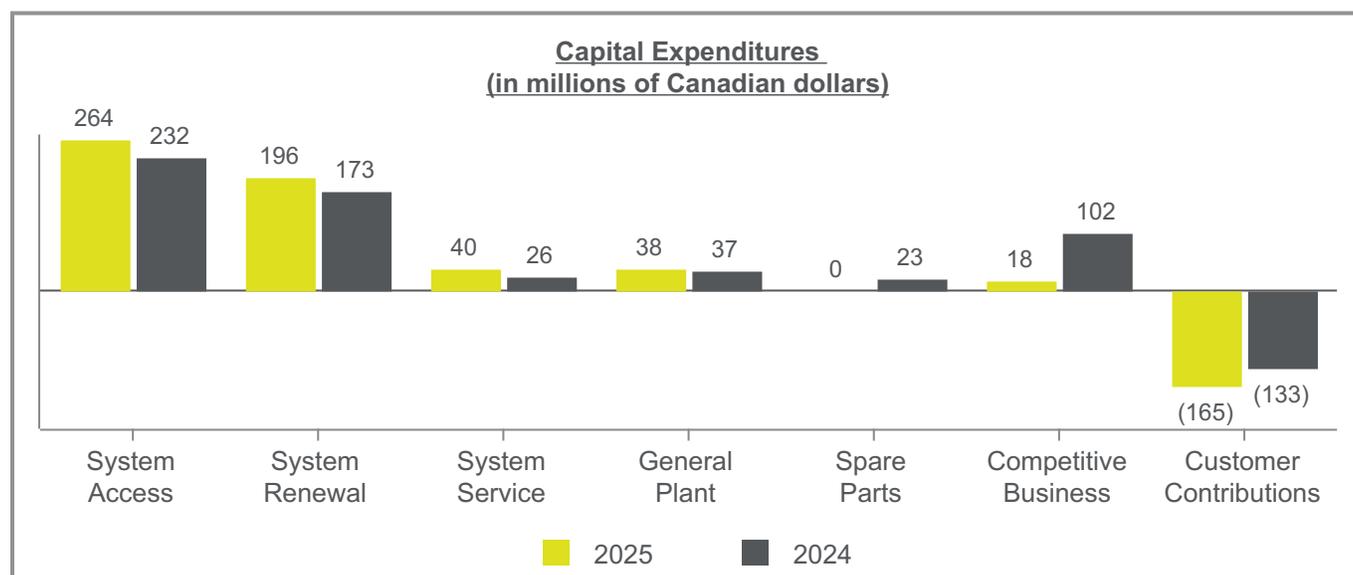
Net cash generated from operating activities increased by \$220 in 2025 relative to 2024. This increase was mainly due to: (i) favourable changes in non-cash operating working capital, primarily reflecting movements in receivables and payables (\$191); (ii) higher capital contributions received during the current year (\$39); and (iii) higher earnings before interest, taxes, depreciation and amortization ("EBITDA") (\$22); partially offset by (iv) the gain recognized on the sale of the discontinued operation (submetering assets) (\$37).

#### Investing Activities

Cash used in investing activities decreased by \$138 in 2025 compared to 2024. The decrease was primarily due to: (i) the cash proceeds received from the sale of the discontinued operation, net of transaction costs (\$125); and (ii) acquisition of assets from GLC in the competitive business in 2024 (\$49); partially offset by (iii) higher in-service additions of distribution assets (\$44).

As the largest municipally-owned LDC in Canada providing service to over one million customers, the Corporation continues to invest in the renewal of existing aging infrastructure to address safety, reliability and customer service requirements.

The Corporation's gross capital investments and customer contributions are presented below:



## Liquidity and Capital Resources (continued)

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### Sources of Liquidity and Capital Resources (continued)

#### *Investing Activities (continued)*

System Access expenditures relate to projects required to meet customer service obligations under the OEB's Distribution System Code and the Corporation's conditions of service. These projects include new customer connections, construction of distribution infrastructure for new subdivisions, and relocation of system plant to accommodate municipal roadway reconstruction and major transit initiatives. Capital expenditures in this category increased by \$32 relative to 2024, primarily due to: (i) higher investment in distribution assets driven by municipal roadway reconstruction projects (\$18); (ii) increased new connection activity associated with subdivision development and industrial, commercial, and institutional ("ICI") customers (\$15); and (iii) greater investment in light rail transit expansion projects (\$6); partially offset by (iv) lower investment related to large customer expansion projects across Alectra Utilities' service territory (\$9).

System Renewal expenditures relate to long-term plans to replace assets that are at or nearing the end of their useful lives, with replacement strategies prioritized based on asset condition and reliability performance. Capital expenditures in this category increased by \$23 relative to 2024, principally due to: (i) higher reactive expenditures associated with urgent, unplanned replacements of deteriorated assets (\$15); and (ii) additional investments in overhead and underground infrastructure to improve the electrical system performance (\$6).

System Service expenditures relate to projects that support the expansion, automation, and reliability of the distribution system. Capital expenditures in this category have increased by \$14 relative to 2024, principally due to: (i) increased activity on capacity expansion projects (\$9); and (ii) continued investment in the automation of electrical infrastructure (\$4).

General Plant expenditures relate to information systems projects, facilities, and fleet. Capital expenditures in this category remained consistent with 2024.

Customer Contributions ("CC") relate to deposits in aid of the capital cost of construction. CC increased by \$32 over the previous year, primarily due to higher System Access volumes associated with increased customer activity and municipal roadway projects.

Spare Parts ("SP") relate to transformers and meters which are held for use in operations. SP decreased by \$23 relative to 2024, principally due to lower quantities purchased in the current year.

Capital expenditures in the competitive business decreased by \$84 relative to 2024, primarily due to: (i) the one-time acquisition of assets from GLC and distributed energy resource ("DER") infrastructure in the prior year (\$73); and (ii) reduced investment in metering hardware following the sale of the Submetering assets (\$4).

#### *Financing Activities*

Cash used in financing activities decreased by \$361 in 2025 compared to 2024. The decrease was primarily driven by: (i) the absence of debenture issuances in 2025, compared to issuances of \$498 in 2024; and (ii) the repayment of short-term borrowings due to lower working capital requirements and improved operating cash flows (\$180); partially offset by (iii) the repayment of an outstanding debenture and promissory notes in 2024 that did not recur in 2025 (\$316).

## Liquidity and Capital Resources (continued)

### Credit Ratings

Credit ratings represent independent, forward-looking assessments of the Corporation’s ability to meet its financial obligations and are not recommendations to buy, sell or hold securities. Ratings may be revised or withdrawn by the rating agencies at any time.

The following table sets out the current credit ratings of the Corporation as assigned by Dominion Bond Rating Service (“DBRS”) Morningstar, Fitch and S&P Global Ratings.

	DBRS Morningstar		Fitch		S&P Global Ratings	
	Credit Rating	Trend	Credit Rating	Outlook	Credit Rating	Outlook
Issuer rating	A	Stable	A-	Negative	A-	Stable
Senior unsecured debentures	A	Stable	A	Negative	A-	Stable
Short-term (Commercial Paper)	R-1 (low)	Stable				

On June 20, 2025, Dominion Bond Rating Service (“DBRS”) Morningstar confirmed the Corporation’s “A” rating with a Stable trend for both the Issuer Rating and Senior Unsecured Debentures, as well as an R-1 (low) rating for commercial paper. DBRS Morningstar’s confirmation of the Corporation’s ratings reflects the strength of its regulated electricity distribution business, which provides predictable earnings and cash flows and continues to support the Corporation’s credit profile. DBRS also notes that there were no material changes to the Corporation’s business risk assessment, which continues to be supported by a reasonable regulatory framework. The Stable trend reflects DBRS Morningstar’s financial risk assessment of the Corporation, which remains supportive of the current ratings.

On July 10, 2025, Fitch Ratings affirmed the Corporation’s Long-Term Issuer Default Rating (“IDR”) of “A-” and an instrument rating of “A” for the Corporation’s senior unsecured debt. Fitch revised Alectra’s outlook from Stable to Negative, reflecting their expectations of continued pressure on funds-from-operations leverage metrics due to the Corporation’s significantly elevated capital expenditure (“CAPEX”) program. The Corporation’s Fitch ratings are supported by its large-scale regulated electric distribution operations in high-growth areas of Ontario. In addition, Fitch views the rate-setting mechanisms employed by the OEB as highly constructive. Fitch has applied a one-notch utility sector uplift from the IDR to the ratings of the Corporation’s senior unsecured debt, reflecting the Corporation’s financing policy of raising debt exclusively at the parent level and the expectation that its business mix will remain predominantly regulated.

On June 13, 2025, Standard & Poor’s Global (“S&P”) affirmed the Corporation’s Corporate and Long-Term Credit Rating of “A-” with a Stable outlook. S&P’s assessment reflects Ontario’s highly credit-supportive regulatory environment, which underpins the Corporation’s strong business risk profile. The rating also reflects the Corporation’s lower-risk, regulated electric local distribution company business, which accounts for approximately 90% of consolidated EBITDA. The “A-” rating with a Stable outlook incorporates S&P’s expectation of the Corporation’s continued consistent financial performance.

## Liquidity and Capital Resources (continued)

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### Requirements for liquidity resources

The Corporation has the following sources of liquidity that it may access from time to time to meet its funding requirements:

- Revolving credit facilities: Aggregate revolving unsecured credit facilities totaling \$1,100, consisting of:
  - \$900 committed revolving facility with a syndicate of five banks, maturing on November 28, 2030 ("Revolving Facility"). The committed revolving facility is also used to support outstanding commitments under the Corporation's CP program through same-day market rate advances; and
  - a supplemental credit facility that provides support for up to \$200.
- Senior unsecured debentures: Issuance of senior unsecured debentures with various maturity dates under established trust indentures.

The Revolving Facility contain certain covenants, including a requirement that the Corporation's debt to capitalization ratio not exceed 75%. As at December 31, 2025, the Corporation was in compliance with all covenants included in its Revolving Facility agreement.

As at December 31, 2025, the Corporation was in compliance with all covenants included in its trust indentures.

Based on available committed credit facilities, ongoing access to capital markets, and internally generated cash flows, the Corporation believes it has sufficient liquidity and capital resources to meet its operational requirements, fund planned capital investments, and satisfy contractual obligations as they come due.

Short-term debt at December 31, 2025, and 2024 consists of CP issued under the Corporation's CP program. The short-term debt is denominated in Canadian dollars and is issued with varying maturities of less than one year. CP issuances bear interest based on the prevailing market conditions at the time of issuance. Outstanding CP issuance at December 31, 2025, was \$355 (2024 - \$455).

Long-term liquidity is available through the Corporation's ability to issue senior unsecured debentures under an established Trust Indenture. The rates of interest on such debentures comprise: government of Canada bond yields with terms of maturity corresponding to the terms of issued debentures; market-based credit spreads determined with reference to comparably rated entities; and costs of issuance.

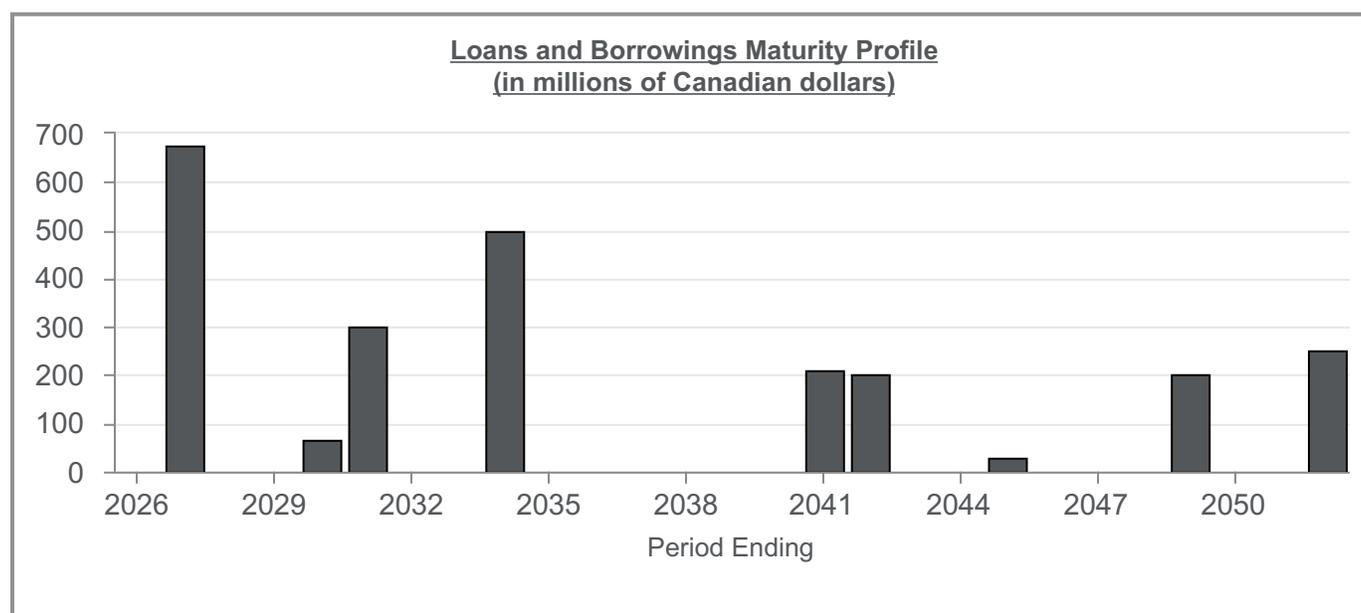
Refer to Note 13 of the Consolidated Financial Statements for details on the Corporation's long-term borrowings.

The Corporation has sufficient liquidity to meet the needs of its ongoing commitment to maintain, improve and expand its distribution system and competitive businesses, and invest in other infrastructure assets on a sustainable basis.

## Liquidity and Capital Resources (continued)

### Loans and borrowings maturities

The following table presents a summary of the Corporation's loans and borrowings maturities:



### Summary of contractual obligations and other commitments

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

For period ending, (\$ millions, except as indicated)	2026	2027	2028	2029	2030	After 2030	Total
Commercial paper	355	—	—	—	—	—	355
Debentures - principal repayment	—	675	—	—	65	1,690	2,430
Debentures - interest payments	87	80	71	71	71	733	1,113
Lease obligations	4	3	3	3	4	10	27
Capital expenditures/financial investments	257	7	3	—	5	—	272
Operating expenditures	42	6	2	1	7	—	58
<b>Total contractual obligations and other commitments</b>	<b>745</b>	<b>771</b>	<b>79</b>	<b>75</b>	<b>152</b>	<b>2,433</b>	<b>4,255</b>

Under Ontario electricity legislation and IESO market rules, the Corporation is required to provide financial security to cover its market obligations. This requirement is met through a letter of credit of \$33 (2024 – \$33), which the IESO may draw upon in the event of a payment default.

## Share Capital

The Corporation's authorized share capital is comprised of an unlimited number of Class A through G voting common shares, and an unlimited number of Class S non-voting shares, all of which are without nominal or par value as follows:

As at December 31, (\$ millions, except as indicated)	2025		2024	
	Number of Shares	Amount	Number of Shares	Amount
Authorized				
Unlimited Class A through G common shares				
<b>Issued and outstanding</b>	10,485,000	953	10,485,000	953
Authorized				
Unlimited Class S shares				
Issued and paid				
<b>Class S shares</b>	99,999	22	99,999	25
<b>Total share capital</b>	10,584,999	975	10,584,999	978

An unlimited number of Class A through C special shares have been authorized but not issued.

The Alectra Inc. Dividend Policy was approved by shareholders and is incorporated into the Unanimous Shareholders' Agreement, dated January 1, 2019, as Schedule C.

The annual voting common dividend is targeted at up to 60% of the Corporation's annual consolidated Modified International Financial Reporting Standards ("MIFRS") net income, excluding the results from the former PowerStream Solar Business that accrue to the Solar shareholders on Class S shares.

The annual Class S share dividend is determined based on the "forecast annual net free cash flow" generated exclusively by the former PowerStream Solar Business. The dividend amount is set with consideration for maintaining adequate cash and credit metrics within the Solar business.

During the year ended December 31, 2025, the Corporation declared and paid dividends as follows:

- Common share dividends aggregating \$78 or \$7.51 per share (2024 - \$81 or \$7.70 per share); and
- Class S share dividends aggregating \$1 or \$5.76 per share (2024 - \$1 or \$14.72 per share).

In addition, a return of capital of \$3 (2024 - \$2) was declared and paid on Class S shares during the year.

Subsequent to the year end, on March 5, 2026, the Corporation declared a dividend in the amount of \$43 on its common shares payable to its shareholders. The Corporation has also declared a return of capital in the amount of \$1, payable to Class S shareholders.

The Class S share dividends, other than return on capital, are subject to Part VI.1 tax under the *Income Tax Act (Canada)* at a rate of 25% based on the amount of dividend paid. The Corporation is eligible for a corresponding deduction equal to a specified multiple of the dividend; however, this deduction does not fully offset the Part VI.1 tax, resulting in a net effective tax rate of 1.8% on the Class S share dividends.

For details, refer to Note 17 of the Consolidated Financial Statements.

## Related Parties Balances and Transactions

Significant related party transactions and balances with related parties are as follows:

Year ended December 31, (\$ millions, except as indicated)	2025	2024
<i>Transactions</i>		
Revenue	113	104
Expenses	5	6
Return of capital	3	2
Dividends declared and paid	79	82
<i>Balances</i>		
Due from related parties	17	18
Due to related parties	63	58

Services provided to the cities include electricity distribution, street lighting, road projects and water and sewage billing. Expenses incurred include municipal taxes and facilities rental.

The amount due to/from related parties consist of balances payable to/receivable from: the City of Barrie; the City of Guelph; the City of Hamilton; the City of Markham; the City of Mississauga; the City of St. Catharines; the City of Vaughan; and wholly-owned subsidiaries of related parties.

The annual compensation of key management personnel was \$20 (2024 - \$19).

For details, refer to Note 12 (b) of the Consolidated Financial Statements.

## Material Accounting Policies and Critical Judgments and Estimates

The Corporation's accounting policies have been reviewed and approved by the Audit, Finance and Risk Management Committee and are outlined in Note 4 of the Consolidated Financial Statements.

These policies require management to make certain judgments, estimates, and assumptions that are inherently complex and subjective. Changes to these judgments, or to the underlying economic environment, such as those resulting from geopolitical events or uncertainty regarding economic growth, could significantly affect the Corporation's financial results. In future periods, such changes may necessitate adjustments to the carrying amounts of balances that are subject to estimates and judgments.

Judgments and estimates are often interrelated. Significant areas where management is required to make estimates and apply judgment in determining carrying values include asset valuation, unbilled revenue, contingent consideration, useful lives of assets, impairment, employee future benefits, provisions and contingencies, business combinations, revenue recognition, performance obligations, influence over investees, lease terms, and deferred taxes.

## **Future Accounting Changes**

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The IASB has issued amendments to IFRS 9, *Financial Instruments* and IFRS 7, *Financial Instruments Disclosures* effective January 1, 2026, which clarify the classification, measurement, and derecognition of certain financial instruments. These amendments are not expected to have a material impact on the Corporation's Consolidated Financial Statements. Additionally, IFRS 18, *Presentation and Disclosure in Financial Statements*, will be effective January 1, 2027. This new standard will significantly impact the presentation and disclosures in the Corporation's Consolidated Financial Statements. The Corporation does not intend to early adopt the standard. For details, refer to Note 5 of the Consolidated Financial Statements.

## **Non-IFRS Financial Measures**

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The Corporation uses certain non-IFRS financial measures to assess its operating performance, financial condition, and cash-generating ability. These measures include EBITDA, comparable net earnings, and adjusted funds from operations ("AFFO"), which are presented on a Modified International Financial Reporting Standards ("MIFRS") basis.

MIFRS adjusts IFRS-reported results to reflect the effects of rate regulation, consistent with the regulatory framework under which the Corporation operates. Management believes that these measures provide additional insight into the Corporation's underlying operating performance and financial results by better reflecting the economics of a rate-regulated environment.

These non-IFRS financial measures do not have standardized meanings prescribed by IFRS and may not be comparable to similar measures presented by other companies. Accordingly, these measures should not be considered in isolation or as a substitute for measures of financial performance prepared in accordance with IFRS.

### **EBITDA and Comparable Net Earnings**

EBITDA is calculated as earnings before interest, income taxes, depreciation and amortization, and other items as presented in the reconciliation below.

Comparable net earnings represent net income adjusted for the effects of rate regulation and other items that management considers not reflective of the Corporation's underlying operating performance. This measure is used by management to assess performance trends and the sustainability of earnings over time.

## Non-IFRS Financial Measures (continued)

### EBITDA and Comparable Net Earnings (continued)

The following table provides a reconciliation of the Corporation's EBITDA under MIFRS to IFRS-reported results on a consolidated basis. These non-IFRS financial measures have been consistently applied in the current and prior periods.

Year ended December 31, (\$ millions, except as indicated)	2025	2024
EBITDA (MIFRS)	396	458
Add adjustments to remove regulatory accounting:		
Revenue	188	105
Operating expenses	(15)	(16)
EBITDA (IFRS)	569	547
Depreciation and amortization	(203)	(204)
Net finance costs	(105)	(108)
Foreign exchange loss	(1)	—
Loss on derecognition of property, plant, and equipment and intangible assets	(7)	(12)
Gain (loss) on fair value of contingent consideration	1	(4)
Share of net loss of joint ventures, net of tax	(1)	—
Income before income tax (IFRS)	253	219

### AFFO

Adjusted funds from operations ("AFFO") is used as an additional measure of cash flow that excludes the impact of changes in the Corporation's non-cash working capital and is adjusted for contributions in aid of construction. The table below summarizes the Corporation's AFFO for the years ended December 31, 2025 and 2024.

Year ended December 31, (\$ millions, except as indicated)	2025	2024
IFRS net income	227	167
Adjustment for regulatory activities <sup>1</sup>	(83)	(28)
MIFRS net income	144	139
Depreciation and amortization	180	185
Foreign exchange loss	1	—
Net loss on derecognition of property, plant and equipment and intangible assets	6	10
(Gain) loss on fair value of contingent consideration	(1)	4
Share of net loss of joint ventures, net of tax	1	—
Gain on sale of discontinued operation, net of tax	(37)	—
Net change in non-cash operating working capital	69	(142)
Net change in non-current assets and liabilities	118	70
Net change in taxes	(30)	16
Total changes	307	143
AFFO	451	282

<sup>1</sup> Refer to Note 29 in the Consolidated Financial Statements.

## Non-IFRS Financial Measures (continued)

### AFFO (continued)

The increase in AFFO was mainly attributable to favourable changes in non-cash operating working capital, primarily driven by movements in payables and receivables and favourable changes in non-current assets and liabilities, mainly reflecting the net movement in regulatory assets and liabilities.

## Risk Management and Risks

This section provides an overview of the Corporation's overall risk management approach, which is followed by a discussion of the specific risks that could adversely affect its business.

The Corporation is exposed to various risks and uncertainties that could impact the achievement of its strategy and potentially have a material adverse effect on its business. The Corporation's Enterprise Risk Management Program adopts an enterprise-wide approach to risk management, which is guided by an overall risk philosophy, to identify, assess, and mitigate risks to the business.

Risk management is the responsibility of all business units. There are strong governance practices in place to ensure consistent consideration of risks in all decision-making.



The Corporation's risk management governance structure is comprised of three key levels:

- **The Board of Directors** – maintains a general understanding of the Corporation's risk profile and philosophy as well as oversees the management of the Corporation's significant exposures.
- **The Executive Committee** – ensures systems are in place to manage and monitor risks and trends as well as to escalate key risks to the attention of the Board, as required.
- **The Senior Leadership Team** – supports the overall risk management program and actively engages in the day-to-day management of risks.

The section below discusses certain specific risks that could have a material adverse impact on the Corporation's business, financial condition, or results of operations and is not a comprehensive list of all the risks to the Corporation.

### Regulatory & Compliance Risk

The Corporation operates within a regulated electricity industry and is subject to oversight by regulatory authorities and various levels of government. Actions taken by these bodies may affect the Corporation's business activities. Furthermore, any non-compliance with applicable laws or regulations could have a material adverse effect on the Corporation's operations.

## **Risk Management and Risks (continued)**

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### **Regulatory & Compliance Risk (continued)**

#### *Regulatory Oversight & Government Action*

The electricity distribution business in Ontario is regulated, presenting risks to both the financial and operational aspects of the Corporation's rate regulated business. All requests for changes to electricity distribution charges require OEB approval. The Corporation periodically files applications to the OEB for rate adjustments to support the renewal, replacement and growth of its distribution system. Decisions by the OEB to disallow or limit the recovery of costs, or to restrict the ability to earn the allowed ROE could materially and adversely affect the Corporation's distribution revenue. There is no assurance that OEB decisions will permit the Corporation to recover all costs incurred or to earn the ROE necessary for financial sustainability.

As a municipally owned LDC, the Corporation is also subject to actions by all three levels of government and to changes in the broader political environment. Legislation, regulations, or policies enacted by governments may adversely affect the Corporation's financial condition and hinder its ability to pursue strategic and business objectives. Such actions and related uncertainties may result in additional costs for LDCs.

The Corporation actively participates in stakeholder groups, industry associations, and government advocacy that are designed to help inform the development of the legislative and regulatory environment. In addition, the Corporation employs a comprehensive regulatory application process to ensure that rate submissions to the OEB are evidence-based and accurately reflect its business and operational needs.

#### *Compliance with Laws and Regulations*

The Corporation must comply with all applicable laws and regulations as well as other requirements to which it subscribes or is subject to. These requirements may arise from Federal, Provincial, or Municipal statutes, regulations, by-laws, or other legal instruments. In addition, the Corporation must adhere to specific industry requirements, such as the IESO Market Rules, OEB license terms and conditions, and other relevant industry codes. Failure to comply with applicable laws, regulations, or requirements could have a material adverse effect on the Corporation.

The Corporation actively monitors its business activities that could be subject to potential compliance actions, including monitoring of applicable legislation and regulations for changes, as well as implementing appropriate measures in response.

#### *Strategic Risk*

The Corporation pursues growth through mergers and acquisitions as well as organically through development projects and capital expenditures. The Corporation's business model and strategic direction are based on several key assumptions, including the anticipated growth of its business mix, electricity demand forecasts that reflect broader economic growth projections, the evolution of technology used in the industry, Ontario's electricity regulatory model and broader energy policy developments. Any significant changes to these underlying assumptions may require the Corporation to reevaluate its business model and strategic direction. The Corporation monitors industry trends and the broader business environment, as well as conducts customer outreach to better understand the evolving needs and expectations of its customers.

## Risk Management and Risks (continued)

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### Regulatory & Compliance Risk (continued)

#### *Financial Risk*

The Corporation is exposed to changes in economic conditions and risks related to the financial markets, which may adversely affect its financial performance.

#### *Economic Conditions*

Changes in interest rates, inflation, government policies, employment levels, business investments, technological developments and other factors may influence energy consumption demand. In addition, an economic downturn could impair customers' ability to pay their bills in a timely manner. These changes could impact the Corporation's operations and cash flows. The regulatory framework partially mitigates the impact of market fluctuations through its rate-setting process by providing the Corporation with the opportunity to earn a regulated return on equity from its electricity distribution business.

#### *Credit Risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Under Provincial regulation, electricity distribution companies in Ontario are required to act as the billing agent for all industry participants, and must remit billed amounts accruing to these participants irrespective of whether such amounts are ultimately collected. This requirement exposes the Corporation to credit risk, primarily through its customer receivables. The Corporation has implemented credit and collection policies that comply with OEB regulation to mitigate the exposure to credit risk.

#### *Risks Associated with Arranging Debt Financing*

The Corporation relies on debt financing to repay existing indebtedness and to finance its ongoing business operations. The Corporation's ability to arrange sufficient and cost-effective debt financing could be adversely affected by factors such as financial market conditions (such as changes in interest rates), the regulatory environment in Ontario, the Corporation's operating results and financial condition, ratings assigned to the Corporation and its debt securities by credit rating agencies, the timing of debt maturities, and other general economic conditions.

Downgrades to the Corporation's credit ratings may negatively impact the Corporation's ability to access debt capital on favourable terms and increase the Corporation's cost of debt. The inability to access debt capital markets within a desired timeframe could impair the Corporation's ability to fund capital expenditures and meet other financial obligations, which could adversely affect future operating results and financial position. Further, the need to raise additional capital could occur if existing financing arrangements are insufficient to support the Corporation's regulated electricity distribution and other businesses.

## Risk Management and Risks (continued)

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### Economic Conditions (continued)

#### *Interest Rate and Currency Exchange Risk*

The Corporation is exposed to short-term interest rate risk associated with its short-term debt under the credit facility and Commercial Paper Program. Additionally, fluctuations in interest rates impact the valuation of the Corporation's post-employment benefit obligations. The Corporation manages interest rate risk by monitoring its fixed and floating rate instruments and taking necessary actions to maintain an appropriate balance.

The Corporation's exposure to currency exchange risk is limited, arising primarily from U.S. dollar-denominated cash and investment security balances. Fluctuations in currency exchange rates are not expected to have a material impact on the Corporation's operations or financial condition.

### Operational Risk

#### *Grid Operations and Project Execution Risk*

The Corporation's ability to safely and reliably distribute electricity depends on its grid infrastructure. Failure to plan, build and maintain the electricity distribution system, including optimizing system capacity, renewing deteriorating infrastructure, and hardening the grid, could disrupt the Corporation's ability to provide safe and reliable service to its customers. The Corporation has asset management and investment plans in place focusing on asset renewal, grid expansion, and grid resiliency. The Corporation also has emergency response and business continuity processes to enable efficient deployment and coordination of resources to mitigate the effects of grid-related emergencies.

The Corporation is a capital-intensive business and the failure to effectively manage projects on time and on budget could adversely affect the Corporation's financial performance. Projects are subject to risks of delay and cost overruns from factors including material and labour costs, tariffs or trade restrictions, legislative or regulatory changes, weather conditions, and supplier non-performance. The Corporation continues to ensure expenditures are reasonable and prudent and manages project execution with its robust project planning and governance processes.

#### *Health & Safety Risk*

The Corporation is engaged in the construction, operation, and maintenance of high voltage electrical infrastructure throughout the communities it serves and is exposed to significant safety hazards inherent in this work. Damage to utility infrastructure, whether resulting from natural or human-caused hazards, could pose risks to public and employee safety. The Corporation is also subject to government legislation and regulations relating to health and safety. Failure to comply with these requirements or to keep the public and employees safe, could result in adverse operational, financial, compliance and reputational impact on the Corporation.

The Corporation's safety management program is based on the principle of continuous improvement and incorporates measures such as equipment inspections, employee training and ongoing education, and safety audits. The Corporation has undertaken initiatives to promote psychological safety and provide additional support through the employee assistance program. In addition, the Corporation is prepared to respond to potential infectious disease emergencies, with the objective of limiting health and safety exposures for both the public and employees.

## **Risk Management and Risks (continued)**

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### **Operational Risk (continued)**

#### *Technological and Cybersecurity Risk*

The Corporation's ability to operate effectively in the Ontario electricity market depends in part on the management of its information technology and operational technology systems. These systems are essential for operating and monitoring an electricity distribution network, as well as supporting financial, billing, and other business functions. As a critical infrastructure operator, the Corporation's distribution infrastructure and technology systems are vulnerable to damage or interruption resulting from cyberattacks, breaches or other forms of compromise. Systems and technologies that may be outdated could be incompatible with modern security features, further increasing vulnerability to disruption.

A cybersecurity incident could lead to service disruptions, theft of intellectual property, and unauthorized access to confidential customer or business information, resulting in regulatory scrutiny, litigation, and reputational harm. The ongoing evolution of technology, including increased digitization as well as the adoption of emerging technologies such as artificial intelligence, continues to intensify the cybersecurity threat environment, with attacks becoming more sophisticated, frequent, and severe.

The Corporation maintains cyber insurance and has established a cybersecurity program that incorporates industry leading practices. This program includes employee training, asset protection and safeguarding of sensitive information, continuous monitoring of technology systems, and incident response procedures designed to minimize the impact of cyberattacks, breaches or other compromises. The Corporation continues to make proactive investments to strengthen the distribution system, including addressing cybersecurity threats.

#### *Supply Chain Risk*

Global supply chains have been disrupted by several factors including macroeconomic conditions, the geopolitical environment and trade policies, and labour market constraints. These factors have led to increased material and equipment lead times as well as costs. Prices for key materials and equipment continue to fluctuate as global economic conditions remain uncertain, influenced by volatility in commodity prices, inflation, and interest rates. The Corporation's ability to operate effectively depends in part on timely access to equipment, materials, and key suppliers. Loss of key suppliers or increased volatility in material and equipment lead times could adversely impact the Corporation's operations, as well as its capital project planning and execution. The Corporation continues to diversify its supplier base to reduce reliance on single sources and advances procurement of key equipment and materials that are expected to have long lead times.

#### *Human Resources and Labour Relations Risk*

The Corporation's workforce consists of both unionized and non-unionized employees, encompassing a broad range of skills in trades, technical, and professional disciplines within a competitive labour market. There is a risk that the Corporation may not always be able to attract or retain the skilled and experienced personnel required to support its business objectives and execute its strategy. The Corporation implements a variety of programs focused on talent attraction, development, and retention, including succession planning and knowledge retention initiatives, to ensure the workforce remains capable of meeting the evolving needs of the business.

## **Risk Management and Risks (continued)**

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### **Operational Risk (continued)**

#### *Human Resources and Labour Relations Risk (continued)*

The Corporation is committed to fostering effective relationships with its union, which is represented by the PWU and IBEW. Agreements have been reached with the PWU for the period from June 1, 2025, to May 31, 2028, and with the IBEW for the period from April 1, 2024, to March 31, 2027. Inability to negotiate collective agreements with the PWU and IBEW on mutually acceptable terms could result in work disruptions, which may adversely affect the Corporation's business, including its ability to maintain the continued supply of electricity to customers.

#### *Climate Change and Environmental Risk*

The Corporation's service territory, its energy-related infrastructure and other facilities are exposed to risks associated with climate change and extreme weather events. Increasing frequency and intensity of events such as extreme winds, flash floods, and severe thunderstorms have the potential to cause physical damage to the Corporation's distribution infrastructure and facilities, resulting in service disruptions and higher repair and replacement costs.

The Corporation invests in capital projects and monitors the condition of its assets to manage the risk of equipment failures and to determine the need for as well as timing of replacement of its distribution infrastructure. Further, the Corporation continues to adapt and increase its infrastructure and operations resilience and reliability to address the effects of climate change and extreme weather events. These initiatives include updating major equipment specifications, revising design practices, improving planning processes, strengthening maintenance programs, building supply chain resiliency, and implementing emergency preparedness programs to minimize the impact of disruptions.

The Corporation is subject to Canadian environmental laws and regulations. The release of hazardous or other harmful substances such as asset leaks and spills may result in adverse environmental impacts and could lead to governmental orders requiring the Corporation's investigation, control and remediation. Failure to comply could subject the Corporation to injunction, fines, or other penalties.

The Corporation continues to place insurance coverage where available to mitigate the risks associated with damage to assets or service disruption. Standardized response procedure is in place to ensure timely inspection, investigation, remediation, and reporting of asset leaks and spills upon discovery. The Corporation also monitors Canadian and Ontario regulations regarding GHG emissions and continues to track and voluntarily disclose Alectra Utilities' GHG emissions to the public.