

## CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(millions of dollars except where noted)

	Three Months Ended September 30		Nine months Ended September 30	
	2001	2000	2001	2000
<b>Revenues</b>	<b>1,635</b>	1,568	<b>4,681</b>	4,452
<b>Operating expenses</b>				
Operation, maintenance and administration	629	539	1,836	1,564
Fuel	340	334	955	899
Power purchased	374	43	649	87
Depreciation and amortization	202	179	606	566
Property and capital taxes (note 3)	55	93	190	281
	<b>1,600</b>	1,188	<b>4,236</b>	3,397
<b>Operating income</b>	<b>35</b>	380	<b>445</b>	1,055
Interest expense	31	34	102	107
<b>Income before income taxes</b>	<b>4</b>	346	<b>343</b>	948
Income taxes (note 3)				
Current	(175)	76	97	208
Future	116	72	18	197
	<b>(59)</b>	148	<b>115</b>	405
<b>Net income</b>	<b>63</b>	198	<b>228</b>	543
<b>Basic and fully diluted earnings per common share</b>	<b>0.25</b>	0.77	<b>0.89</b>	2.12
<b>Common shares outstanding</b> (millions)	<b>256.3</b>	256.3	<b>256.3</b>	256.3

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS (UNAUDITED)

(millions of dollars)

	Nine months Ended September 30	
	2001	2000
<b>Retained earnings</b> , beginning of period	<b>691</b>	291
Net income	228	543
Dividends	(238)	(163)
<b>Retained earnings</b> , end of period	<b>681</b>	671

see accompanying notes to financial statements

## CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(millions of dollars)

	Three Months Ended		Nine months Ended	
	September 30		September 30	
	2001	2000	2001	2000
<b>Operating activities</b>				
Net income	63	198	228	543
Adjust for non-cash items:				
Depreciation and amortization	202	179	606	566
Deferred pension asset	6	(33)	(1)	(99)
Other post employment benefits	47	18	86	48
Future income taxes	116	109	18	234
Other	23	18	56	52
	<u>457</u>	<u>489</u>	<u>993</u>	<u>1,344</u>
Fixed asset removal and nuclear waste management fund	(105)	(97)	(322)	(287)
Expenditures on nuclear waste management provisions	(15)	(10)	(38)	(27)
Changes to other long-term assets and liabilities	(28)	(10)	(107)	(59)
Deferred revenue	(8)	-	(10)	-
Non-cash working capital changes:				
Accounts receivable	23	(15)	155	201
Fuel	(79)	73	(77)	93
Materials and supplies	(19)	(5)	(37)	(11)
Accounts payable and accrued charges	(250)	(212)	(380)	(235)
	<u>(24)</u>	<u>213</u>	<u>177</u>	<u>1,019</u>
<b>Cash flow (used in) provided from operating activities</b>				
<b>Investing activities</b>				
Net (purchases) proceeds from short-term investments	(12)	-	214	-
Proceeds from Bruce decontrol (note 2)	-	-	370	-
Proceeds on sale of fixed assets	2	-	12	-
Expenditures for fixed assets	(181)	(138)	(450)	(372)
	<u>(215)</u>	<u>75</u>	<u>323</u>	<u>647</u>
<b>Cash flow before financing activities</b>				
<b>Financing activities</b>				
Repayment of long-term debt to OEFC	(100)	-	(200)	-
Dividends on common shares	(138)	(42)	(238)	(163)
Repayment of short-term notes	-	-	(50)	-
	<u>(238)</u>	<u>(42)</u>	<u>(488)</u>	<u>(163)</u>
<b>(Decrease) increase in cash and cash equivalents during period</b>	<u>(453)</u>	<u>33</u>	<u>(165)</u>	<u>484</u>
<b>Cash and cash equivalents, beginning of period</b>	<u>853</u>	<u>694</u>	<u>565</u>	<u>243</u>
<b>Cash and cash equivalents, end of period</b>	<u>400</u>	<u>727</u>	<u>400</u>	<u>727</u>

see accompanying notes to financial statements

## CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(millions of dollars)

	September 30 2001	December 31 2000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 2)	400	565
Short-term investments	121	335
Accounts receivable	805	968
Fuel	321	288
Materials and supplies	204	229
	<u>1,851</u>	<u>2,385</u>
<b>Fixed assets</b>		
Property, plant and equipment	14,185	13,842
Less: accumulated depreciation	1,332	910
	<u>12,853</u>	<u>12,932</u>
<b>Other assets</b>		
Deferred pension asset (note 2)	533	641
Fixed asset removal and nuclear waste management fund	1,103	781
Long-term note receivable (note 2)	225	-
Long-term accounts receivable and other assets	72	52
	<u>1,933</u>	<u>1,474</u>
	<u>16,637</u>	<u>16,791</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued charges	1,053	1,406
Short-term notes payable	100	150
Deferred revenue due within one year (note 2)	13	-
Long-term debt due within one year	204	204
	<u>1,370</u>	<u>1,760</u>
<b>Long-term debt</b>	<u>3,016</u>	<u>3,219</u>
<b>Other liabilities</b>		
Fixed asset removal and nuclear waste management	4,668	4,482
Other post employment benefits (note 2)	983	997
Deferred revenue (note 2)	207	-
Long-term accounts payable and accrued charges (note 2)	350	298
Future income taxes liability (note 3)	236	218
	<u>6,444</u>	<u>5,995</u>
<b>Shareholder's equity</b>		
Common shares	5,126	5,126
Retained earnings	681	691
	<u>5,807</u>	<u>5,817</u>
	<u>16,637</u>	<u>16,791</u>

see accompanying notes to financial statements

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 (UNAUDITED)

### 1. Basis of preparation

The Company's unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles using the same accounting policies and methods of computation as were used for the consolidated financial statements for the year ended December 31, 2000. These statements should be read in conjunction with the Company's December 31, 2000 audited consolidated financial statements.

### 2. Decontrol of Bruce nuclear generating stations

On May 11, 2001, the Company completed the close of the operating lease agreement to lease its Bruce A and Bruce B nuclear generating stations to Bruce Power L.P. (Bruce Power). As part of the initial payment, the Company received \$370 million in cash proceeds, after closing adjustments for the timing of the close. The Company will also receive, as part of the initial payment, \$225 million payable in two installments of \$112.5 million no later than four and six years from the date the transaction was completed. Under the terms of the lease, the Company transferred to Bruce Power, materials, certain fixed assets and pension assets and liabilities.

#### *Inventory and fixed assets*

Under the terms of the lease, the Company transferred certain fuel and material inventory to Bruce Power, in addition to certain fixed assets. The total book value of the assets transferred was \$185 million.

#### *Deferred pension asset and other post employment benefits*

The Company will transfer pension assets and liabilities related to the approximately 3,000 employees who transferred from the Company to Bruce Power. Bruce Power also assumed the liability for other post employment benefits for these employees. The Company will pay Bruce Power for the liability, that existed on or before the date of close, in respect of other post employment benefits over seventy-two months, with the first payment to commence one year from the date of closing plus applicable interest. The impact to the deferred pension asset and the value of the other post employment benefit obligation will be finalized through actuarial processes, which are expected to be completed in the first quarter of 2002.

#### *Deferred revenue*

Deferred revenue was recorded to reflect the amount of the initial payment, net of assets transferred as part of the lease agreement, and all closing costs and adjustments. The value of the deferred revenue at September 30, 2001 was \$220 million. The deferred revenue will be amortized over the initial lease term of approximately 18 years and will be recorded as non-energy revenue.

#### *Long-term note receivable*

The initial payment of \$225 million is payable to the Company in two installments. Interest is currently charged on the initial payment at a rate of 10.5 per cent, escalating over time to 18 per cent annually. The interest is included as non-energy revenue.

### 3. Payment in lieu of taxes

Under the *Electricity Act, 1998*, the Company is responsible for making payments in lieu of taxes to the Ontario Electricity Financial Corporation. These payments are calculated in accordance with the *Income Tax Act* (Canada) and the *Corporations Tax Act* (Ontario), and are modified by regulations made under the *Electricity Act, 1998*.

The Company is also required to make payments in lieu of property taxes on its generating assets to the Province. These payments, together with property taxes, were intended to approximate the total property tax paid

by privately owned companies. Payments in lieu equal the difference between property taxes paid by privately owned companies and amounts paid by OPG to municipalities.

Beginning on January 1, 2001, the Province of Ontario introduced legislation to restructure the payment of property taxes and water rentals from the Company's hydroelectric generating facilities. The legislation (referred to as the Gross Revenue Charge) has the effect of setting payments to the Province based on the generation from these hydroelectric facilities rather than on a fixed cost basis.

#### **4. Municipal Electric Utilities**

An action was brought against Ontario Hydro in 1997 by three Municipal Electric Utilities (MEUs) and was certified as a class proceeding on behalf of all MEUs in Ontario. The amount claimed was \$5,195 million in aggregate. In the third quarter, a settlement was reached with the MEUs, which received the necessary court approval. All due process and time limitations to object to the settlement have been completed or have expired. In July 2001, OPG made a lump sum payment of approximately \$35 million in settlement of the litigation.

#### **5. Seasonal operations**

The Company's quarterly results are impacted by changes in demand resulting from variations in seasonal weather conditions. Historically, the Company's revenues are higher in the first and third quarters of a fiscal year as a result of winter heating demands in the first quarter and air conditioning/cooling demands in the third quarter.

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