



Our Company

Ontario Power Generation Inc. is an Ontario-based electricity generation company whose principal business is the generation and sale of electricity in Ontario. Our focus is on the efficient production and sale of electricity from our generation assets, while operating in a safe, open and environmentally responsible manner.

Strategic Priorities

OPG's mandate is to cost effectively produce electricity from its nuclear, hydroelectric and fossil generating stations, while operating in a safe, open and environmentally responsible manner. To accomplish this OPG will:

- operate the Darlington and Pickering nuclear stations in a cost effective manner while undertaking prudent investments to improve their reliability and predictability;
- optimize production from its 64 hydroelectric stations as well as to expand, develop, and improve its hydroelectric capacity on its own or in partnership with external parties;
- maintain the productive capability of its four remaining coal fired generating stations while operating them in an environmentally responsible manner until their scheduled closure; and
- operate in accordance with the highest standards of corporate governance, social responsibility and corporate citizenship.

Second Quarter 2005 in Review

- Effective April 1, 2005, the output from OPG's baseload hydroelectric and nuclear facilities became rate regulated, while output from its remaining hydroelectric facilities, and its fossil-fuelled and wind generating stations remain unregulated. However, the majority of the generation output from these unregulated facilities is subject to a revenue limit of 4.7¢/kWh until April 30, 2006.
- At June 30, the fieldwork execution for the return to service of Unit 1 at the Pickering A nuclear station was 95% complete. The major construction phase of the project was completed in July with the removal of Unit 1 from the guaranteed shut-down state. OPG is conducting the commissioning phase, which is expected to be completed over a three month period before the unit is declared commercially in-service in the fall. Project expenditures to the end of June were \$948 million. The projected costs to complete the project are estimated to be approximately \$1.0 billion, excluding the impact of feeder inspection and replacement costs of \$20 million.
- As part of the Ontario government's plans to replace coal-fired generation, the Lakeview fossil generating station was closed in April 2005. In June 2005, the government announced the timing for the closure of OPG's remaining coal-fired stations. The Thunder Bay generating station is scheduled to be converted to gas-fired generation in 2007. The Atikokan generating station is scheduled to close by the end of 2007, following the conversion of the Thunder Bay units and necessary transmission upgrades. The Lambton generating station is scheduled to be closed by the end of 2007 and the Nanticoke generating station is scheduled to have units closed during 2008, with the last unit scheduled to close in early 2009.

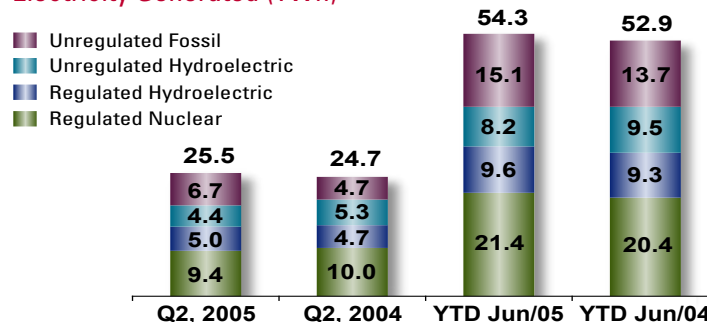
Debt Ratings

	Long Term Debt	Commercial Paper	Outlook
S&P	BBB+	A-2 (Cdn)	Developing
DBRS	A (low)	R-1 (low)	Stable

Financial Highlights

- Electricity generated of 25.5 TWh in Q2 2005 was higher than Q2 2004 generation of 24.7 TWh primarily a result of higher fossil-fuelled generation attributable to improved reliability from these stations and higher electricity demand especially during a period of record high temperatures in June 2005. Year-to-date June 2005 production of 54.3 TWh was higher than year-to-date June 2004 production of 52.9 TWh due to higher fossil and nuclear production.
- Net income in Q2 2005 was \$63 million compared to a Q2 2004 net loss of \$41 million reflecting an increase in gross margin due to: higher average Ontario spot market prices resulting from record high temperatures in June 2005, the introduction of regulated prices effective April 1, 2005, and the deferral of non-capital costs related to the Pickering A nuclear station return to service project. These favourable impacts were partly offset by an impairment loss of \$63 million related to Units 2 and 3 of the Pickering A nuclear station. In August 2005, OPG's Board decided that while technically feasible, the return to service of these units was not justified on a commercial basis. Year-to-date June 2005 net income was \$25 million compared to Year-to-date June 2004 net income of \$23 million. Year to date 2005 net income was favourably impacted by OPG's second quarter results partially offset by an impairment loss on OPG's Lennox station of \$202 million before tax, recorded during the first quarter of 2005.

Electricity Generated (TWh)



Financial Results

(\$ millions unless otherwise noted)	Three Months Ended		Six Months Ended	
	June 30/05	June 30/04	June 30/05	June 30/04
Electricity generated (TWh)	25.5	24.7	54.3	52.9
Revenue after rebates	1,373	1,141	2,731	2,491
Fuel expense	289	242	599	580
Gross Margin	1,084	899	2,132	1,911
OM&A, other expenses and taxes	833	907	1,682	1,766
Operating Income	251	(8)	450	145
Impairment of long lived assets	63	--	265	--
Net interest expense & taxes	51	33	86	122
Extraordinary item	74	--	74	--
Net (loss) Income	63	(41)	25	23
Capital expenditures	106	107	240	223
			Jun 30/05	Dec 31/04
Total Assets			20,459	19,830
Total Debt			3,897	3,404
Shareholder's Equity			5,046	5,021
Total debt/Total capitalization			43.6	40.4

