

## CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
<i>(millions of dollars except where noted)</i>	2003	2002	2003	2002
<b>Revenues</b>	<b>1,224</b>	1,612	<b>3,950</b>	4,432
Fuel	<b>383</b>	412	<b>1,265</b>	1,147
Power purchased	-	-	-	290
<b>Gross Margin</b>	<b>841</b>	1,200	<b>2,685</b>	2,995
<b>Operating expenses</b>				
Operations, maintenance and administration	<b>550</b>	581	<b>1,799</b>	1,793
Depreciation and amortization <i>(note 9)</i>	<b>145</b>	142	<b>424</b>	423
Accretion on fixed asset removal and nuclear waste management liabilities	<b>107</b>	106	<b>318</b>	321
Earnings on nuclear fixed asset removal and nuclear waste management funds	<b>(74)</b>	(60)	<b>(188)</b>	(178)
Property and capital taxes	<b>27</b>	29	<b>82</b>	88
Loss on transition rate option contracts <i>(note 10)</i>	-	-	-	210
	<b>755</b>	798	<b>2,435</b>	2,657
<b>Operating income before restructuring</b>	<b>86</b>	402	<b>250</b>	338
Restructuring <i>(note 11)</i>	-	12	-	222
<b>Operating income</b>	<b>86</b>	390	<b>250</b>	116
Other income <i>(note 13)</i>	<b>17</b>	11	<b>58</b>	117
Net interest expense	<b>39</b>	36	<b>97</b>	114
	<b>22</b>	25	<b>39</b>	(3)
<b>Income before income taxes</b>	<b>64</b>	365	<b>211</b>	119
Income taxes (recoveries)				
Current	<b>5</b>	131	<b>65</b>	86
Future	<b>22</b>	19	<b>21</b>	(28)
	<b>27</b>	150	<b>86</b>	58
<b>Net income</b>	<b>37</b>	215	<b>125</b>	61
<b>Basic and diluted earnings per common share</b> <i>(dollars)</i>	<b>0.14</b>	0.84	<b>0.49</b>	0.24
<b>Common shares outstanding</b> <i>(millions)</i>	<b>256.3</b>	256.3	<b>256.3</b>	256.3

## CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (UNAUDITED)

Nine Months Ended September 30	2003	2002
<i>(millions of dollars)</i>		
<b>Retained earnings, beginning of period</b>	<b>257</b>	344
Net income	<b>125</b>	61
Dividends	<b>(17)</b>	(134)
<b>Retained earnings, end of period</b>	<b>365</b>	271

See accompanying notes to the consolidated financial statements

## CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

<i>(millions of dollars)</i>	Three Months Ended		Nine Months Ended	
	September 30 2003	2002	September 30 2003	2002
<b>Operating activities</b>				
Net income	37	215	125	61
Adjust for non-cash items:				
Depreciation and amortization <i>(note 9)</i>	145	142	424	423
Accretion	107	106	318	321
Earnings on nuclear fixed asset removal and nuclear waste management funds	(74)	(60)	(188)	(178)
Pension	(1)	(1)	(4)	3
Other post employment benefits	33	21	101	96
Future income taxes	22	19	21	(28)
Provision for restructuring <i>(note 11)</i>	-	12	-	222
Transition rate option contracts <i>(note 10)</i>	(16)	(25)	(58)	167
Gain on sale of investments	(17)	(11)	(58)	(18)
Gain on sale of decontrol fixed assets	-	-	-	(99)
Mark to market on energy contracts	1	6	(5)	4
Provision for used nuclear fuel	5	7	15	29
Other	1	5	1	11
	<b>243</b>	436	<b>692</b>	1,014
Contributions to nuclear fixed asset removal and nuclear waste management funds	(82)	(107)	(340)	(229)
Expenditures on fixed asset removal and nuclear waste management	(17)	(17)	(48)	(69)
Contributions to pension fund	(41)	-	(121)	-
Expenditures on other post employment benefits	(15)	(14)	(38)	(37)
Expenditures on restructuring <i>(note 11)</i>	(10)	(23)	(54)	(95)
Net changes to other long-term assets and liabilities	(29)	(78)	(70)	(158)
Market Power Mitigation Agreement rebate payment	(806)	-	(1,565)	-
Changes in non-cash working capital balances <i>(note 14)</i>	115	249	1,470	108
<b>Cash flow provided by (used in) operating activities</b>	<b>(642)</b>	446	<b>(74)</b>	534
<b>Investing activities</b>				
Net proceeds from short-term investments	-	-	-	39
Proceeds on sale of decontrol fixed assets	-	-	1	342
Cash proceeds from sale of investments	17	15	58	29
Purchases of fixed assets	(139)	(209)	(459)	(575)
<b>Cash flow (used in) investing activities</b>	<b>(122)</b>	(194)	<b>(400)</b>	(165)
<b>Financing activities</b>				
Issuance of long-term debt <i>(note 5)</i>	-	138	52	138
Repayment of long-term debt	-	(1)	-	(1)
Dividends paid	-	-	(17)	(134)
Short-term notes issued	547	35	937	235
Short-term notes repaid	(642)	(35)	(1,109)	(235)
<b>Cash flow provided by (used in) financing activities</b>	<b>(95)</b>	137	<b>(137)</b>	3
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(859)</b>	389	<b>(611)</b>	372
<b>Cash and cash equivalents, beginning of period</b>	<b>872</b>	(17)	<b>624</b>	-
<b>Cash and cash equivalents, end of period</b>	<b>13</b>	372	<b>13</b>	372

See accompanying notes to the consolidated financial statements

## CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(millions of dollars)

	September 30 2003	December 31 2002
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	13	624
Accounts receivable	580	736
Note receivable (note 7)	-	225
Income taxes recoverable	26	80
Fuel inventory	559	514
Materials and supplies	71	80
	<u>1,249</u>	<u>2,259</u>
<b>Fixed assets</b>		
Property, plant and equipment	15,416	15,014
Less: accumulated depreciation	2,515	2,068
	<u>12,901</u>	<u>12,946</u>
<b>Other long-term assets</b>		
Deferred pension asset	430	305
Nuclear fixed asset removal and nuclear waste management funds (note 6)	5,065	4,537
Long-term materials and supplies	224	193
Long-term accounts receivable and other assets	73	59
	<u>5,792</u>	<u>5,094</u>
	<u>19,942</u>	<u>20,299</u>

See accompanying notes to the consolidated financial statements

## CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(millions of dollars)

	September 30 2003	December 31 2002
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued charges (note 10)	978	1,235
Market Power Mitigation Agreement rebate payable (note 3)	273	572
Short-term notes payable (note 4)	10	182
Deferred revenue due within one year	12	12
Long-term debt due within one year (note 5)	5	5
	<u>1,278</u>	<u>2,006</u>
<b>Long-term debt (note 5)</b>	<b>3,404</b>	<b>3,352</b>
<b>Other long-term liabilities</b>		
Fixed asset removal and nuclear waste management (note 6)	8,064	7,853
Other post employment benefits	1,021	958
Long-term accounts payable and accrued charges (note 10)	246	321
Deferred revenue	170	179
Future income taxes	268	247
	<u>9,769</u>	<u>9,558</u>
<b>Shareholder's equity</b>		
Common shares	5,126	5,126
Retained earnings	365	257
	<u>5,491</u>	<u>5,383</u>
	<u>19,942</u>	<u>20,299</u>
Commitments and Contingencies (note 15)		

See accompanying notes to the consolidated financial statements

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2003**

### **1. BASIS OF PRESENTATION**

These interim consolidated financial statements were prepared following the same accounting policies and methods as in the most recent annual consolidated financial statements. However, these financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles for annual financial statements. Accordingly, the interim consolidated financial statements should be read in conjunction with the most recently prepared annual consolidated financial statements for the year ended December 31, 2002.

Certain of the 2002 comparative amounts have been reclassified from financial statements previously presented to conform to the 2003 financial statement presentation.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Nuclear Fixed Asset Removal and Nuclear Waste Management Funds**

The Ontario Nuclear Funds Agreement ("ONFA") between OPG and the Province of Ontario (the "Province") requires segregated funds to be established in custodial accounts for funding the nuclear fixed asset removal and nuclear waste management liabilities. The segregated funds are invested in debt and equity securities which are treated as long-term investments and are accounted for at amortized cost. The segregated funds are reported as nuclear fixed asset removal and nuclear waste management funds in the consolidated balance sheets. Realized gains and losses on the segregated funds are recorded in earnings on nuclear fixed asset removal and nuclear waste management funds in the consolidated statements of income.

Following the establishment of the segregated funds in July 2003, the amount receivable from the Ontario Electricity Financial Corporation ("OEFC") is held in a custodial account in the form of an interest-bearing note and is included in the investments reported in the nuclear fixed asset removal and nuclear waste management funds. Previously, the receivable from the OEFC had been offset against fixed asset removal and nuclear waste management liabilities. Amounts as at December 31, 2002 have been reclassified to reflect this change.

#### **Accretion on Fixed Asset Removal and Nuclear Waste Management Liabilities**

Accretion arises because liabilities for fixed asset removal and nuclear waste management are reported on a net present value basis. Accretion expense is the increase in the carrying amount of the liabilities due to the passage of time and the effect of inflation on cost estimates.

Prior to the third quarter of 2003, OPG reported a revalorization charge that was comprised of accretion expense on the fixed asset removal and nuclear waste management liabilities, net of the earnings on the nuclear fixed asset removal and nuclear waste management funds and interest earned on the receivable from the OEFC. Beginning in the third quarter of 2003, the accretion expense and earnings on the nuclear fixed asset removal and nuclear waste management funds, including interest earned on the receivable from the OEFC, are disclosed separately in the consolidated statements of income. Prior periods were reclassified to reflect this change.

### 3. MARKET POWER MITIGATION AGREEMENT REBATE

Under OPG's generating licence, subject to regulatory approval, the Company has the ability to reduce the amount of energy subject to the Market Power Mitigation Agreement rebate by the transfer of effective control of certain of its generating facilities to other market participants. As OPG transfers effective control of facilities and meets certain milestones, it can apply to the Ontario Energy Board ("OEB") for an order determining that the transactions represent the transfer of effective control and thereby reduce a portion of the Market Power Mitigation Agreement rebate obligation.

In May 2001, OPG completed the agreement to lease its Bruce nuclear generating stations to Bruce Power L.P. ("Bruce Power") and in May 2002, completed the sale of four of its hydroelectric generating stations located on the Mississagi River to Mississagi Power Trust. In April 2003, in response to applications filed with the OEB, the OEB ruled that OPG had transferred effective control of the Bruce nuclear generating stations and the Mississagi River stations. Accordingly, the OEB agreed to a reduction in the amount of energy subject to the rebate. The approval of the applications reduces volumes subject to the Market Power Mitigation Agreement rebate for the twelve-month settlement period ended April 30, 2003 from 101.8 TWh to 81.4 TWh. This reduction in the amount of energy subject to the rebate mechanism also applies to the balance of the rebate obligation period. The reduction in volumes subject to the Market Power Mitigation Agreement rebate does not affect the rebate provided to customers under the Government's Business Protection Plan.

In accordance with the Market Power Mitigation Agreement, the rebate is calculated after taking into account the amount of energy sales subject to the rebate mechanism for only those generating stations that OPG continues to control. Since the average hourly spot price during the third quarter and nine month periods ended September 30, 2003 has exceeded the 3.8¢/kWh revenue cap, OPG provided \$192 million and \$1,266 million, respectively, as a Market Power Mitigation Agreement rebate (third quarter and nine month period ended September 30, 2002 – \$565 million).

The change in the Market Power Mitigation Agreement rebate liability for the nine months ended September 30, 2003 was as follows:

For the nine months ended September 30 <i>(millions of dollars)</i>	2003
Liability, as at December 31, 2002	572
Increase to provision during the period	1,266
Payments	(1,565)
Liability, as at September 30, 2003	273

### 4. SHORT-TERM CREDIT FACILITIES

In March 2003, OPG renewed its \$1,000 million revolving short-term committed credit facility. The credit facility has a revolving 364-day term, which can be extended for a two-year term. Notes issued under the Company's Commercial Paper program are supported by this credit facility.

## 5. LONG-TERM DEBT

Long-term debt consists of the following:

<i>(millions of dollars)</i>	<b>September 30 2003</b>	<b>December 31 2002</b>
Notes payable to the OEFC	<b>3,200</b>	3,200
Capital lease obligations	<b>20</b>	19
Share of limited partnership debt	<b>189</b>	138
	<b>3,409</b>	3,357
Less: capital lease obligations payable within one year	<b>5</b>	5
Long-term debt	<b>3,404</b>	3,352

In February 2003, the Company reached an agreement with the OEFC to defer payment on \$700 million principal amount of senior notes maturing in 2003 and 2004 by extending the maturity dates by two years. The interest rates remain unchanged. The maturity dates for notes payable to the OEFC are as follows:

<b>Year of Maturity</b>	<b>Interest Rate (%)</b>	<b>Principal Outstanding (<i>millions of dollars</i>)</b>		
		<b>Senior Notes</b>	<b>Subordinated Notes</b>	<b>Total</b>
2005	5.49	200	-	200
2005	5.71	300	-	300
2006	5.44	100	-	100
2006	5.62	300	-	300
2006	5.94	100	-	100
2006	5.78	300	-	300
2007	5.85	400	-	400
2008	5.90	400	-	400
2009	6.01	350	-	350
2010	6.60	-	375	375
2011	6.65	-	375	375
		2,450	750	3,200

Interest paid during the three months ended September 30, 2003 was \$97 million (three months ended September 30, 2002 - \$96 million), of which \$96 million (three months ended September 30, 2002 - \$95 million) relates to interest paid on long-term debt. Interest paid during the nine months ended September 30, 2003 was \$195 million (nine months ended September 30, 2002 - \$195 million), of which \$192 million (nine months ended September 30, 2002 - \$192 million) relates to interest paid on long-term debt.

## 6. FIXED ASSET REMOVAL AND NUCLEAR WASTE MANAGEMENT

The liability for fixed asset removal and nuclear waste management on a present value basis consists of the following:

<i>(millions of dollars)</i>	<b>September 30 2003</b>	<b>December 31 2002</b>
Liability for nuclear waste management	5,133	5,020
Liability for nuclear fixed asset removal	2,797	2,702
	<b>7,930</b>	7,722
Liability for non-nuclear fixed asset removal	134	131
	<b>8,064</b>	7,853

The change in the fixed asset removal and nuclear waste management liability for the nine months ended September 30, 2003 is as follows:

<i>(millions of dollars)</i>	<b>2003</b>
For the nine months ended September 30	
Liability, as at December 31, 2002	7,853
Increase in the liability due to accretion	318
Provision	15
Waste management expenditures	(48)
Balance sheet reclassification of expenditures	(41)
Amortization of cost estimate changes	(33)
	<b>8,064</b>
Liability, as at September 30, 2003	

On July 24, 2003, OPG and the Province completed arrangements pursuant to ONFA, which required the establishment of segregated funds to hold the nuclear fixed asset removal and nuclear waste management funds, for ONFA to take effect. To comply with ONFA, OPG transferred the majority of the assets in its existing nuclear fixed asset removal and nuclear waste management funds to new segregated funds held in custodial accounts. In addition, the receivable due from the OEFC of \$3.1 billion was transferred into the segregated funds in the form of \$1.2 billion paid in cash and a \$1.9 billion interest bearing note receivable.

The nuclear fixed asset removal and nuclear waste management funds consist of the following:

<i>(millions of dollars)</i>	<b>September 30 2003</b>
Decommissioning fund	3,609
Used Fuel fund	1,456
	<b>5,065</b>

Effective as at July 31, 2003, the Province issued a guarantee to the Canadian Nuclear and Safety Commission ("CNSC"), on behalf of OPG, for approximately \$1.51 billion. The guarantee, taken together with the establishment of the new segregated custodial funds, were in satisfaction of OPG's nuclear licencing requirements with the CNSC. OPG pays the Province an annual guarantee fee of 0.5 per cent of the amount guaranteed by the Province.

Under ONFA, the Province guarantees OPG's return in the Used Fuel fund at Ontario CPI plus 3.25 per cent ("committed return"). The difference between the committed return on the Used Fuel fund and the actual net return, based on the fair value of fund assets, which includes realized and unrealized returns, is due to or due from the Province. Since OPG accounts for the investments in the funds on an amortized cost basis, the amount due to or due from the Province recorded in the consolidated financial statements is the difference between the committed return and the actual return based on realized returns only. At September 30, 2003, the Used Fuel fund assets included a receivable from the Province of \$6 million. If the investments in the Used Fuel fund were accounted for at fair market value in the consolidated financial statements, at September 30, 2003, there would be an amount due from the Province of \$1 million.

The fair values and the amortized cost of the securities invested in the segregated funds, which include the Used Fuel and Decommissioning funds, as at September 30, 2003 are as follows:

<i>(millions of dollars)</i>	<b>Amortized Cost Basis</b>	<b>Fair Value</b>
Cash and cash equivalents	153	153
Marketable equity securities	2,467	2,473
Bonds and debentures	572	578
Receivable from the OEFC	1,869	1,869
Administrative expense payable	(2)	(2)
	<b>5,059</b>	<b>5,071</b>
Due from Province	6	1
<b>Total</b>	<b>5,065</b>	<b>5,072</b>

The bonds and debentures mature according to the following schedule:

<i>(millions of dollars)</i>	<b>Fair Value</b>
At September 30, 2003	
Less than 1 year	-
1 - 5 years	183
5 - 10 years	253
More than 10 years	142
<b>Total maturities of debt securities</b>	<b>578</b>

The receivable of \$1,869 million from the OEFC does not have a specified maturity date.

Under ONFA, OPG is also obligated to fund any shortfall in returns in the Decommissioning fund below 5.75 per cent when the Decommissioning fund is underfunded, as compared to the decommissioning liability. There are currently no amounts owing.

## **7. DECONTROL AND OTHER INITIATIVES**

### **Bruce Power – Change in Ownership**

In May 2001, OPG leased its Bruce A and Bruce B nuclear generating stations to Bruce Power until 2018, with an option to renew for up to another 25 years. In December 2002, British Energy plc. entered into an agreement to dispose of its entire 82.4 per cent interest in Bruce Power. The transaction was completed in February 2003 and a consortium of Canadian companies assumed the lease of the Bruce A and Bruce B nuclear generating stations that were formerly held by British Energy. The Bruce facilities will continue to be operated by Bruce Power. Upon closing of the transaction, the \$225 million note receivable was paid to OPG, and lease payments commenced to be paid monthly. Proceeds from the note are to be applied by March 2008 against OPG's funding requirements with respect to the nuclear fixed asset removal and nuclear waste management liabilities. In addition, for 2004 through 2008, minimum payments under the lease are \$190 million annually, subject to limited exceptions. The remaining terms of the operating lease agreement remain substantially unchanged.

### **Other Decontrol Activities and Initiatives**

During the provincial election campaign, statements and political platforms referenced OPG's operations. This included statements with respect to decontrol initiatives. OPG awaits shareholder direction with respect to decontrol and other matters.

## **8. DERIVATIVE FINANCIAL INSTRUMENTS, CREDIT RISK, AND RISK MANAGEMENT INSTRUMENTS**

Fair values of derivative instruments have been estimated by reference to quoted market prices for actual or similar instruments where available. Where quoted market prices are not available, OPG considers various factors to estimate forward prices, including market prices and price volatility in neighbouring electricity markets, market prices for fuel, and other factors.

Trading activities and liquidity in the Ontario electricity market have been limited as companies are generally entering only into short-term contracts. As a result, forward pricing information for contracts may not accurately represent the cost to enter into these contracts. For Ontario based contracts that are not entered into for hedging purposes, OPG established liquidity reserves against the fair market value of the assets and liabilities equal to the gain or loss on these contracts. These reserves reduced Energy Marketing revenue for the nine months ended September 30, 2003 by \$5 million. Contracts outside of Ontario continue to be carried on the balance sheet as assets or liabilities at fair value with changes in fair value recorded in Energy Marketing revenue as gains or losses.

*Derivative instruments used for hedging purposes*

The following table provides the estimated fair value of derivative instruments designated as hedges. The majority of OPG's derivative instruments are treated as hedges, with gains or losses recognized over the term of the contract when the underlying transactions occur. The Company uses financial commodity derivatives primarily to hedge the commodity price exposure associated with changes in the price of electricity.

<i>(millions of dollars)</i>	September 30, 2003			December 31, 2002		
	Notional quantity	Terms	Fair Value	Notional quantity	Terms	Fair Value
Gain/(loss)						
Electricity derivative instruments	24 TWh	1-4 yrs	(61)	37.9 TWh	1-4 yrs	(144)
Foreign exchange derivative instruments	\$165 US	1-4 months	(18)	\$179 US	Apr/03	4
Option to purchase emission reduction credits	3,000,000 tonnes	2003-2004	-	6,000,000 tonnes	2003-2004	1

*Derivative instruments not used for hedging purposes*

The carrying amount (fair value) of derivative instruments not used for hedging purposes is as follows:

<i>(millions of dollars)</i>	September 30, 2003		December 31, 2002	
	Notional quantity	Fair Value	Notional quantity	Fair Value
Commodity derivative instruments				
Assets	11.1 TWh	7	7.7 TWh	10
Liabilities	0.7 TWh	(6)	2.9 TWh	(14)
		1		(4)
Ontario market liquidity reserve		(5)		(7)
Total		(4)		(11)

**9. DEPRECIATION AND AMORTIZATION**

Depreciation and amortization expense for the three months ended September 30, 2003 and 2002 consists of the following:

For the three months ended September 30	2003	2002
<i>(millions of dollars)</i>		
Depreciation	156	147
Nuclear waste management costs	1	1
Change in estimate of the nuclear waste management liability	(12)	(6)
	145	142

Depreciation and amortization expense for the nine months ended September 30, 2003 and 2002 consists of the following:

For the nine months ended September 30 (millions of dollars)	2003	2002
Depreciation	458	436
Nuclear waste management costs	2	4
Change in estimate of the nuclear waste management liability	(36)	(17)
	424	423

## 10. TRANSITION RATE OPTION CONTRACTS

Under a regulation known as Transition – Generation Corporation Designated Rate Options (“TRO”), OPG is required to provide transitional price relief upon market opening to certain power customers based on the consumption and average price paid by each customer during a reference period from July 1, 1999 to June 30, 2000. The TRO is treated as a hedge of generation revenue. The maximum anticipated volume subject to the transitional price relief is approximately 5.4 TWh in the first year after market opening, 3.6 TWh in the second year and 1.8 TWh in each of the third and fourth years. The maximum length of the program is four years, with the possibility that it will expire after only two years if certain decontrol targets are met.

A provision of \$210 million for the TRO contracts was recorded in the first quarter of 2002 related to the anticipated future losses on these contracts. The provision was determined during the first quarter of 2002 using management’s best estimates of the forward price curve for electricity, wholesale electricity market fees, impact of decontrol on the contracts, interruptions of volume, and the recovery of Market Power Mitigation Agreement rebates. It is possible that actual results experienced may differ materially from the estimated amounts. The provision will be reduced over the term of the contracts based on volume and will be recorded in revenue.

For the three months ended September 30, 2003, the provision has been reduced by \$16 million (2002 - \$25 million). For the nine month period ended September 30, 2003, the provision was reduced by \$58 million (2002 - \$43 million). At September 30, 2003, the current portion of the provision for loss on these contracts was \$74 million (December 31, 2002 - \$82 million) and was included in accounts payable and accrued charges. The long-term portion of the provision, which was included in long-term accounts payable and accrued charges, was \$12 million (December 31, 2002 - \$62 million).

The provision for the TRO contracts was estimated based on meeting decontrol targets within three years of market opening. Depending on the status of decontrol initiatives, there is a potential for a charge of approximately \$35 million related to the fourth year of the TRO contracts.

## 11. RESTRUCTURING

In 2001, OPG approved a restructuring plan designed to improve OPG’s future competitiveness. The restructuring program relates to an anticipated reduction in the workforce over a three to four year period. Cumulative restructuring charges under the 2001 plan of \$289 million included severance costs of \$254 million and related pension and other post employment benefit expenses of \$35 million. Pension and other post employment benefit expenses, recorded as part of restructuring, are included in the deferred pension asset and other post employment benefits on the balance sheet.

The change in the restructuring liability for severance for the nine months ended September 30, 2003 is as follows:

For the nine months ended September 30 <i>(millions of dollars)</i>	<b>2003</b>
Liability, as at December 31, 2002	<b>120</b>
Payments during the period	<b>(54)</b>
<b>Liability, as at September 30, 2003</b>	<b>66</b>

During the third quarter of 2002, a restructuring charge for severance of \$12 million was recorded and severance payments totaled \$23 million. During the nine months ended September 30, 2002, restructuring charges of \$222 million were recorded, of which \$213 million related to severance and \$9 million related to pension and other post employment benefits and expenses. Severance payments during the 9 months ended September 30, 2003 totaled \$95 million.

## 12. BUSINESS SEGMENTS

Segment Income for the three months ended September 30, 2003 <i>(millions of dollars)</i>	Generation	Energy Marketing	Non-Energy and Other	Total
Revenues	1,143	13	68	1,224
Fuel	383	-	-	383
Gross margin	760	13	68	841
Operations, maintenance and administration	484	2	14	500
Pickering A return to service	50	-	-	50
Depreciation and amortization	118	-	27	145
Accretion on fixed asset removal and nuclear waste management liabilities	107	-	-	107
Earnings on nuclear fixed asset removal and nuclear waste management funds	(74)	-	-	(74)
Property and capital taxes	24	-	3	27
Operating income	51	11	24	86
Other income	-	-	17	17
Net interest expense	-	-	39	39
<b>Income before income taxes</b>	<b>51</b>	<b>11</b>	<b>2</b>	<b>64</b>

<b>Segment Income for the three months ended September 30, 2002</b>	<b>Generation</b>	<b>Energy Marketing</b>	<b>Non-Energy and Other</b>	<b>Total</b>
<i>(millions of dollars)</i>				
Revenues	1,504	31	77	1,612
Fuel	412	-	-	412
Gross margin	1,092	31	77	1,200
Operations, maintenance and administration	457	1	11	469
Pickering A return to service	112	-	-	112
Depreciation and amortization	118	-	24	142
Accretion on fixed asset removal and nuclear waste management liabilities	106	-	-	106
Earnings on nuclear fixed asset removal and nuclear waste management funds	(60)	-	-	(60)
Property and capital taxes	26	-	3	29
Operating income before restructuring	333	30	39	402
Restructuring	-	-	12	12
Operating income	333	30	27	390
Other income	-	-	11	11
Net interest expense	-	-	36	36
Income before income taxes	333	30	2	365

<b>Segment Income for the nine months ended September 30, 2003</b>	<b>Generation</b>	<b>Energy Marketing</b>	<b>Non-Energy and Other</b>	<b>Total</b>
<i>(millions of dollars)</i>				
Revenues	3,669	55	226	3,950
Fuel	1,265	-	-	1,265
Gross margin	2,404	55	226	2,685
Operations, maintenance and administration	1,535	6	38	1,579
Pickering A return to service	220	-	-	220
Depreciation and amortization	340	-	84	424
Accretion on fixed asset removal and nuclear waste management liabilities	318	-	-	318
Earnings on nuclear fixed asset and nuclear waste management funds	(188)	-	-	(188)
Property and capital taxes	73	-	9	82
Operating income	106	49	95	250
Other income	-	-	58	58
Net interest expense	-	-	97	97
Income before income taxes	106	49	56	211

<b>Segment Income for the nine months ended September 30, 2002</b>	<b>Generation</b>	<b>Energy Marketing</b>	<b>Non-Energy and Other</b>	<b>Total</b>
<i>(millions of dollars)</i>				
Revenues	4,160	32	240	4,432
Fuel	1,147	-	-	1,147
Power purchased	290	-	-	290
Gross margin	2,723	32	240	2,995
Operations, maintenance and administration	1,440	3	43	1,486
Pickering A return to service	307	-	-	307
Depreciation and amortization	343	-	80	423
Accretion on fixed asset removal and nuclear waste management liabilities	321	-	-	321
Earnings on nuclear fixed asset removal and nuclear waste management funds	(178)	-	-	(178)
Property and capital taxes	79	-	9	88
Loss on transition rate option contracts	-	-	210	210
Operating income (loss) before restructuring	411	29	(102)	338
Restructuring	-	-	222	222
Operating income (loss)	411	29	(324)	116
Other income	-	-	117	117
Net interest expense	-	-	114	114
Income (loss) before income taxes	411	29	(321)	119

	<b>Generation</b>	<b>Energy Marketing</b>	<b>Non-Energy and Other</b>	<b>Total</b>
--	-------------------	-------------------------	-----------------------------	--------------

#### **Selected Balance Sheet Information**

*(millions of dollars)*

September 30, 2003				
Segment property, plant and equipment, net	<b>11,973</b>	-	<b>928</b>	<b>12,901</b>
December 31, 2002				
Segment property, plant and equipment, net	12,003	-	943	12,946

#### **Selected Cash Flow Information**

*(millions of dollars)*

Three months ended September 30, 2003				
Capital expenditures	<b>116</b>	-	<b>23</b>	<b>139</b>
Three months ended September 30, 2002				
Capital expenditures	179	-	30	209

	Generation	Energy Marketing	Non-Energy and Other	Total
<b>Selected Cash Flow Information</b>				
<i>(millions of dollars)</i>				
Nine months ended September 30, 2003				
Capital expenditures	397	-	62	459
Nine months ended September 30, 2002				
Capital expenditures	506	-	69	575

### 13. OTHER INCOME

Other income is comprised of the gain on sales from decontrol activities and other initiatives as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
<i>(millions of dollars)</i>				
Sale of long-term investments	17	-	58	-
Mississagi River generating stations	-	-	-	99
Nuclear Safety Analysis Division	-	11	-	11
Investment in New Horizon Systems Solutions Inc.	-	-	-	4
Investment in Kinectrics Inc.	-	-	-	3
	17	11	58	117

### 14. CHANGES IN NON-CASH WORKING CAPITAL BALANCES

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
<i>(millions of dollars)</i>				
Accounts receivable	18	(388)	156	201
Note receivable	-	-	225	-
Income taxes recoverable	(10)	143	54	66
Fuel inventory	(88)	8	(45)	(40)
Materials and supplies	3	-	2	(19)
Market power mitigation agreement rebate	192	563	1,266	563
Accounts payable and accrued charges	-	(77)	(188)	(663)
	115	249	1,470	108
<b>Supplementary Disclosure</b>				
Income taxes paid	9	-	17	40

## **15. GUARANTEES**

As part of normal business, OPG and certain subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries. Such agreements include guarantees, stand-by letters of credit and surety bonds. These agreements are entered into primarily to support or enhance the creditworthiness otherwise attributed to a subsidiary on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish the subsidiaries' intended commercial purposes.

OPG has provided limited guarantees in connection with the Brighton Beach financing. If the partnership fails to complete the project or meet certain performance tests by September 30, 2006, OPG may be required to repurchase its proportionate share of the outstanding debt, up to a total of \$202 million. OPG is also responsible for contributing its share of equity up to \$47 million and up to \$13 million of cost overruns as necessary. OPG has also provided guarantees relating to gas transport and other energy-based charges if the commercial operations date is delayed in certain circumstances; and debt service if the energy conversion agreement is terminated, from the date of such termination to the earlier of the entry into a replacement agreement and September 30, 2006.

## **16. PROVINCIAL ELECTION**

A provincial election was called on September 2, 2003. During the election campaign, statements and political platforms referenced OPG's operations and the Ontario electricity sector. Following the October 2, 2003 election, OPG will be discussing these matters with the new government and seeking direction of the shareholder in the near future.

## **17. SUBSEQUENT EVENT, SALE OF RECEIVABLES**

In October 2003, OPG entered into a revolving securitization agreement with an independent trust. Under this agreement, the Company has sold an undivided interest in certain trade receivables generated in the normal course of business. The initial net cash proceeds from this transaction were \$300 million that will be used by OPG in the operation of its business.

When the Company sold the receivables, it retained servicing rights and provided limited recourse, which constituted a retained interest in the sold receivables. OPG's incremental expenses relating to the servicing, administration and collection of the receivables are not material. Accordingly, no servicing liability will be recognized in the financial statements.