EPCOR UTILITIES INC.

Management's Discussion and Analysis

For six months ended June 30, 2025

EPCOR Utilities Inc.
Interim Management's Discussion and Analysis
June 30, 2025

This interim management's discussion and analysis (MD&A), dated July 30, 2025 should be read in conjunction with the unaudited condensed consolidated interim financial statements of EPCOR Utilities Inc. for the six months ended June 30, 2025 and 2024, including the cautionary statement regarding forward-looking information at the end of this MD&A, and the audited consolidated financial statements, MD&A, and Annual Information Form (AIF) for the year ended December 31, 2024. In this MD&A, any reference to "the Company", "EPCOR", "we" or "our", except where otherwise noted or the context otherwise indicates, means EPCOR Utilities Inc., together with its subsidiaries. Financial information in this MD&A is based on the unaudited condensed consolidated interim financial statements, which were prepared in accordance with International Accounting Standard – 34 "*Interim Financial Reporting*" as issued by International Accounting Standards Board (IASB) and is presented in Canadian dollars unless otherwise specified.

In accordance with its terms of reference, the Audit Committee of the Company's Board of Directors reviews the contents of the MD&A and recommends its approval by the Board of Directors. The Board of Directors approved this MD&A on July 30, 2025.

Overview of Business and Financial Results

The Company builds, owns and operates electrical, natural gas, and water transmission and distribution networks, water and wastewater treatment facilities, and sanitary and stormwater systems in North America. The Company also provides electricity, natural gas and water products and services to residential and commercial customers. The Company provides regulated and default supply electricity related services and sells electricity and natural gas to Alberta residential and commercial consumers under contracts through its Encor brand. In addition, EPCOR provides design, build, finance, operating and maintenance services for electrical, water and wastewater infrastructure for municipal and industrial customers in Canada and the United States (U.S.). EPCOR operates its business under the Water Services, Distribution and Transmission, Energy Services, North American Commercial Services and U.S. Regulated Water segments.

Net income was $151 million and $254 million for the three and six months ended June 30, 2025, compared with net income of $104 million and $208 million for the comparative periods in 2024, respectively. The increase of $47 million and $46 million for the three and six months ended June 30, 2025, respectively, was primarily due to higher Adjusted EBITDA (as described below) and fair value adjustments related to financial electricity purchase contracts, partially offset by higher depreciation and income tax expense. Additionally, for the six months ended June 30, 2025, there were higher transmission system access service charge net collections.

Adjusted EBITDA is a non-GAAP financial measure and is not a standardized financial measure under IFRS Accounting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and might not be comparable to similar financial measures disclosed by other issuers. It is described in the Adjusted EBITDA and Net Income section on page 3 of this MD&A.

Adjusted EBITDA was $311 million and $600 million for the three and six months ended June 30, 2025, compared with $274 million and $534 million for the comparative periods in 2024, respectively. The increase of $37 million and $66 million for the three and six months ended June 30, 2025, respectively, was primarily due to higher rates, consumption, customer growth, and regulated electricity margins, partially offset by higher staff costs.

Significant Events

SiEnergy Operating (SiEnergy) Acquires EPCOR's Texas Natural Gas Utility (Texas Gas)

On June 2, 2025, SiEnergy, a wholly owned subsidiary of Northwest Natural Holding Company, acquired 100% of the capital stock of Texas Gas from the Company under the terms of a Stock Purchase Agreement for $83 million (US$60 million). Texas Gas' assets, previously part of the NACS reportable segment, include 6,900 active customers, 7,300 metered connections, an additional 12,000 contracted future connections, and 353 miles of pipeline serving over 40 communities across seven counties northeast of Houston. The divestiture will allow the Company to focus on growing its water business in the U.S. The Company recognized a loss on divestiture of $3 million, included within loss on disposal of assets on the statement of comprehensive income. Related to the divestiture, included within income tax expense is a recovery of $8 million on the reversal of the deferred income tax liability, and current income tax expense of $8 million. The divestiture of Texas Gas did not have a material impact on the operating income of the Company for the three and six months ended June 30, 2025.

Appointment to the Board of Directors

Effective May 1, 2025, Valerie Berger and David Stanton were appointed to EPCOR's Board of Directors.

Material Accounting Policies Information

The unaudited condensed consolidated interim financial statements for the six months ended June 30, 2025 and 2024 have been prepared following the same accounting policies and methods as those used in preparing the Company's most recent annual consolidated financial statements.

Consolidated Results of Operations

Revenues

(Unaudited, $ millions)	Three months ended June 30, 2025	Three months ended June 30, 2024	Six months ended June 30, 2025	Six months ended June 30, 2024
Water Services segment	$ 229	$ 213	$ 435	$ 405
Distribution and Transmission segment	128	120	269	246
Energy Services segment	106	85	230	229
North American Commercial Services segment	191	358	441	719
U.S. Regulated Water segment	107	86	196	163
Other	1	2	2	3
Intersegment eliminations	(19)	(17)	(34)	(33)
Revenues	**$ 743**	**$ 847**	**$ 1,539**	**$ 1,732**

Consolidated revenues were lower by $104 million and $193 million for the three and six months ended June 30, 2025, respectively, compared with the corresponding periods in 2024 primarily due to the net impact of the following:

- Water Services segment revenues increased by $16 million and $30 million for the three and six months ended June 30, 2025, respectively, primarily due to higher consumption, rates and customer growth.
- Distribution and Transmission segment revenues increased by $8 million and $23 million for the three and six months ended June 30, 2025, respectively, primarily due to higher transmission system access service charge net collections and higher electricity distribution and transmission rates and distribution volumes.
- Energy Services segment revenues increased by $21 million and $1 million for the three and six months ended June 30, 2025, respectively, primarily due to increased competitive retail sites, partially offset by fewer regulated customer sites. For the three months ended June 30, 2025, the increase in revenues was additionally due to higher electricity rates. For the six months ended June 30, 2025, the increase was partially offset by lower electricity rates.
- North American Commercial Services segment revenues decreased by $167 million and $278 million for the three and six months ended June 30, 2025, respectively, primarily due to lower construction revenues for Projects Blue Sky and Sandow, partially offset by foreign exchange, and higher operation and maintenance

revenues, as Project Sandow reached substantial completion in October 2024.

- U.S. Regulated Water segment revenues increased by $21 million and $33 million for the three and six months ended June 30, 2025, respectively, primarily due to higher rates, consumption, customer growth and foreign exchange.

Adjusted EBITDA and Net Income

We use earnings before gain (loss) on disposal of assets, finance expenses, income tax recovery (expense), depreciation and amortization, changes in the fair value of derivative financial instruments, transmission system access service charge net collections, and other unusual items (collectively, Adjusted EBITDA) to discuss operating results for the Company's lines of business.

Change in fair value of derivative financial instruments represents the change in fair value of financial electricity purchase contracts between the electricity market forward prices and the contracted prices at the end of the reporting period, for the contracted volumes of electricity. Transmission system access service charge net collections are the difference between the transmission system access service charges paid to the provincial system operators and the transmission system access service charges collected from electricity retailers. Transmission system access service charge net collections are timing differences, which are collected from or returned to electricity retailers as the transmission system access service charges and customer billing determinants are finalized.

We believe that Adjusted EBITDA provides an indicator of the Company's ongoing ability to fund capital expenditures, to incur and service debt and to pay dividends to its shareholder and may be useful for external stakeholders in evaluating the operations and performance of the Company. Adjusted EBITDA is a non-GAAP financial measure and is not a standardized financial measure under IFRS and might not be comparable to similar financial measures disclosed by other issuers.

(Unaudited, $ millions)	**Three months ended June 30,**		**Six months ended June 30,**	
	2025	**2024**	**2025**	**2024**
Adjusted EBITDA by Segment				
Water Services segment	$ 137	$ 123	$ 256	$ 229
Distribution and Transmission segment	66	71	137	141
Energy Services segment	24	13	53	28
North American Commercial Services segment	21	17	42	41
U.S. Regulated Water segment	56	38	97	75
Other	7	12	15	20
Adjusted EBITDA	**311**	**274**	**600**	**534**
(Loss) gain on disposal of assets	(6)	(1)	(6)	3
Finance expenses	(52)	(51)	(105)	(101)
Income tax expense	(18)	(6)	(24)	(15)
Depreciation and amortization	(116)	(108)	(231)	(215)
Change in fair value of financial electricity purchase contracts	37	-	13	7
Transmission system access service charge net collections	(5)	(4)	7	(5)
Net income	**$ 151**	**$ 104**	**$ 254**	**$ 208**

Changes in each business segment's Adjusted EBITDA, for the three and six months ended June 30, 2025, compared with the corresponding periods in 2024, are described in Segment Results below. Explanations of the remaining significant variances in net income for the three and six months ended June 30, 2025, compared with the corresponding periods in 2024, are as follows:

- Higher loss on disposal of assets of $5 million and $9 million for the three and six months ended June 30, 2025, respectively, was primarily due to the loss on divestiture of Texas Gas (see Significant Events section).

- Higher finance expense of $1 million and $4 million for the three and six months ended June 30, 2025, respectively, was primarily due to interest expense on long-term debt issued in May and December 2024, partially offset by higher capitalized interest.
- Higher income tax expense of $12 million and $9 million for the three and six months ended June 30, 2025, respectively, was primarily due to higher income subject to tax in Canada and the U.S.
- Higher depreciation and amortization of $8 million and $16 million for the three and six months ended June 30, 2025, respectively, was primarily due to assets placed into service.
- Favourable change in the fair value of financial electricity purchase contracts of $37 million and $6 million for the three and six months ended June 30, 2025, respectively, was primarily due to electricity forward prices being higher than contracted prices in 2025. During the six months ended June 30, 2024, the unrealized gains of $7 million was primarily due to the reversal of prior period unrealized losses that settled in 2024, partially offset by forward prices being lower than contracted prices.
- Lower transmission system access service charge net collections of $1 million for the three months ended June 30, 2025, and higher transmission system access service charge net collections of $12 million for the six months ended June 30, 2025.

Segment Results

Water Services

(Unaudited, $ millions, including intersegment transactions)	Three months ended June 30,		Six months ended June 30,	
	2025	**2024**	**2025**	**2024**
Revenues	$ 229	$ 213	$ 435	$ 405
Expenses	142	137	279	270
Operating income	**87**	**76**	**156**	**135**
Exclude depreciation and amortization	50	47	100	94
Adjusted EBITDA	**$ 137**	**$ 123**	**$ 256**	**$ 229**

Water Services' Adjusted EBITDA increased by $14 million and $27 million for the three and six months ended June 30, 2025, respectively, compared with the corresponding periods in 2024, primarily due to higher rates, consumption and customer growth, partially offset by higher staff costs.

With the expiration of the EPCOR Drainage Services and Wastewater Treatment Bylaw on March 31, 2025, a new bylaw for these services was approved for the two-year and nine-month period from April 1, 2025 to December 31, 2027.

Distribution and Transmission

(Unaudited, $ millions, including intersegment transactions)	Three months ended June 30,		Six months ended June 30,	
	2025	**2024**	**2025**	**2024**
Revenues	$ 128	$ 120	$ 269	$ 246
Expenses	96	83	185	167
Operating income	**32**	**37**	**84**	**79**
Exclude depreciation and amortization	31	29	60	56
Exclude transmission system access service charge net collections	3	5	(7)	6
Adjusted EBITDA	**$ 66**	**$ 71**	**$ 137**	**$ 141**

Distribution and Transmission's Adjusted EBITDA decreased by $5 million and $4 million for the three and six months ended June 30, 2025, respectively, compared with the corresponding periods in 2024, primarily due to higher operating and staff costs and higher property taxes, partially offset by higher electricity distribution and transmission rates and distribution volumes.

EPCOR has the exclusive right to provide electricity distribution services in Edmonton under a 20-year franchise agreement between Distribution and Transmission and the City. The terms of the new franchise agreement required approval by City Council, received in November 2024, followed by final approval by the Alberta Utilities Commission (AUC). The AUC approved the franchise agreement, effective March 17, 2025 but directed EPCOR to refile the agreement no later than June 30, 2025 to include additional details related to the calculation of the franchise fee. EPCOR refiled with the AUC in accordance with the direction on June 19, 2025, and on July 15, 2025, received confirmation that EPCOR's refiling complied with the AUC's direction. The new agreement has a 10-year term with options to renew for two more terms of five years each.

Energy Services

(Unaudited, $ millions, including intersegment transactions)	Three months ended June 30,		Six months ended June 30,	
	2025	**2024**	**2025**	**2024**
Revenues	$ 106	$ 85	$ 230	$ 229
Expenses	47	74	168	198
Operating income	**59**	**11**	**62**	31
Exclude depreciation and amortization	2	2	4	4
Exclude change in fair value of financial electricity purchase contracts	(37)	-	(13)	(7)
Adjusted EBITDA	**$ 24**	**$ 13**	**$ 53**	**$ 28**

Energy Services' Adjusted EBITDA increased by $11 million and $25 million for the three and six months ended June 30, 2025, respectively, compared with the corresponding period in 2024, primarily due to higher regulated electricity margins.

Effective January 1, 2025, the Company began selling electricity under Rate of Last Resort (RoLR) Regulations under the Utilities Affordability Statues Amendment Act (the Act) introduced by the Government of Alberta during 2024. The RoLR replaced the previous Regulated Rate Option (RRO), and the Act is intended to provide stable default electricity rates by setting the rates for each regulated retailer once every two years with a 10% rate adjustment cap for the following two years. Electricity rates for the RoLR are fixed and the actual procurement cost to serve the RoLR customer electricity load are variable based on actual hourly spot pricing. EPCOR is actively managing the commodity price and volume exposures through financial electricity purchase contracts on an ongoing basis by optimizing the Company's total electricity requirements utilizing various contracts.

In November 2024, an application for 2025 Non-Energy interim rates was filed with the Alberta Utilities Commission (AUC) and subsequently approved in December 2024. The Non-Energy interim rates are effective from January 1, 2025. The 2025-2027 Non-Energy rate application was filed on July 17, 2025 and a decision is expected in Q1-2026. In conjunction with filing the 2025-2027 Non-Energy rate application, an application for revised 2025 Non-Energy interim rates was also filed with the AUC on July 17, 2025 and a decision on revised interim rates is expected in the third quarter of 2025.

North American Commercial Services

(Unaudited, $ millions, including intersegment transactions)	Three months ended June 30,		Six months ended June 30,	
	2025	**2024**	**2025**	**2024**
Revenues	$ 191	$ 358	$ 441	$ 719
Expenses	175	343	406	684
Operating income	**16**	**15**	**35**	**35**
Exclude depreciation and amortization	3	3	7	7
Exclude transmission system access service charge net collections	2	(1)	-	(1)
Adjusted EBITDA	**$ 21**	**$ 17**	**$ 42**	**$ 41**

North American Commercial Services' Adjusted EBITDA increased by $4 million and $1 million for the three and six months ended June 30, 2025, respectively, compared with the corresponding periods in 2024, primarily due to higher operation and maintenance margins, partially offset by lower commercial activity related to groundwater reservation fees. Lower construction revenues for the Samsung projects were offset by lower construction expenses resulting in a nominal change to construction margins.

U.S. Regulated Water

(Unaudited, $ millions, including intersegment transactions)	Three months ended June 30,		Six months ended June 30,	
	2025	**2024**	**2025**	**2024**
Revenues	$ 107	$ 86	$ 196	$ 163
Expenses	74	68	145	128
Operating income	**33**	**18**	**51**	**35**
Exclude depreciation and amortization	23	20	46	40
Adjusted EBITDA	**$ 56**	**$ 38**	**$ 97**	**$ 75**

U.S. Regulated Water's Adjusted EBITDA increased by $18 million and $22 million for the three and six months ended June 30, 2025, respectively, compared with the corresponding periods in 2024, primarily due to higher rates, consumption and customer growth. Additionally, net income for the six months ended June 30, 2025 is partially offset by higher staff costs.

In June 2024, the Company filed a rate case for the San Tan Water and Wastewater districts with the Arizona Corporation Commission, and on July 22, 2025, received a favourable decision for rates that will go into effect on August 1, 2025.

Capital Expenditures

(Unaudited, $ millions) **Six months ended June 30,**	**2025**	**2024**
Water Services segment	$ 202	$ 187
Distribution and Transmission segment	128	137
Energy Services segment	-	1
North American Commercial Services segment	39	20
U.S. Regulated Water segment	91	79
Other	12	7
Total capital expenditures	**$ 472**	**$ 431**

We continued to invest in our infrastructure assets to improve reliability and meet increasing treated water, sanitary and stormwater collection, wastewater treatment, electricity, and natural gas demands.

Consolidated Statements of Financial Position – Assets

(Unaudited, $ millions)	June 30, 2025	December 31, 2024	Increase (decrease)	Business divestiture[1]	Other	Explanation of primary changes
Cash	$ 86	$ 62	$ 24	$ -	$ 24	Refer to Liquidity and Capital Resources - Consolidated Statements of Cash Flows section.
Trade and other receivables	513	668	(155)	(1)	(154)	Decrease due to less construction activity and timing of energy receivables due to lower usage, partially offset by increased water receivables primarily due to seasonal consumption and timing of payments received.
Inventories	33	30	3	(1)	4	Immaterial
Other financial assets	631	633	(2)	-	(2)	Immaterial
Deferred tax assets	51	66	(15)	-	(15)	Decreases in non-capital loss carry forward balances resulting from higher income subject to tax in Canada.
Property, plant and equipment	14,526	14,408	118	(85)	203	Capital expenditures, partially offset by depreciation expense and foreign currency valuation adjustments.
Intangible assets and goodwill	526	548	(22)	-	(22)	Amortization expense and foreign currency valuation adjustments, partially offset by capital expenditures.
Total Assets	**$ 16,366**	**$ 16,415**	**$ (49)**	**$ (87)**	**$ 38**	

1. Impact of divestiture of Texas Gas (see Significant Events).

Consolidated Statements of Financial Position – Liabilities and Equity

(Unaudited, $ millions)	June 30, 2025	December 31, 2024	Increase (decrease)	Business divestiture[1]	Other	Explanation of primary changes
Trade and other payables	$ 654	$ 724	$ (70)	$ 7	$ (77)	Decrease due to lower construction activity, lower gas usage, partially offset by higher energy procurement costs.
Loans and borrowings	5,071	5,104	(33)	-	(33)	Net repayments of long-term debt and foreign currency valuation on U.S. debt.
Deferred revenue	5,252	5,258	(6)	-	(6)	Deferred revenue recognized and foreign currency valuation adjustments, partially offset by cash and asset contributions received.
Provisions	192	197	(5)	-	(5)	Lower employee benefit accruals, partially offset by receipt of construction advances net of refunds.
Other liabilities	162	183	(21)	-	(21)	Repayments of funding received under the RRO Stability Act and payments of lease liabilities.
Deferred tax liabilities	99	104	(5)	(8)	3	Immaterial
Equity	4,936	4,845	91	-	91	Comprehensive income less dividends.
Total Liabilities and Equity	**$ 16,366**	**$ 16,415**	**$ (49)**	**$ (1)**	**$ (48)**	

1. Impact of the Texas Gas divestiture (see Significant Events).

Liquidity and Capital Resources

Consolidated Statements of Cash Flows

(Unaudited, $ millions) **Cash inflows (outflows)** **Three months ended June 30,**	**2025**	**2024**	**Increase (decrease)**	**Explanation**
Operating	$ 159	$ 195	$ (36)	Decrease in non-cash working capital due to lower construction activity, change in fair value of financial electricity purchase contracts, partially offset by higher Adjusted EBITDA (as described above).
Investing	(171)	(265)	94	Lower cash outflows due to proceeds received from the Texas Gas divestiture, funding of the finance lease receivable related to Project Sandow in 2024, changes in non-cash investing working capital related to increased holdbacks payable and lower capital accrued liabilities, partially offset by higher capital expenditures in 2025.
Financing	6	16	(10)	Lower net debt issuances.
Opening cash	92	92	-	
Closing cash	**$ 86**	**$ 38**	**$ 48**	

(Unaudited, $ millions) **Cash inflows (outflows)** **Six months ended June 30,**	**2025**	**2024**	**Increase (decrease)**	**Explanation**
Operating	$ 507	$ 616	$ (109)	Decrease in non-cash operating working capital due to lower construction activity, partially offset by higher Adjusted EBITDA (as described above).
Investing	(339)	(561)	222	Lower cash outflows due to proceeds received from the Texas Gas divestiture, funding of the finance lease receivable related to Project Sandow in 2024, increased holdback payables and Samsung capital accruals in 2024, partially offset by higher capital expenditures in 2025.
Financing	(144)	(42)	(102)	Lower net debt issuances.
Opening cash	62	25	37	
Closing cash	**$ 86**	**$ 38**	**$ 48**	

Operating Activities and Liquidity

The Company maintains its financial position through rate-regulated utility and contracted operations, which generate stable cash flows.

The Company expects to have sufficient liquidity for the next twelve months, from a combination of available cash, funds from operations, issuance of commercial paper, private debt offerings and availability of liquidity from committed credit facilities described under the Financing section below to finance its plans and fund its obligations, including current liabilities in excess of current assets. Cash flows from operating activities would be impaired by events that cause severe damage to our facilities and would require unplanned cash outlays for system restoration repairs. Under those circumstances, more reliance would be placed on our credit facilities for working capital requirements until a regulatory approved recovery mechanism or insurance proceeds are put in place.

Capital Requirements and Contractual Obligations

There were no material changes to the Company's capital requirements or purchase obligations, including payments for the next five years and thereafter, from those previously disclosed in the 2024 annual MD&A, except as described below.

During the three months ended June 30, 2025, the Company signed an agreement to expand the capacity of water supplied by EPCOR 130 Project Inc, in the NACS reportable segment, for a commitment of $4 million, $35 million, and $29 million in 2025, 2026, and 2027, respectively.

Financing

Generally, our external financing is raised at the corporate level and invested in the operating business units. Our external financing has consisted of commercial paper issuance, bank loans under credit facilities, debentures payable to the City of Edmonton (the City) related to utility assets transferred from the City, debentures payable to other municipalities, senior unsecured debentures issued in Canada and U.S. private debt notes.

The Company has bank credit facilities which are used principally for the purpose of backing the Company's commercial paper program, issuance of bank loans for operational requirements and providing letters of credit, as outlined below:

(Unaudited, $ millions) **June 30, 2025**	**Expiry**	**Total facilities**	**Banking commercial paper issued**	**Letters of credit issued and other facility draws**	**Net amounts available**
Committed					
Syndicated bank credit facility[1]	November 2029	$ 750			
Bank credit facility[1]	November 2027	200			
Bank credit facility[1]	November 2028	150			
Total committed		$ 1,100	$ 150	$ -	$ 950
Uncommitted					
Bank credit facilities[2]	No expiry	340	-	44	296
Bank credit facility	No expiry	25	-	-	25
Total uncommitted		365	-	44	321
Total credit facilities		**$ 1,465**	**$ 150**	**$ 44**	**$ 1,271**

(Unaudited, $ millions) **December 31, 2024**	**Expiry**	**Total facilities**	**Banking commercial paper issued**	**Letters of credit issued and other facility draws**	**Net amounts available**
Committed					
Syndicated bank credit facility[1]	November 2029	$ 750			
Bank credit facility[1]	November 2027	200			
Bank credit facility[1]	November 2028	150			
Total committed		$ 1,100	$ 152	$ -	$ 948
Uncommitted					
Bank credit facilities[2]	No expiry	340	-	93	247
Bank credit facility	No expiry	25	-	-	25
Total uncommitted		365	-	93	272
Total credit facilities		**$ 1,465**	**$ 152**	**$ 93**	**$ 1,220**

1. The Company's committed bank credit facilities are available and can be used for direct borrowings, issuance of letters of credit and backstopping EPCOR's commercial paper program. The committed bank credit facilities

cannot be withdrawn by the lenders until expiry, provided that the Company operates within the related terms and covenants. The extension feature of EPCOR's committed bank credit facility gives the Company the option each year to re-price and extend the term of the facilities by one or more years subject to agreement with the lenders. The Company regularly monitors market conditions and may elect to enter into negotiations to extend the maturity dates. At June 30, 2025, commercial paper totalling $150 million (December 31, 2024 - $152 million) was issued and outstanding.

2. The Company's uncommitted bank credit facility consists of six bilateral credit facilities totalling $340 million (December 31, 2024 – totalling $340 million) which are restricted to letters of credit. At June 30, 2025, letters of credit totalling $44 million have been issued and outstanding (December 31, 2024 - $93 million) to meet the credit requirements of electricity market participants and to meet conditions of certain service agreements.

If the economy or capital market conditions were to deteriorate in the longer term, particularly in Canada and the U.S., the Company's ability to extend the maturity or revise the terms of bank credit facilities, arrange long-term financing for its capital expenditure programs and acquisitions, or refinance outstanding indebtedness when it matures could be adversely impacted. We believe that these circumstances have a low probability of occurring. We continually monitor our capital programs and operating costs to minimize the risk that the Company becomes short of cash or unable to honor its debt servicing obligations. If required, the Company would look to add temporary liquidity sources and reduce capital expenditures and operating costs.

Credit Ratings

EPCOR's current ratings from DBRS Morningstar are A (low)/stable for its senior unsecured debenture rating and R-1 (low)/stable for its short-term debt. EPCOR's current ratings from Fitch Ratings are A- for its issuer default rating and A for its instrument rating of EPCOR's senior unsecured debentures.

These credit ratings reflect the Company's ability to meet its financial obligations given the stable cash flows generated from the rate-regulated water, wastewater, natural gas, and electricity businesses. A credit rating downgrade for EPCOR could result in higher interest costs on new borrowings and reduce the availability of sources and tenor of investment capital.

Financial Covenants

EPCOR is currently in compliance with all of its financial covenants in relation to its committed bank credit facility, Canadian senior unsecured debentures and U.S. private debt notes. Based on current financial covenant calculations, the Company has sufficient borrowing capacity to fund current and long-term requirements. Although the risk is low, breaching these covenants could potentially result in a revocation of EPCOR's credit facilities causing a significant loss of access to liquidity or resulting in the Company's senior unsecured debentures and private debt notes becoming immediately due and payable causing the Company to find a means of funding which could include the sale of assets.

Risk Factors and Risk Management

This section should be read in conjunction with the Risk Factors and Risk Management section of the 2024 annual MD&A. Risk management is an ongoing process and we continually review our risks and look for ways to enhance our risk management processes. As part of ongoing risk management practices, the Company reviews current and developing events and proposed transactions to consider their impact on the risk profile of the Company. In the first quarter of 2025, the Company updated its risk assessment related to Significant Decline in Economy to reflect an increased likelihood of a recession compared with the end of 2024. As such, the Company has elevated the significance of this risk compared with the 2024 annual MD&A disclosure.

Litigation Update

The Company is not involved in any material litigation at this time.

Certification of Interim Filings

For purposes of certain Canadian securities regulations, EPCOR is a venture issuer. As such, it is exempt from certain of the requirements of National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings. EPCOR's Certifications of Interim Filings - Venture Issuer Basic Certificate include a note to reader stating that the certifying officers are not making any representations to the establishment or maintenance of disclosure controls and procedures and internal controls over financial reporting.

The Chief Executive Officer and Chief Financial Officer have reviewed the unaudited condensed consolidated interim financial statements and interim MD&A, for the six months ended June 30, 2025. Based on their knowledge and exercise of reasonable diligence, they have concluded that the interim filings do not contain any untrue statement of a material fact or omit to state a material fact and that these documents fairly present in all material respects the financial condition, financial performance and cash flows of the Company as of the date of and for the periods presented.

Critical Accounting Estimates

In preparing the unaudited condensed consolidated interim financial statements, management necessarily made judgments, estimates and assumptions in determining transaction amounts and financial statement balances. Consequently, actual results may differ from these estimates and interim results are not necessarily indicative of annual results. There have been no significant changes to EPCOR's use of judgments and estimates as described in our 2024 consolidated financial statements and MD&A.

For further information on the Company's other critical accounting estimates, refer to the consolidated financial statements and MD&A for the year ended December 31, 2024.

Outlook

For the remainder of 2025, EPCOR will focus on the expansion and construction of wastewater treatment plants and water treatment plants and will continue to target growth in rate-regulated and contracted water, wastewater, and electricity infrastructure. We expect much of this investment to come from lifecycle replacement of existing infrastructure primarily related to the Edmonton and U.S. based operations and new infrastructure. The Company also intends to expand its water and electricity commercial services activities. The Company may review its operations from time-to-time and divest of those that are no longer viewed as strategic. As noted in the Energy Services segment, EPCOR has entered into financial purchase contracts to manage the Company's risks associated with the RoLR customer electricity loads related to commodity price and volume exposures in 2025 and 2026, and commodity price exposures in 2027 and 2028. The Company will continue to actively manage these risks for future periods on an ongoing basis by optimizing the Company's total electricity requirements utilizing various contracts. The Company's dividend has been increased by 4.1% from $193 million in 2024 to $201 million in 2025.

Quarterly Results

(Unaudited, $ millions)	**June 30, 2025**	**March 31, 2025**	**December 31, 2024**	**September 30, 2024**
Revenues	$ 743	$ 796	$ 796	$ 867
Expenses	516	634	623	673
Operating income	**227**	**162**	**173**	**194**
Loss on disposal of assets	(6)	-	(23)	-
Finance expenses	(52)	(53)	(54)	(52)
Income tax expense	(18)	(6)	(8)	(11)
Net income	**$ 151**	**$ 103**	**$ 88**	**$ 131**

(Unaudited, $ millions)	**June 30, 2024**	**March 31, 2024**	**December 31, 2023**	**September 30, 2023**
Revenues	$ 847	$ 885	$ 1,078	$ 1,213
Expenses	685	726	912	1,046
Operating income	**162**	**159**	**166**	**167**
(Loss) gain on disposal of assets	(1)	4	(9)	3
Finance expenses	(51)	(50)	(50)	(46)
Income tax expense	(6)	(9)	(12)	(6)
Net income	**$ 104**	**$ 104**	**$ 95**	**$ 118**

Quarterly results may fluctuate due to the seasonal demands for energy, water, related impact on sanitary system, changes in energy prices, and the timing and recognition of regulatory decisions.

Forward-looking Information

Certain information in this MD&A is forward-looking within the meaning of Canadian securities laws as it relates to anticipated financial performance, events or strategies. When used in this context, words such as “will”, “anticipate”, “believe”, “plan”, “intend”, “target”, and “expect” or similar words suggest future outcomes.

The purpose of forward-looking information is to provide investors with management’s assessment of future plans and possible outcomes and may not be appropriate for other purposes. Material forward-looking information within this MD&A, including related material factors or assumptions and risk factors, are noted in the table below:

Forward-looking Information	Material Factors or Assumptions	Risk Factors
The Company expects to have sufficient liquidity to finance its plans and fund its obligations, including current liabilities in excess of current assets, for next twelve months.	EPCOR is able to generate the expected cash flow from operations and various means of funding remain available to the Company.	EPCOR’s operations do not generate the expected level of cash flow and/or circumstances arise, limiting or restricting the Company’s ability to access funds through the various means otherwise available.
The Company signed PAs with Samsung for Projects Sandow and Blue Sky, respectively. Substantial completion was reached in October 2024 for Project Sandow and construction continues on Project Blue Sky. The operation and maintenance period of 30 years will follow final commissioning and startup.	The Company is able to complete the remaining work to design and build Projects Sandow and Blue Sky within the required timelines.	The Company is unable to complete the remaining work to design and build Projects Sandow and Blue Sky within the timelines agreed with Samsung.
The Company’s dividend has been increased to $201 million in 2025.	EPCOR is able to generate the expected cash flow from operations and various means of funding remain available to the Company. There is no further revision to the dividends to be paid to the City.	EPCOR is not able to generate the expected cash flow from operations and various means of funding are not available to the Company. There is a revision to the dividends to be paid to the City.

For further information on the Company’s forward-looking information, refer to the 2024 annual MD&A.

Whether actual results, performance or achievements will conform to the Company’s expectations and predictions is subject to a number of known and unknown risks and uncertainties, which could cause actual results to differ from expectations and are discussed in the Risk Factors and Risk Management section above.

Readers are cautioned not to place undue reliance on forward-looking statements as actual results could differ materially from the plans, expectations, estimates or intentions expressed in the forward-looking statements. Except as required by law, EPCOR disclaims any intention and assumes no obligation to update any forward-looking statement even if new information becomes available, as a result of future events or for any other reason.

Additional Information

Additional information relating to EPCOR, including the Company’s 2024 Annual Information Form, is available on SEDAR+ at www.sedarplus.ca.