

The Quarterly
SECOND QUARTER 2017



Message from the President and Chief Executive Officer

Net income for the quarter was

\$359

million

Customer satisfaction reached

91%

Net electricity exports totaled

17.5 TWh,

a historic volume for a first half-year period

For the second quarter of 2017, Hydro-Québec posted net income of \$359 million, a \$53-million increase compared to \$306 million in 2016. On markets outside Québec, Hydro-Québec Production's net electricity exports increased by \$101 million as a result of volume growth of 0.9 TWh over the same period last year, as well as more favorable market conditions. The first six months of 2017 were marked by a historic volume of net exports for a first half-year period: they totaled 17.5 TWh, or 2.9 TWh more than in 2016.

Since I joined Hydro-Québec two years ago, improving customer service and enhancing our customers' perceptions of the company have been my top priorities. Thanks to the expanded business hours we implemented last year at our customer relations centres, we're now better able to meet customer needs. For instance, we're now open on July 1. In 2017, our representatives answered 3,234 calls that day. Our customer satisfaction rating was 91% in the second quarter of 2017, up from 89% a year earlier. Maintaining a high satisfaction rating is still a primary goal, and I pride myself on always keeping it top of mind.

My often-stated intention to increase our power deliveries to markets in the US Northeast was well illustrated in July, when we submitted six options to meet Massachusetts's energy needs. We proposed either 100% hydropower or a hydro-wind supply blend over one of three new transmission lines. The aim of our proposal, which is in perfect keeping with the growth avenues I've chosen to ensure the company's long-term financial health, is to enable Massachusetts to benefit from a flexible, low-carbon energy source for the next 20 years.

In the second quarter, we launched a new ad campaign emphasizing the word *on*. After our initial *Welcome to Hydro-Québec* campaign, which restored communication with Quebecers, I felt it was important to go further, with a new concept designed to make everyone proud of our achievements. The campaign shows that Hydro-Québec is Quebecers' ally *par excellence* in the quest for a better future: we're a global leader in technological innovation and transportation electrification,

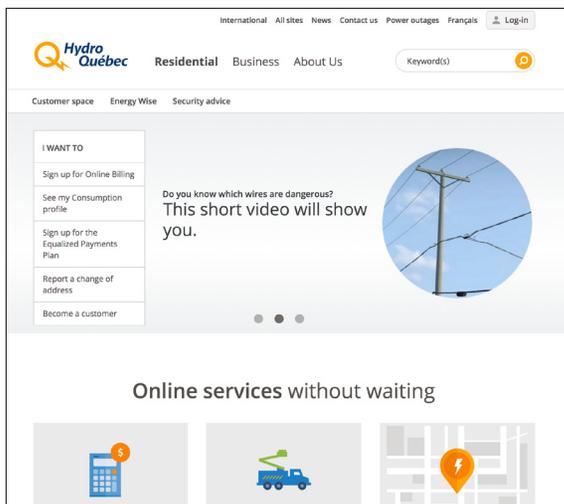


Éric Martel, President and CEO, at the ceremony officially designating Hydro-Québec's head office as the Édifice Jean-Lesage.

and we contribute to Québec's prosperity. With the word *on*, our ads underscore the reliable power that will take us farther in our collective effort to *Work better, Aim high, Build the future*.

The *Montréal ePrix* held July 29 and 30 in downtown Montréal offered us—the title sponsor—an exceptional showcase, as millions of spectators from around the world watched the race. I'm especially pleased that the event provided us with a unique opportunity to promote transportation electrification and the fight against climate change, while at the same time highlighting our technological expertise. Last but not least, I'd like to thank all the crews who mobilized to deal with the exceptional spring flooding we experienced. Their hard work and dedication were essential, as evidenced by the appreciation shown by many responders on the ground.

Highlights



According to the most recent E Source study of North American electric and gas utility Web sites, the **Hydro-Québec site's user-friendliness** and **optimization** for mobile devices made it **No. 1** in Canada and No. 21 in North America. A group of residential customers tested the usability of 114 Web sites between January and May 2017.

Hydro-Québec took **third prize** in the Program Marketing category of Chartwell's Best Practices Awards for its **Web campaign on free changes of address**. The awards recognize excellence among North American electric and gas utilities. Thanks to our campaign, the number of changes of address done on the Web went from 138,000 in 2015 to more than **220,000 in 2016**, thus reducing the number of calls and e-mail transactions.

Fifty-five years after its opening, Hydro-Québec's **head office** was designated the **Édifce Jean-Lesage** in memory of the **premier** behind the wide-ranging reforms of the **Quiet Revolution**, in particular granting Hydro-Québec the rights to exploit hydropower resources, starting construction of the Manic-Outardes complex and carrying out the second phase

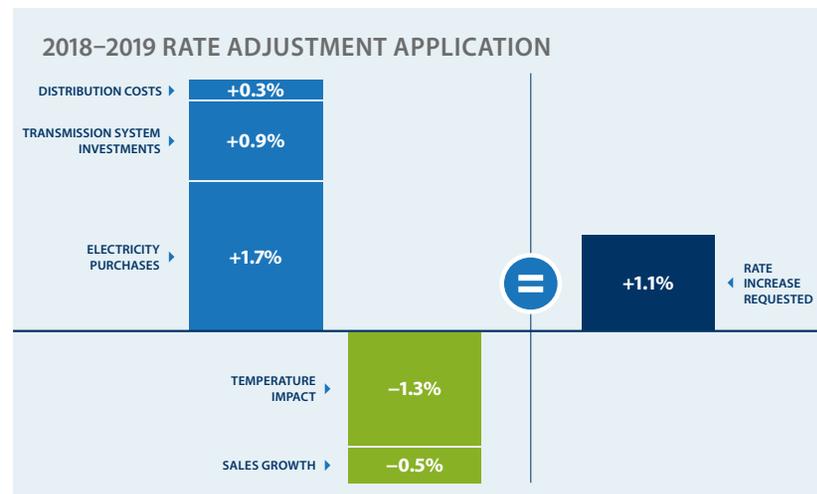
of the **nationalization of electricity** in Québec, which made us "*maîtres chez nous*" [masters in our own house].

In the **Îles-de-la-Madeleine**, the Québec government and Hydro-Québec have provided close to **\$2.5 million in financial assistance** to the Centre intégré de santé et de services sociaux des Îles for a **heat-recovery project** at the Hydro-Québec thermal power plant. The project will **reduce GHG emissions** by 1,555 t of CO₂ equivalent—as much as the emissions 457 cars.

Hydro-Québec won **two awards** in the OCTAS competition, which honors individuals, companies and organizations for their **creativity, energy** and exceptional contribution to the development of **information technology** in Québec: the **grand prize** in the Government Departments and Corporations category for the innovative analytical distribution system planning platform and, for the second year running, the **people's choice award**, this time for the Web-based Consumption Profile self-service option.

Hydro-Québec's **Sustainability Report 2015** was one of the **three winners** of CR Reporting Awards 2017 in **six categories: Best Report** (3rd), **Relevance & Materiality** (1st), **Creativity** in Communications (2nd), Best **Carbon Disclosure** (2nd), **Openness & Honesty** (3rd) and **Credibility** through Assurance (3rd).

In May 2017, Hydro-Québec hosted the **26th Global Sustainable Electricity Partnership (GSEP) Summit** in Montréal. This major event, whose theme was *Electricity As a Carbon Footprint Reduction Tool*, was chaired by our President and CEO, Éric Martel, and brought together the **heads of the world's largest power utilities**. At the end of the summit, a **common statement** urging the implementation of practical **solutions** for **decarbonizing** the economy was published.



The 2018-2019 rate application is in line with our commitment to keep rate increases at or below inflation. For homes heated with electricity, the requested adjustment would have an impact of \$0.47/month for an apartment, \$1.48/month for a small house, \$2.21/month for a midsize house and \$2.95/month for a large house.

FINANCIAL HIGHLIGHTS (\$M)

	Quarter ended March 31	Quarter ended June 30	Quarter ended September 30
Revenue	4,257	2,908	
Electricity sales in Québec	3,672	2,501	
Electricity sales outside Québec	514	326	
Other revenue	71	81	
Expenditure	2,097	1,934	
Financial expenses	617	615	
Net income	1,543	359	
Investments	652	884	

[DETAILED QUARTERLY FINANCIAL RESULTS AVAILABLE ON OUR WEB SITE](#)

