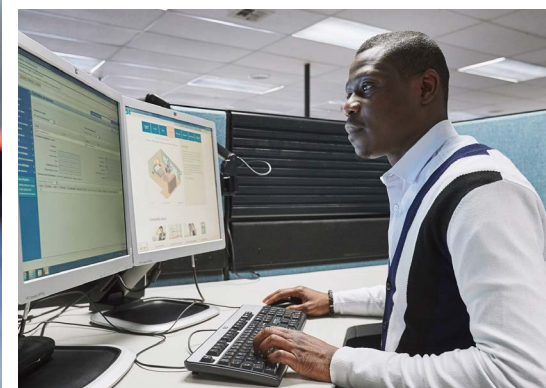


# The Quarterly

FIRST QUARTER 2017



## Message from the President and Chief Executive Officer

---

Net income for the quarter was

**\$1,543**  
million

---

Customer satisfaction reached

**93%**

---

Net electricity exports totaled

**10.1 TWh,**  
a historic quarterly high

---

Hydro-Québec posted net income of \$1,543 million for the first quarter of 2017. This is the fourth time in the company's history that net income has exceeded the \$1.5-billion mark for the first three months of the year. On markets outside Québec, Hydro-Québec Production recorded net exports of 10.1 TWh, a historic quarterly high and a 2.0-TWh increase compared to the same period of 2016. The previous record, set in third quarter 2016, was 9.8 TWh.

Customer satisfaction reached 93% during the quarter, compared to 87% for the same period last year. This encouraging improvement is motivation to continue our efforts to maintain a high satisfaction rate, which requires an ongoing commitment. I am personally seeing to it that all our energy is focused on this goal every day.

Similarly, the performance of our customer relations centres is constantly progressing. At March 31, 2017, the average call wait time was 47 seconds, compared to 99 seconds at December 31, 2016. As for the call service level, the proportion of calls answered in less than 180 seconds was 95%, compared to 83% at the end of last year. In late March, we launched a new advertising campaign via television, posters, social media and the Web. The ads highlight the fact that all Quebecers share in Hydro-Québec's success, and that the company is their ally *par excellence* in their quest for a better future. We wanted it more widely known that we're a global reference in technological innovation and transportation electrification. By focusing on these two themes, we aim to restore Quebecers' pride and rally their support for Hydro-Québec projects that contribute to the province's prosperity.

Precisely because Hydro-Québec is a leader in the energy revolution, we'll be the title sponsor for the *Montréal ePrix*, to be held in downtown Montréal on July 29 and 30. Hydro-Québec will supply 100% clean energy to all-electric race cars built by the world's biggest electric vehicle manufacturers. Through our involvement in this world-class event, we're actively promoting transportation electrification and helping the fight against climate change, while raising the visibility of our technological expertise. The event will be a prime showcase for the company, with nearly 15 million spectators across the globe.



---

Éric Martel, CEO, visiting a customer relations centre.

---

I recently announced our aim of delivering more electricity into markets in the U.S. Northeast. At present we're assessing new possibilities, including additional interties with Maine and Vermont. Increasing exports to New England is a win-win proposition. For Québec, it means a significant source of income that can help our company fulfill its commitment to double its revenue for the benefit of all Quebecers. For the New England states, Québec hydropower fulfills the need for reliable, low-carbon energy able to complement intermittent generating options, which makes it an excellent source of supply for customers in the region.

I'm constantly seeing signs that the Québec energy industry is rapidly evolving. With the decreasing cost of certain renewables, consumers who opt for alternative sources such as photovoltaic solar are becoming not only customer-generators but also empowered customers, capable of communicating in real time with an increasingly smart grid. We plan to play a leading role in this pivotal market disruption by taking on the challenges it represents, and doing so with boldness and determination.

# Highlights



In March, Hydro-Québec subsidiary **TM4** announced that it would be repositioning its operations to focus on motors for **buses** and other **heavy vehicles**, a high-potential market where TM4 is already quite successful. Its joint venture Prestolite Electric Propulsion Systems (PEPS), for instance, has seen its share of the Chinese market climb from 0.4% in 2015 to 4% in 2016, and anticipates reaching 7 or 8% this year.

**Google** has selected Montréal as one of its new Cloud Regions. This decision shows that, after Microsoft and Amazon, Google too wishes to enjoy some of the **considerable advantages** of locating in Québec. Hydro-Québec's **electricity rates** for data centres are highly competitive—only a quarter of the rates in California, for example. What's more, the Québec climate favors optimal use of cooling systems, which cuts operating costs.

**Eversource Energy** and **Hydro-Québec** reaffirmed their mutual and strong commitment to the **Northern Pass Transmission** project, which would deliver 1,090 MW of clean hydropower to New England. Hydro-Québec already supplies over 10% of New England's electricity, but can do more to help the region reach its ambitious carbon reduction targets.

Vincent-Michel Duval, Advisor – Marketing in the Direction – Électrification des transports, received a 2016 Technology Transfer Award from the Electric Power Research Institute (EPRI) for his contribution to **transportation electrification** and his participation in the work of EPRI. This tribute highlights the **expertise** that **Hydro-Québec** has acquired in electric transportation. The EPRI awards recognize leaders and innovators who have produced significant results in their field.

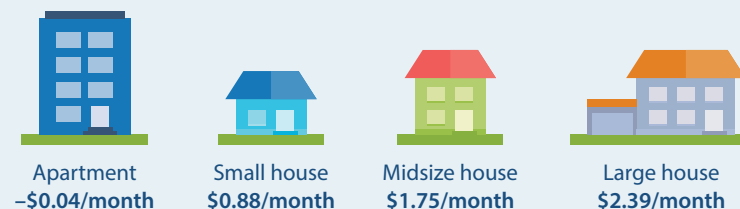
For a **second consecutive year**, Karim Zaghib, Director – Energy Storage and Conversion at Hydro-Québec's research institute, IREQ, has been included by Clarivate Analytics (formerly Thomson Reuters) on its list of **"The World's Most Influential Scientific Minds,"** one of the most prestigious honors in the scientific community. The distinction is awarded to the researchers most frequently cited by their peers in the past 11 years, indicating their exceptional impact in their field of research.

According to the **Ipsos-Infopresse** index, Hydro-Québec ranks **seventh** among the most influential brands in Québec, up from eleventh last year. The index measures brand impact on consumer life, among other things.



**The Electric Circuit**, the largest public charging network for electric vehicles in Québec, celebrated its **fifth anniversary** on March 30, 2017. The network has come a long way, from some 30 charging stations at the end of 2012 to over **800 stations** today, including 70 fast-charge stations, in nearly 200 municipalities across Québec.

## IMPACT ON HOMES HEATED WITH ELECTRICITY



Hydro-Québec has upheld its commitment to keep its electricity rate increase below inflation for the second year running. For the 2017–2018 rate year, the Régie de l'énergie approved an increase of 0.7%—one percentage point below the forecast inflation rate—for all residential customers and most business customers. The main reasons for the increase are higher maintenance costs and investments needed for transmission asset sustainment. Hydro-Québec's rates nonetheless remain the lowest in North America: people in Toronto pay twice as much and those in New York, four times as much.

## FINANCIAL HIGHLIGHTS (\$M)

	Quarter ended March 31	Quarter ended June 30	Quarter ended September 30
<b>Revenue</b>	<b>4,257</b>		
Electricity sales in Québec	3,672		
Electricity sales outside Québec	514		
Other revenue	71		
<b>Expenditure</b>	<b>2,097</b>		
<b>Financial expenses</b>	<b>617</b>		
<b>Net income</b>	<b>1,543</b>		
<b>Investments</b>	<b>652</b>		

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

