

CUE CARD 2016–2017

Hydro-Québec generates, transmits and distributes electricity. While using mainly hydroelectric generation, it supports the development of other technologies—such as wind energy and biomass—through purchases from independent power producers. Its transmission and distribution activities are regulated by the Régie de l'énergie. A responsible corporate citizen committed to sustainability, Hydro-Québec carries out construction projects to prepare for the future. It also conducts R&D in energy-related fields, including energy efficiency. Its sole shareholder is the Québec government, which guarantees most of its borrowings.

KEY ASSETS

Over 99% of power output generated from renewables	27 large reservoirs with a storage capacity of 176 TWh	Generating capacity of 36,908 MW	Average cost per kWh generated of 2.11¢*	Rates among the lowest in North America
---	--	---	---	---

* This indicator corresponds to the sum of generating, procurement and sales costs, divided by net sales volume.

CONSOLIDATED FINANCIAL INFORMATION¹

(C\$M)	2016	2015	2014	2013	2012
OPERATIONS					
Revenue	13,339	13,754	13,652	12,878	12,134
Expenditure					
Operations	2,438	2,527	2,366	2,460	2,375
Electricity and fuel purchases	1,866	1,938	1,968	1,568	1,183
Depreciation and amortization	2,597	2,713	2,593	2,483	2,405
Taxes	1,045	980	975	1,000	997
	7,946	8,158	7,902	7,511	6,960
Operating income	5,393	5,596	5,750	5,367	5,174
Financial expenses	2,532	2,449	2,425	2,429	2,438
Income from continuing operations	2,861	3,147	3,325	2,938	2,736
Income (loss) from discontinued operations²	–	–	–	4	(1,876)
Net income	2,861	3,147	3,325	2,942	860
DIVIDEND	2,146	2,360	2,535	2,207	645
BALANCE SHEET SUMMARY					
Total assets	75,167	75,199	73,108	73,110	70,508
Long-term debt, including current portion and perpetual debt	45,909	45,983	44,752	44,477	43,524
Equity	19,704	19,475	17,961	19,394	18,982
INVESTMENTS FOR CONTINUING OPERATIONS AFFECTING CASH					
Property, plant and equipment and intangible assets	3,460	3,440	3,815	4,335 ³	3,932 ³
FINANCIAL RATIOS⁴					
Return on equity from continuing operations (%)	13.1	14.9	16.1	14.6	14.6
Capitalization (%)	30.5	30.1	28.9	30.5	30.6
Profit margin from continuing operations (%)	21.4	22.9	24.4	22.8	22.5
Interest coverage	2.16	2.20	2.23	2.09	2.02
Self-financing (%)	58.8	82.8	56.4	68.3	55.4

1. The data for 2016 to 2014 are presented according to U.S. GAAP, while the data for prior years are presented according to Canadian GAAP, as published in the *Annual Report 2014*.

2. The discontinued operations are related to the 2012 decision to abandon the project to refurbish Gentilly-2 nuclear generating station and to terminate nuclear power operations.

3. Including the Energy Efficiency Plan.

4. Source: Hydro-Québec, *Annual Report 2016*, page 75.

OPERATING STATISTICS AND OTHER INFORMATION

Average rate increase (decrease) from January 1 to December 31 (%)	1.2⁵	3.2 ⁵	3.8 ⁵	1.7	(0.4)
Total installed capacity (MW)	36,908⁶	36,912	36,643	36,068	35,829
Total customer accounts	4,244,541	4,214,721	4,179,850	4,141,990	4,096,267
Total number of employees (excluding employees of subsidiaries and joint ventures)	19,552	19,794	20,043	20,243	21,596

5. Excluding Rate L.

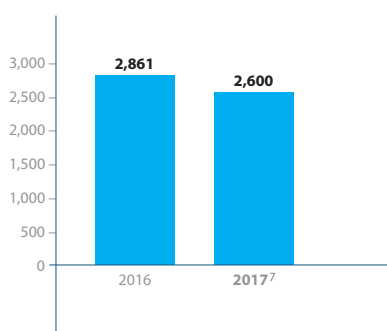
6. In addition to the generating capacity of its own facilities, Hydro-Québec has access to almost all the output from Churchill Falls generating station (5,428 MW) under a contract with Churchill Falls (Labrador) Corporation Limited that will remain in effect until 2041. It also purchases all the output from 39 wind farms (3,508 MW) and 5 small hydropower plants (65 MW) and almost all the output from 7 biomass and 3 biogas cogeneration plants (257 MW) operated by independent power producers. Moreover, 1,056 MW are available under long-term contracts with other suppliers.

2016 HIGHLIGHTS

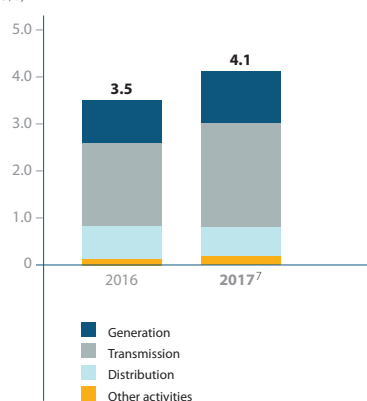
- Net electricity exports reached a historic high of 32.6 TWh, contributing \$803 million to net income.
- Hydro-Québec launched its *Strategic Plan 2016–2020*, which places customers at the heart of its priorities and sets new growth avenues for the company, including the acquisition of assets or stakes outside Québec.
- The company issued \$1.0 billion in fixed-rate medium-term notes at a cost of 1.1%, as well as variable-rate notes for a total amount of \$1.0 billion. Both series will mature in 2019.

2017 FINANCIAL OUTLOOK

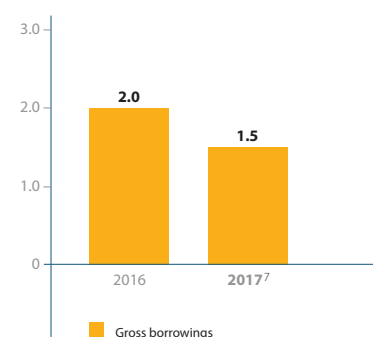
NET INCOME (CSM)



INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS⁸ (CSB)



FINANCING ACTIVITIES⁸ (CSB)



7. Forecasts.

8. Excluding investments related to new growth avenues.

HYDRO-QUÉBEC: A QUALITY INVESTMENT

Security	Debt Characteristics as at December 31, 2016	Credit Ratings as at December 31, 2016			
Unconditional guarantee by the Québec government on most of Hydro-Québec's debt (debentures, medium-term notes, commercial paper)	Average term: 17 years		Long-term debt	Commercial paper	Outlook/Trend
	Fixed rate ⁹ : 84.2%	Moody's	Aa2	P-1	Stable
	Floating rate ⁹ : 15.8%	Standard & Poor's	A+	A-1+	N/A ¹⁰
	Breakdown by repayment currency ⁹ : C\$ 100% US\$ 0%	Fitch Ratings	AA-	F1+	Stable
		DBRS	A (high)	R-1 (middle)	Stable

9. Including derivatives. Derivatives consist of swaps and forward contracts traded for long-term risk management related to debt. Breakdown by currency at time of issue is 78.9% in C\$ and 21.1% in US\$.

10. Standard & Poor's does not provide an outlook for Hydro-Québec's credit rating. However, the outlook it has given the Québec government, Hydro-Québec's shareholder and guarantor, went from "stable" to "positive" in 2016.

For more information, please consult our Web site: www.hydroquebec.com/investor-relations.
You can also contact the Investor Relations team by e-mail: rel.inv@hydro.qc.ca.

Ce document est également publié en français.
This is a translation of the original French text.