

## Cue Card 2005

Hydro-Québec is an integrated, government corporation, offering services in the energy sector. Its core mission is to supply Quebecers with the electricity they need. Hydro-Québec also conducts transactions on power markets in Northeastern North America, principally short-term electricity sales and purchases. The company manages the most extensive electricity transmission system in North America. Its activities in the electricity distribution and transmission sectors are regulated. Hydro-Québec maintains an international presence, in particular in South America, where it constructs and operates transmission systems and markets technological products. Hydro-Québec has a single shareholder: the Québec government, which guarantees almost all of its borrowings.

### Subsidiaries and Joint Ventures



### Key Statistics

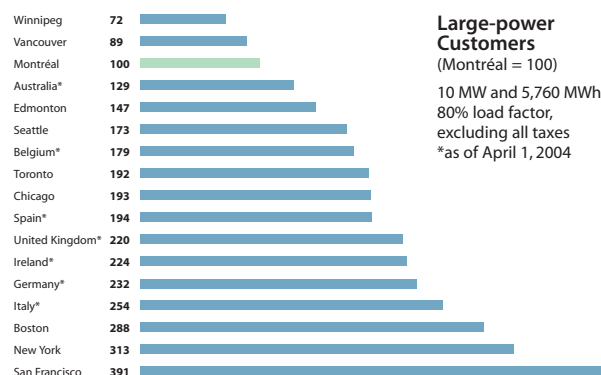
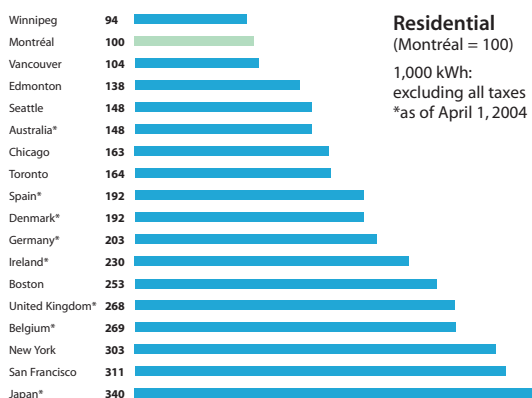
At December 31		2000	2001	2002	2003	2004
	(in Canadian dollars)					
Revenue	(millions)	10,575	11,497	12,153	10,509	10,698
Operating income	(millions)	4,337	4,337	4,523	4,546	4,402
Net income	(millions)	869 <sup>(1)</sup>	591 <sup>(1)</sup>	1,585 <sup>(1)</sup>	1,938 <sup>(1)</sup>	2,435
Investments in fixed assets and intangible assets	(millions)	1,769	1,769	2,393	3,052	3,226
Total assets	(billions)	58.9 <sup>(1)</sup>	58.7 <sup>(1)</sup>	59.1 <sup>(1)</sup>	57.7 <sup>(1)</sup>	58.0
Long-term debt	(billions)	35.0	37.3	36.7	34.4	32.5
Shareholder's equity	(billions)	13.5 <sup>(1)</sup>	13.5 <sup>(1)</sup>	14.2 <sup>(1)</sup>	15.1 <sup>(1)</sup>	16.2
Average cost of debt (before restatement)	(%)	9.0	8.8	8.2	8.0	7.3
Rate increase in force April 1	(%)	0	0	0	0	4.45
Installed capacity <sup>(2)</sup>	(MW)	32,655	32,654	32,661	33,616	33,892
Customer accounts	(thousands)	3,529	3,557	3,597	3,644	3,701
Employees	(thousands)	20.3	20.7	21.0	21.4	21.9
<b>Financial ratios</b>						
Interest coverage		1.36	1.42	1.56	1.65	1.72
Capitalization	(%)	25.0 <sup>(1)</sup>	24.9 <sup>(1)</sup>	26.2	29.9	32.8
Self-financing	(%)	46.4	50.4	70.7	53.1	74.2
Return on revenue	(%)	8.2 <sup>(1)</sup>	5.1 <sup>(1)</sup>	13.0 <sup>(1)</sup>	18.4 <sup>(1)</sup>	22.8
Return on equity	(%)	6.5 <sup>(1)</sup>	4.4 <sup>(1)</sup>	11.5 <sup>(1)</sup>	13.2 <sup>(1)</sup>	15.5

(1) The financial data have been restated following retroactive application of the standards for currency translation as well as for asset retirement obligations.

(2) In addition to the installed capacity of its own generating stations, Hydro-Québec has access to most of the output from Churchill Falls, which has a rated capacity of 5,428 MW, and to all of the output from 141 turbines at four wind farms with a total installed capacity of 111 MW.

### Competitive Rates

#### Index of Electricity Prices – January 1, 2004



\* At January 1, 2004

Sources: Hydro-Québec, Comparison of Electricity Prices in Major North American Cities, April 1, 2004, and EURELECTRIC, Electricity Tariffs as of 1 January 2004 (Published Tariffs).

## 2004 in brief

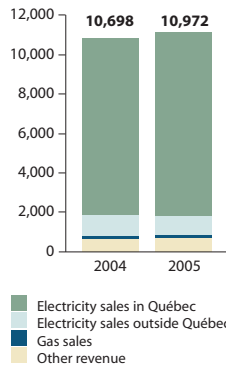
- Commissioning of Rocher-de-Grand-Mère generating station with an installed capacity of 230 MW.
- Signing of contracts with Bowater Canadian Forest Products Division (20.4 MW) and Kruger (19 MW) under Hydro-Québec Distribution's call for tenders to purchase electricity from biomass.
- Launch of a call for tenders on short-term markets for 250 MW, deliverable between January 1 and December 31, 2005.
- Start of draft-design studies for Romaine River hydroelectric development, a complex of four generating stations in the Lower North Shore region with a capacity of about 1,500 MW.
- Sale of Hydro-Québec's 50.38% interest in Noverco.
- Transelec, the largest transmission company in Chili and a Hydro-Québec subsidiary, inaugurates a 500-kV transmission system.
- Under a call for tenders to purchase electricity from wind power, Hydro-Québec Distribution chose eight submissions for a total of 990 MW.
- Launch of call for tenders to purchase 350 MW of electricity from cogeneration. First deliveries are expected in December 2008.
- Tabling of Energy Efficiency Plan 2005-2010; the Plan's energy-saving objective is at least 3 TWh.
- Tabling of Supply Plan 2005-2014, which describes the Québec load forecast for a 10-year period.
- Cancellation of construction of Le Suroît natural gas combined-cycle generating station by the Québec government.
- Tabling of environmental impact study for Eastmain-1-A and Sarcelle powerhouses and Rupert diversion.

## 2005 Financial Outlook

### Revenue

(in millions of C\$)

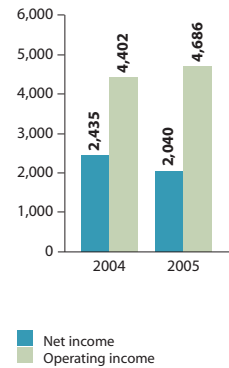
The rate adjustments for the 2005-2006 rate year and the anticipated growth in demand for electricity will contribute to higher revenue from electricity sales in Québec. Outside Québec, we intend to maintain a presence on the markets, relying on our prudent management of energy stocks.



### Net income

(in millions of C\$)

Net income expected for 2005 is likely to be below that for 2004, which was influenced by non-recurring items such as the sale of our interest in Noverco and a gain on exchange recognized when the natural cover between debts and sales in U.S. dollars was revised downward.

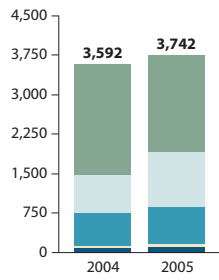


### Investments

(in millions of C\$)

Hydro-Québec expects to invest \$3.7 billion in fixed assets in 2005. As in 2004, a large part of this investment will be earmarked for the development of generating facilities.

■ Generation  
■ Transmission  
■ Distribution  
■ Construction  
■ Corporate and Other Activities

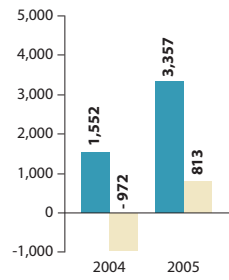


### Financing needs

(in millions of C\$)

We expect to borrow \$3.4 billion, taking into account debt maturities in the order of \$1.9 billion and cash flows generated by operating activities forecast at more than \$4.0 billion.

■ Gross borrowing  
■ Net borrowing or (repayment)



## Hydro-Québec: A quality investment

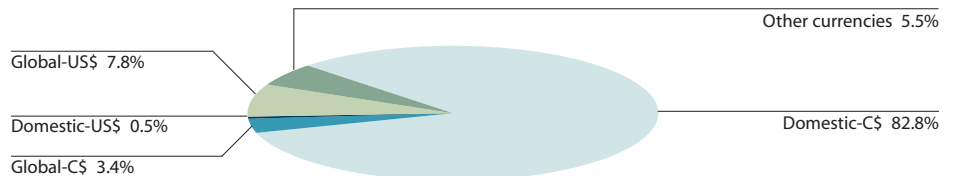
### Security

Explicit guarantee by the Québec government on the major portion of Hydro-Québec's debt (debentures, commercial paper, medium-term notes)

### Characteristics of the debt at December 31, 2004

Average term: 14.5 years  
 Fixed rate: 74.3%; Variable rate: 25.7%  
 Breakdown by repayment currency: C\$73.5%; US\$ 26.5%

### Diversity of financing sources 1998-2004



### Strong credit ratings

(December 31, 2004)

Long-term debt: Moody's A1; Standard & Poor's A+; Fitch Ratings AA-; DBRS A  
 Commercial paper: Moody's P-1; Standard & Poor's A-1+; Fitch Ratings F1+; DBRS R-1 (low)

For more information, please consult our Web site: [www.hydroquebec.com/financing](http://www.hydroquebec.com/financing)  
 You can also contact the Investor Relations team at the following e-mail address: [rel.inv@hydro.qc.ca](mailto:rel.inv@hydro.qc.ca)