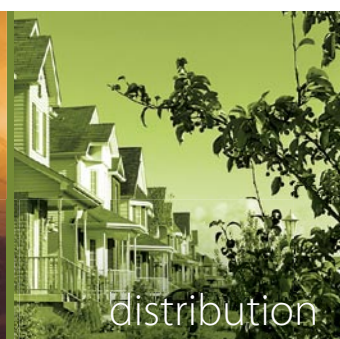
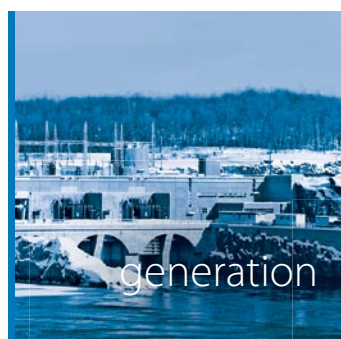


The *Strategic Plan 2006–2010* confirms Hydro-Québec’s commitment to sustainable development by emphasizing energy efficiency, complementary development of hydroelectricity and wind power, and technological innovation. Its success relies on the know-how and commitment of all employees.

Hydro-Québec Production	Hydro-Québec TransÉnergie	Hydro-Québec Distribution
<p>Objective 1 Increase hydroelectric generating capacity by accelerating project development</p> <ul style="list-style-type: none"> 1.1 Commission projects under construction in the shortest time possible 1.2 Build the Eastmain-1-A/Sarcelle/Rupert project in the shortest time possible 1.3 Create a portfolio of projects totaling 4,500 MW <p>Objective 2 Facilitate wind power integration</p> <ul style="list-style-type: none"> 2.1 Offer wind power integration service 2.2 Contribute to the development of wind power in tandem with hydroelectricity <p>Objective 3 Ensure the efficiency and reliability of the generating fleet</p> <ul style="list-style-type: none"> 3.1 Improve generating fleet efficiency through technological innovation 3.2 Begin refurbishment of Gentilly-2, if appropriate 3.3 Optimize sales and purchases on wholesale markets while complying with reliability criteria 	<p>Objective 1 Ensure transmission system reliability</p> <ul style="list-style-type: none"> 1.1 Meet the growing need for power transmission 1.2 Maintain transmission system reliability <p>Objective 2 Become a world benchmark for quality and reliability in wind power integration</p> <ul style="list-style-type: none"> 2.1 Ensure the reliable integration of wind power 2.2 Ensure an optimal and reliable contribution from wind farms in the Hydro-Québec system <p>Objective 3 Deploy new technologies to enhance performance</p> <ul style="list-style-type: none"> 3.1 Continue to implement new technologies 3.2 Align R&D with the division’s main priorities 3.3 Upgrade work practices to improve efficiency 	<p>Objective 1 Promote more efficient use of electricity</p> <ul style="list-style-type: none"> 1.1 Meet the Energy Efficiency Plan targets 1.2 Encourage better use of electricity to minimize supply costs <p>Objective 2 Increase customer satisfaction</p> <ul style="list-style-type: none"> 2.1 Practise active, transparent communication 2.2 Improve reliability of electricity service 2.3 Offer customers quality services suited to their needs 2.4 Upgrade work practices to improve efficiency 2.5 Improve help for customers who have serious difficulty making payments <p>Objective 3 Meet electricity needs by favoring renewable energy sources</p> <ul style="list-style-type: none"> 3.1 Ensure the full contribution of contracted wind power 3.2 Ensure a reliable supply to customers at the least cost



	2006	2007	2008	2009	2010
Net income* (\$M)	3,400	2,500	2,500	2,500	2,500
After water-power royalties of	–	265	545	563	596
Balance sheet (\$M)					
Total assets	61,622	60,658	62,292	64,284	66,045
Long-term debt	33,039	32,340	32,447	34,688	32,938
Other liabilities	9,957	8,442	8,719	7,220	9,481
Shareholder's equity	18,626	19,876	21,126	22,376	23,626
Cash flows (\$M)					
Capital investments**	(1,871)	(3,880)	(3,816)	(3,994)	(3,745)
Debt redemptions and maturities	(1,629)	(1,018)	(1,091)	(1,870)	(667)
Dividends paid	(1,126)	(2,150)	(1,250)	(1,250)	(1,250)
Operations	4,704	4,365	4,423	4,623	4,710
Financing***	(78)	2,683	1,734	2,491	952
Financial ratios					
Return on shareholder's equity (%)	18.9	13.0	12.2	11.5	10.9
Self-financing (%)	102.2	45.2	64.7	57.5	78.4
Interest coverage	2.25	1.92	1.87	1.85	1.84
Capitalization (%)	35.9	37.6	38.5	39.1	39.9
Rate increases projected for April 1 (%)		2.8	3.5	2.5	0.1

* The amount projected for 2006, \$3,400 million, includes unusual income of \$900 million from the disposal of international holdings and from their operations up to the date of the sale.

** The amount shown for 2006, \$1,871 million, corresponds to capital investments (\$3,965 million), minus projected funds related to the sale of assets (\$2,094 million). Excluding the sale of assets, capital investments for the 2006–2010 period total \$19,400 million.

*** Including net change in cash and short-term investments. For example, for 2006, the amount of -\$78 million takes into account long-term borrowings of \$2,341 million and the variation in cash and short-term investments due to inflows from the sale of assets.



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