



Message from the President and Chief Executive Officer

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QUARTER WAS

\$306
MILLION

THE CUSTOMER
SATISFACTION
INDEX REACHED

93%
IN SEPTEMBER

NET EXPORTS WERE

9.8 TWh,
A HISTORIC
QUARTERLY HIGH

OUR WORKFORCE OF

19,700
IS AT ITS LOWEST
LEVEL SINCE 1986

Hydro-Québec posted net income of \$306 million in the third quarter of 2016. On markets outside Québec, Hydro-Québec Production recorded net exports of 9.8 TWh, a historic quarterly high and a 1.4-TWh increase compared to the previous record, set in third quarter 2015. Good availability of generating and transmission facilities, combined with high runoff, enabled the division to seize several business opportunities, making it possible to completely offset the impact of lower prices on energy markets.

On September 20, I presented our *Strategic Plan 2016–2020* to the Committee on Agriculture, Fisheries, Energy and Natural Resources. I took the opportunity to express our sincere hope that Quebecers will take greater pride than ever in Hydro-Québec. They have many reasons to do so, including the fact that our residential rates are the lowest in North America and that over 99% of the energy we generate comes from a renewable source, making Hydro-Québec the envy of many electric utilities around the world.

It can't be overstated: our success on energy markets is due to the green resource we have at our disposal—water. Thanks to this resource, we recently negotiated our largest power supply agreement of the past 15 years. Under this agreement, we will sell 14 TWh of hydropower over a seven-year period, from 2017 to 2023, to Ontario's Independent Electricity System Operator (IESO), which oversees the province's electricity market and operates its power system.

I also mentioned to the parliamentary committee that upon my arrival at Hydro-Québec a year ago, overall public satisfaction with Hydro-Québec was at an all-time low. Things have greatly improved since then, with the customer satisfaction index reaching 93% in September. This positive result is a powerful incentive to do even better. I also pointed out that the company currently has approximately 19,700 employees, the lowest level since 1986. At that time, we served only 2.8 million customers, compared with 4.2 million today!



Éric Martel, President and Chief Executive Officer

Since I had the chance to do so, I explained to the committee members why our future growth depends on establishing a presence abroad, where we have an enviable reputation, and on innovation, an area in which we excel. To promote our innovation efforts, we recently launched a video that can be viewed on our Web site and on social media, including Facebook. It features employees from IREQ, our research institute, and TM4, our subsidiary that designs and commercializes some of the most efficient electric motors and control systems available on the market. The video provides information about the innovations we developed as well as their marketing prospects.

Our overall performance in recent months and the marked improvement in our customer services are closely tied to the commitment of our employees and senior managers, to whom I am very grateful.

Highlights

A contribution to Centraide // In September, we launched a promotion encouraging customers to choose Online Billing. Until December 6, 2016, for each customer who signs up for Online Billing, Hydro-Québec will donate \$3 to the Centraide organization in their region. In addition, all current users, who are automatically eligible, and all new Online Billing customers will be entered in a draw for a Chevrolet Volt. On August 31, 2016, 975,000 of our customers had opted for Online Billing. This translates into over 8.5 million fewer bills being printed each year.

A request for proposals // As called for in our *Strategic Plan 2016–2020*, Hydro-Québec issued a request for proposals for the purchase of electricity produced by residual forest biomass cogeneration to power the off-grid system in Obedjiwan, located northwest of La Tuque. The RFP was issued in partnership with the local Atikamekw community.

Our demand forecasts // Hydro-Québec has seen its customers become significantly more energy-efficient as they change their electricity use habits. This tendency is confirmed by the demand forecasts for the next 10 years released in the Electricity Supply Plan 2017–2026, which we filed with the Régie de l'énergie on November 1. Hydro-Québec anticipates average yearly growth of 0.4% in energy needs and 0.6% in capacity needs over that time.

A new agreement // Hydro-Québec's research institute, IREQ, and ENERCON Canada have signed an R&D partnering agreement on grid integration of wind power. The aim of the agreement is to advance understanding of the impacts on grids of new electronic wind turbine control systems in order to make wind power grid integration more reliable.

A new transmission line // The Régie de l'énergie recently authorized Hydro-Québec to build a 120-kV line to connect Grand-Brûlé substation, in Mont-Tremblant, to an existing 120-kV line running between Saint-Sauveur and Sainte-Agathe-des-Monts substations. The Régie believes this project will have a positive impact on the reliability of the transmission system as well as on its ability to meet the short- and long-term needs of customers in the Laurentides region.

Customer Twitter account:
Direct contact with our customers

LinkedIn: CEO's page with the latest news on the company and its priorities

Corporate Twitter account:
Active since 2013

Power Outages app:
Available for iOS and Android, and winner of the "IT Favorite" prize awarded at the OCTAS gala

New Web home page and Residential section:
Greater access to customer services

Welcome to Hydro-Québec campaign:

- 2,061 online responses to customer questions
- 211,156 video viewings

Social media, mobile app, Web site, online self-service and interactive voice response options, advertising—these are some of the tools that help us communicate better with our customers on an ongoing basis.

FINANCIAL HIGHLIGHTS (\$M)

	Quarter ended March 31	Quarter ended June 30	Quarter ended September 30
Revenue	4,302	2,815	2,740
Electricity sales in Québec	3,647	2,540	2,311
Electricity sales outside Québec	555	258	425
Other revenue	100	17	4
Expenditure	2,065	1,883	1,818
Financial expenses	653	626	616
Net income	1,584	306	306
Investments	618	844	846

→ DETAILED QUARTERLY FINANCIAL RESULTS AVAILABLE ON OUR WEB SITE