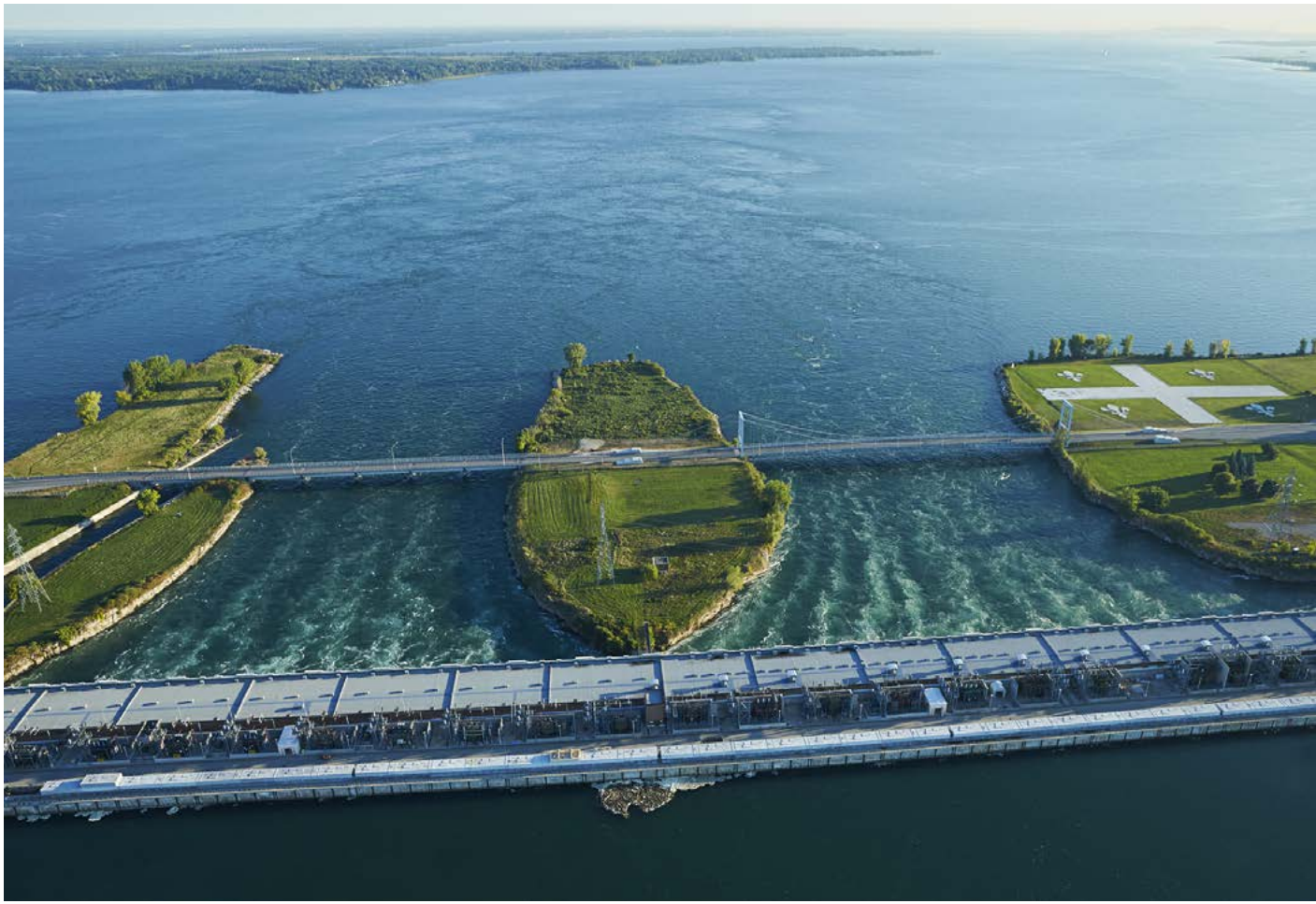
STRATEGIC PLAN 2016–2020

Setting new sights with our clean energy



Hydro Québec | WORKING BETTER every day

Our vision, mission and values

OUR VISION

Set new sights with our clean energy

OUR MISSION

We deliver reliable electric power and high-quality services. By developing hydraulic resources, we make a strong contribution to collective wealth and play a central role in the emergence of a low-carbon economy. As recognized leaders in hydropower and large transmission systems, we export clean, renewable power and commercialize our expertise and innovations on world markets.

OUR VALUES

- Achievement of targeted results
- Respect for our customers, employees and partners
- Authenticity
- Teamwork
- Integrity

Our objectives

Lay the groundwork to double our revenue over the next 15 years so as to increase profits

Be a benchmark in customer service

Contribute to Québec's economic development and energy transition

Keep rate increases lower than or equal to inflation

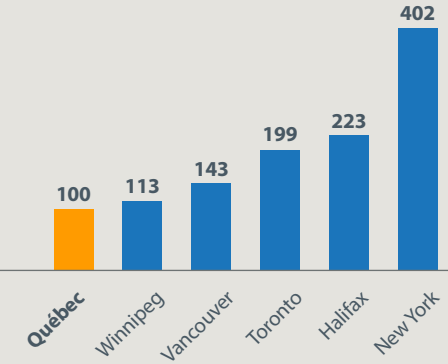
OUR REALITY

Every day, we provide you with renewable, affordable power.

ELECTRICITY: A KEY PART OF EVERYONE'S QUALITY OF LIFE

Our power output, over 99% of which is from clean, renewable sources, is an essential component in the fight against climate change undertaken by the Québec government. It's the cornerstone of a greener, stronger economy.

Our residential rates are the lowest in North America. They're half the rates people pay in Toronto and a fourth of what people pay in New York.



Index representing the monthly bill (before taxes) for residential consumption of 1,000 kWh at the rates in effect on April 1, 2015.

We make a major contribution to the Québec economy and will continue to do so.

$3.8 billion

in capital investment[a]

$2.9 billion

in purchases of goods and services in Québec[a]

39,000

direct and indirect jobs sustained in Québec by our activities in 2015 (person-years)

$3.0 billion

paid to the Québec government[a] (dividends, taxes, water-power royalties and guarantee fees)

a) Annual average over the 2009–2015 period.

To meet electricity needs, we must have enough energy and capacity available.

It's possible to have enough energy on an annual basis, but to need additional capacity during demand peaks. The purchases made on the markets at those times can be very expensive.

Energy

The quantity of electricity supplied or consumed over a given period of time. It is expressed in watthours (Wh).

Capacity

The quantity of electricity that can be supplied or consumed at a given point in time. It is expressed in watts (W).

Demand peaks

The times when electricity needs are greatest. In Québec, peaks occur on very cold winter days, because most people heat their homes with electricity.

QUÉBEC NEEDS IN 2015

- Energy: 184 TWh
- Peak power demand (capacity requirements): 38,743 MW

We have sufficient energy to power Québec.

The energy available to us is more than the quantity required to meet Québec's electricity needs. We plan to make good use of this energy.

To this end, we recently launched the Economic Development Rate. It initially offers a reduction of 20% off the applicable rate for energy-intensive capital projects in high-growth sectors such as data hosting.

We don't want to use up all the energy available to meet Québec needs before making new purchases.

By turning to the markets when the energy available dips below the threshold of 2.5% of Québec's total needs or 5 TWh, we'll maintain a sufficient margin of flexibility to meet demand growth and complete new calls for tenders.

Over the Plan period, however, we anticipate that the energy available will remain above this threshold.

FOLLOW-UP ON WIND ENERGY DEVELOPMENT

Contracts signed since 2003

Number	38
Contractual capacity (MW)	3,710
Contribution during winter peaks (MW)	1,484
Annual energy output (TWh)	11.4
Average cost, including integration service (¢/kWh)	10

Integration service provided by Hydro-Québec

Balancing service and firming capacity to ensure power system stability

Modernization of practices for more accurate wind energy forecasts

However, we need more capacity during peak periods.

Québec's capacity needs will increase over the next 15 years, driven mainly by growth in residential demand.

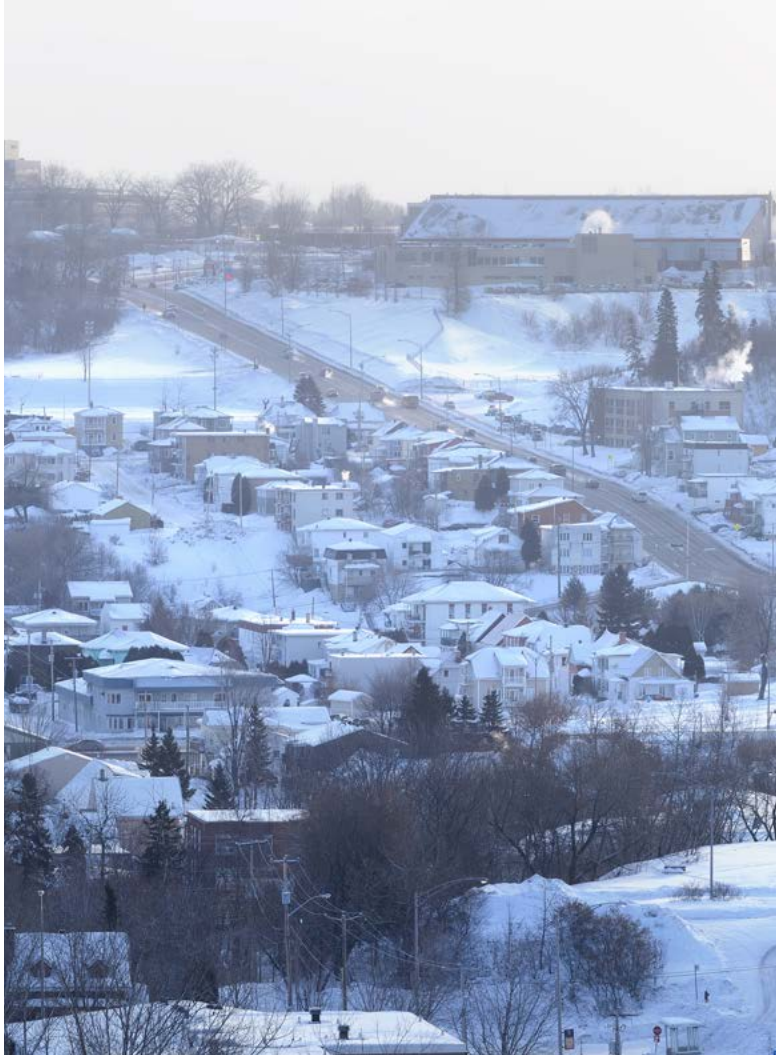
That's why we want to reduce our costly imports by having the TransCanada Énergie generating station in Bécancour converted to liquefied natural gas and using it as a peaking plant.

Through new energy efficiency programs and initiatives, we can also shave up to 1,000 MW from the peak capacity needs forecast for 2020.

The additional capacity requirements will be met through calls for tenders.

Whether to meet the needs of the Québec market or to seize export opportunities, we intend to

- bring into service the last two Romaine generating stations (640 MW by 2020) and the related transmission facilities,
- undertake new projects to increase the capacity of some of our hydroelectric generating facilities (about 500 MW by 2025), and
- determine, by 2020, what our next major hydropower project will be after the Romaine complex.



New energy efficiency initiatives will help us reduce capacity needs.

By participating in the initiatives launched under our Energy Efficiency Plan, you helped us surpass our energy savings target. Now you can help us meet the challenge of reducing capacity needs.

Our programs and new initiatives will provide financial incentives to reduce your power usage during peak periods, without sacrificing comfort.

Residential Load Curtailment Program

For example, you could allow us to interrupt power to your electric water heater for short periods of time, a few times a year. Since the water in the tank will stay hot for quite a while, this will not affect your daily routine in any way.

- Target: 300-MW reduction in capacity needs by 2020

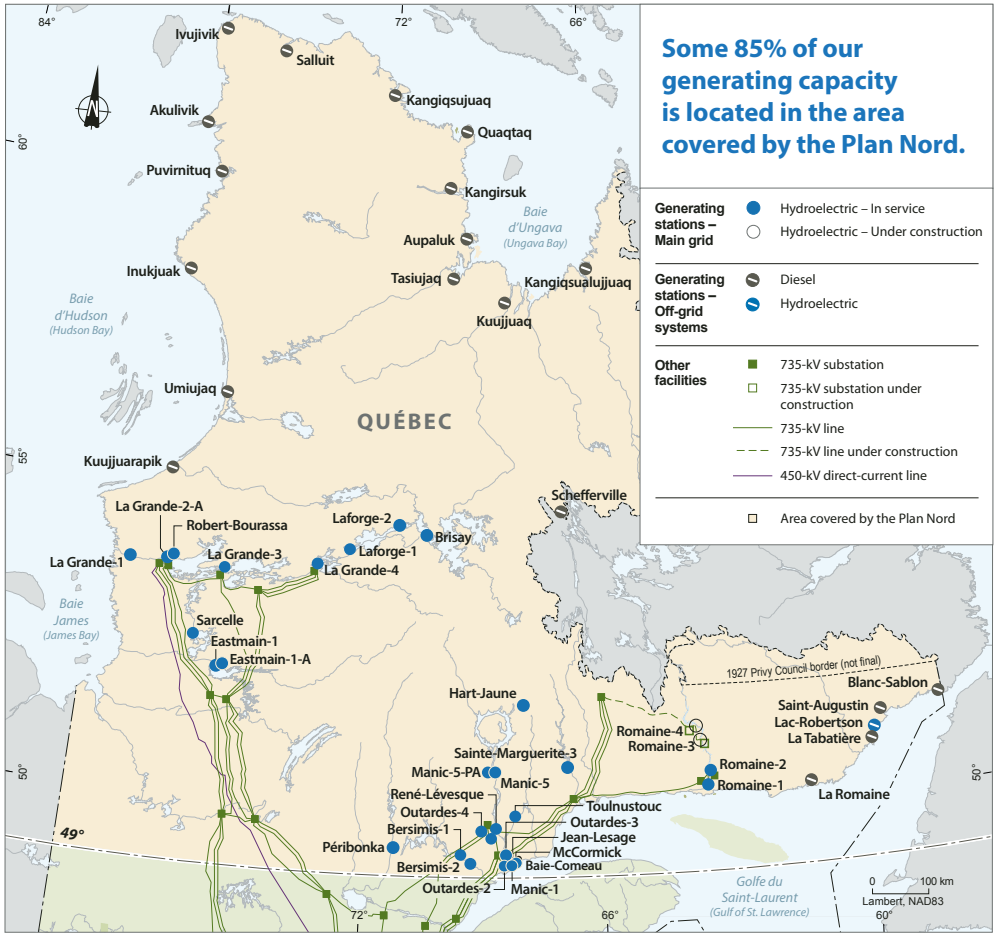
FOLLOW-UP ON THE ENERGY EFFICIENCY PLAN (2003–2015)

More than 25 programs and initiatives geared to all customer categories (residential, commercial, institutional and industrial) to promote energy conservation

- Awareness, market transformation and R&D activities
- Savings of 8.8 TWh, equivalent to the energy consumption of 500,000 households and 10% more than the initial target of 8.0 TWh
- $1.7 billion invested, including some $900 million in direct financial assistance for customers

We will contribute to the Québec government's Plan Nord with more than $4 billion in capital investment.

We'll take part in Québec's energy transition by increasing the capacity of our hydroelectric fleet and by converting our off-grid systems to cleaner, less costly energy sources.



OUR CONTRIBUTION TO THE PLAN NORD

- Invest $4.3 billion in our generation and transmission facilities in the Plan Nord area between 2016 and 2020
- Add 1,140 MW to our hydroelectric generating capacity in the area and build the related transmission facilities
  - Commissioning of Romaine-3 (395 MW) in 2017 and Romaine-4 (245 MW) in 2020
  - Uprating of some of our existing facilities (about 500 MW by 2025)
- Build new generating facilities if warranted by needs in the industrial and mining sectors
- Undertake projects to convert off-grid systems to cleaner and less costly energy sources
  - Launch of requests for proposals (RFPs) for all systems by 2020
- Contribute $15 million a year to the Northern Plan Fund
- Study the possibility of transferring some of our facilities that are not part of the power system (e.g., aerodromes) to a third-party operator, so as to contribute to the economic and social development of the Plan Nord area

We also have to start preparing now to meet Québec's long-term needs.

Between now and 2020, we'll commission the last two generating stations in the Romaine complex and determine what our next major hydropower project will be.

Construction of a large hydroelectric project can take about a decade. That's why we have to starting planning for the future now, rather than wait for 2020 when the Romaine complex will be completed.

Over the 2016–2020 Plan period, we'll carry out preliminary studies to determine the feasibility of various large-scale hydropower projects in the Plan Nord area.

By 2020, we'll thus be in a position to choose a hydroelectric project for the next decade based on future needs, and we'll also consider developing other clean energy sources in the Plan Nord area. In this way, we'll be ready to proceed to the draft-design phase, which includes conducting environmental studies and negotiating agreements with the communities affected.

Typical project phases

1	2	3	4
Planning (preliminary studies)	**Draft design and permitting**	**Construction**	**Operation**

We respect the communities affected by our operations.

INFORM, LISTEN, EXCHANGE, IMPROVE

We present up to **100 transmission and generation projects** a year to various Québec audiences.

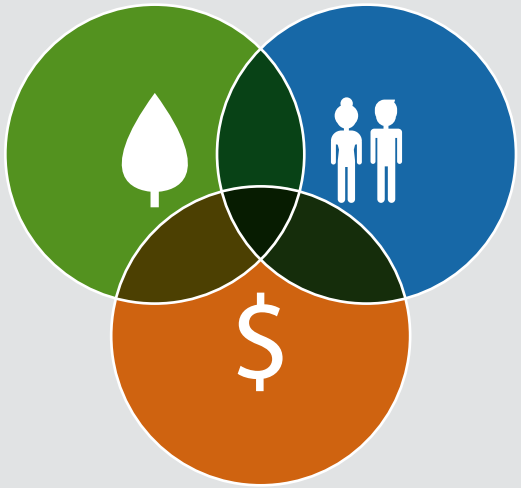
Our objectives:

- Explain the how and why of our projects
- Reduce impacts on the local environment while remaining fair to the Québec population as a whole

OUR CHALLENGE: FIND A FAIR BALANCE BETWEEN THE 3 PILLARS OF SUSTAINABLE DEVELOPMENT

ENVIRONMENT
Environmental acceptability

SOCIETY
Favorable reception by communities affected



ECONOMY
Technical aspects and profitability

Examples of enhancements made in the wake of public consultations to promote social acceptance of our projects

- Optimization of line routes; e.g., the line connecting the Mesgi'g Ugju's'n (Rivière-Nouvelle) wind farm in the Gaspésie–Îles-de-la-Madeleine region
- New tower designs such as the tower developed for the Langlois–Vaudreuil-Soulanges transmission line in the Montérégie region
- Maintaining instream flow to protect fish habitats, ensure navigability and preserve the quality of the landscape, as we did for the Eastmain-1-A/Sarcelle/Rupert hydroelectric project in the Nord-du-Québec region

Our performance hinges on our employees' skills and engagement.

Marylene Asselin, customer services representative: "I like serving people. Satisfied customers are my biggest reward."

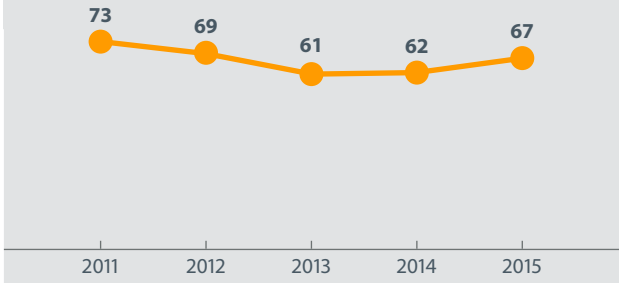
David Marcil, line crew chief: "All along our lines, there are customers counting on reliable service. That's who I'm working for."

Jean Caumartin, environment advisor: "I'm proud because I know our hydropower makes Québec greener and helps our export markets reduce their GHG emissions."

Skills development is one of our priorities: we devote 3% of our payroll to training and we will continue to do so.

The overall engagement index improved in 2015, after dipping in 2012 and 2013. To continue improving employee engagement, we will rely on a unifying corporate culture focused on pride and results.

Change in overall employee engagement index (%)[a]



a) 2009 and 2010 data not available

We know we need to meet your expectations better.

YOUR EXPECTATIONS

- Reliable electrical service
- Rapid restoration after power failures
- Accurate, easy-to-understand bills
- Easy access to customer services
- Rapid, efficient processing of requests
- Products and services to help you understand and manage your energy use and reduce your electricity bill

IN 2015

- $2.3 billion invested in the power system
- Nearly 16,000 simple service connections completed, 83% within 10 business days (average lead time of 7.7 days)
- Nearly 8,000 connections involving multiple parties; in 55% of cases, technical services completed by date indicated to customer
- 2,450,000 calls received; 62% were answered in less than 210 seconds (average response time of 205 seconds)

A reliable system delivering reliable power

We continue to make large investments in our system.

- Québec's electricity needs are growing. Our system must grow accordingly.
- Some of our assets need to be replaced, optimized or overhauled.

We regularly evaluate the security of our strategic infrastructure and critical systems, and we take the necessary protective measures.

We keep improving our vegetation control practices to prevent power failures.

Recent improvements made possible by next-generation meters

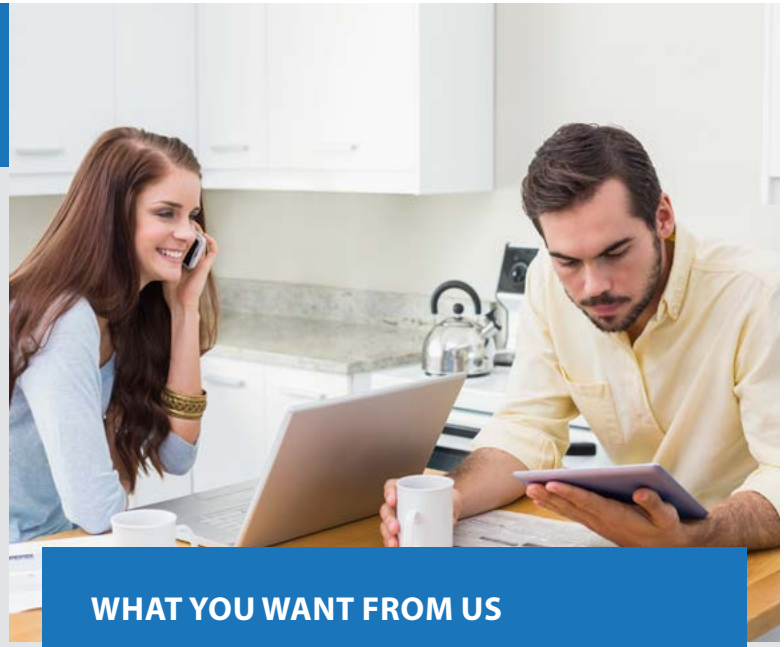
- Faster detection of power failures and restoration of service
- Real-time monitoring of outages via our Power Outages Web site or mobile app
- Billing always based on your actual consumption
- Simplified integration of residential wind or solar customer generation systems into the grid (net metering)

We also need to be more present and more accessible.

Greater transparency involves better communication.

OUR EXCHANGES WITH YOU

- 140,000 visitors a year to our facilities and partner-operated sites
- Mentioned 16,000 times in the media
- 2,500 requests from the media
- 4 social platforms
- 18 million visits to our Web pages
- 5,000 requests from community representatives
- 200 advertising campaigns and public notices
- 500 organizations supported through our donations and sponsorships
- 25 educational kits circulating in schools



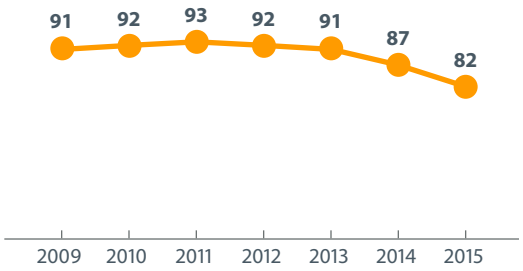
WHAT YOU WANT FROM US

- Direct, authentic communication
- Explanations of our activities and decisions
- Optimized digital communications

WE'RE LISTENING

Your overall satisfaction with us has decreased over the past few years. We need to do a better job of meeting your expectations, especially by improving our service and communications.

Change in overall public satisfaction (%)



We will continue to support the decarbonization of Québec by furthering electric transportation.

Replacing gasoline with clean, renewable and affordable electricity

- helps reduce smog and GHG emissions,
- benefits the Québec economy by reducing dependency on imported oil, and
- translates into sizeable savings for vehicle owners.

There are now over 8,000 plug-in electric vehicles on Québec roads.

- They account for about 50% of all such vehicles licensed in Canada.
- Nearly 80% of their owners are members of the Electric Circuit.

The Electric Circuit: An initiative of Hydro-Québec and its partners

It's the first public charging network in Canada, and the largest in Québec.

- 130 partners, including 5 founding partners
- 577 charging stations in 140 municipalities and 16 administrative regions at December 31, 2015
  - 548 240-V stations and 29 fast-charge (400-V) stations
- 1,000 curbside stations planned as part of Montréal's electric car sharing project

Our challenge: densify the charging station network as the number of electric vehicles increases.

We're developing and commercializing innovative technologies:

- Battery materials
- Energy storage systems
- Electric powertrains

Hydro-Québec subsidiary TM4 develops and commercializes electric powertrains for world markets.

Through a joint venture set up with Prestolite Electric Beijing Ltd., TM4 has succeeded in penetrating the electric bus market in China.

TM4 will also work with French companies PSA Peugeot Citroën and Exagon Motors to develop a powertrain for high-performance electric vehicles.

We're furthering the electrification of public transit in Québec:

- TM4 technology chosen by Québec-based bus manufacturer Novabus
- Financial contribution to the development of electric infrastructure in accordance with the regulatory framework

We need to grow in order to contribute more to the prosperity of Québec.

If we keep within our current sphere of operations, we're forecasting annual profits (net income) of $4 billion for 2030, which is equivalent to about $3 billion in constant 2015 dollars.

That would be maintaining our current financial performance. But we want to take it further.

Financial outlook excluding new growth avenues

	Actual	Projected[a, b]					
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2030 HORIZON**
Net income ($M)	3,147	2,550	2,600	2,475	2,575	2,850	**4,000**
Dividend ($M)	2,360	1,913	1,950	1,856	1,931	2,138	**3,000**
Capital program ($B)	3.4	3.9	3.9	4.0	3.2	3.1	

a) Assuming normal temperatures.

b) Certain factors such as runoff, temperatures and economic conditions could have a positive or negative impact on the achievement of the projected net income.

We need to find new growth avenues if we're to improve our performance.

We'll focus on

- seizing new export opportunities,
- acquiring assets or stakes outside Québec, and
- commercializing our innovations.

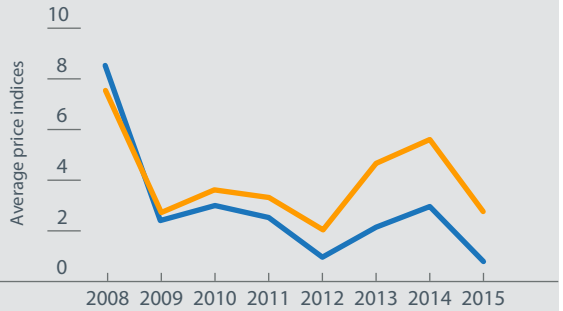
For us to be able to export more, new transmission facilities are needed.

$902 million
in profits generated by sales outside Québec in 2015

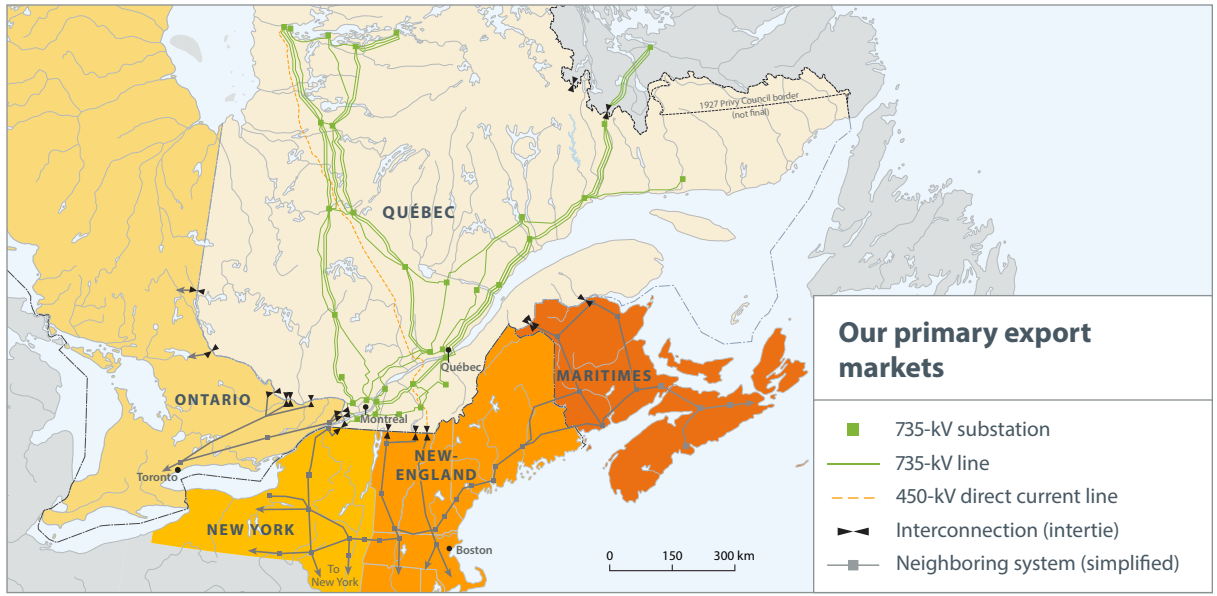
Exports are profitable, as long as we sell at the right time and on the right markets. That's even truer today, in the context of low market prices.

That said, we still have growth opportunities because markets outside Québec want to reduce their GHG emissions. Some of these opportunities will require the construction of transmission facilities in the U.S. and Québec. Note that all power companies have fair and open access to transmission systems throughout North America, including Québec.

Energy prices on markets outside Québec



Energy prices have fallen as a result of the intensification of shale gas extraction.



Conditions favorable to growth in exports

- Growing recognition of the environmental attributes of hydropower
- Nuclear plant refurbishment in Ontario
- Nuclear plant closures in the U.S.
- Potential long-term agreements to sell clean energy in New England

We are considering the purchase of assets or stakes outside Québec.

Our high-value know-how is recognized throughout the world.

Historic cross-border link inaugurated in 1990: MTDCS, Phase II

- We designed and deployed the world's first multiterminal direct-current system (MTDCS) in collaboration with the New England utilities.
- The MTDCS is the key component in an ultra-high-performance intertie that stretches 1,500 km from the Nord-du-Québec region to the Greater Boston area and transmits huge quantities of renewable power.
- It's a good revenue source for us, and for our partners it's an economical way to replace high-emissions fossil fuels.

From 1996 to 2005, we invested $1 billion in power generation and transmission assets, which we sold at a profit in 2006 and 2007. E.g.:

CHILE

We acquired and operated Transelec, Chile's national power transmission company, whose grid covers some 10,000 km (2000–2006).

PANAMA

We purchased a stake in a company operating a 300-MW hydroelectric project in Panama, and managed its operations (1999–2006).

A LONG-STANDING COMMITMENT TO MAJOR INTERNATIONAL ORGANIZATIONS, SUCH AS:

World Energy Council

Global Sustainable Electricity Partnership

International Hydropower Association

International Council on Large Electric Systems

We will step up our efforts to commercialize our innovations.

INSTITUT DE RECHERCHE D'HYDRO-QUÉBEC (IREQ)

In 2015, we spent **1%** of our revenue on R&D. We'll continue to do so over the 2016–2020 Plan period.

Our scientists, technicians, engineers and specialists develop technological solutions to support our operations and create new growth opportunities.

Some promising areas of innovation

- Large-scale battery storage systems for power grids
  - Demonstration under way by Technologies Esstalion, a joint venture of Sony and Hydro-Québec
- Robotic maintenance and inspection of power grids
  - Commercialization of our technologies by subsidiary MIR Innovation
- High-performance flexible steel for manufacturing next-generation transformers—less expensive and more efficient

Applications for our battery materials technologies:

- large-scale energy storage systems for power grids (including off-grid systems)
- storage systems for residential wind or solar customer generation facilities
- electric vehicles

FOLLOW-UP ON R&D SINCE 2009

Dynamic and collaborative research efforts

- 350 partners, ranging from multinationals to Québec-based small businesses
- 116 patents obtained
- 65 licences granted
- An average of 18 research chairs supported annually in Québec universities
- $100 million to $130 million in annual R&D spending

Main areas

- Smart grids and big data processing
- Performance and long-term operability of power system assets
- Services for our customers
- Integration of renewable energy sources (wind, solar, distributed generation)
- Battery materials
- Robotics

OUR STRATEGIES FOR THE FUTURE

Our objectives and strategies at a glance

OBJECTIVES

Lay the groundwork to double our revenue over the next 15 years so as to increase profits

Be a benchmark in customer service

Contribute to Québec's economic development and energy transition

Keep rate increases lower than or equal to inflation

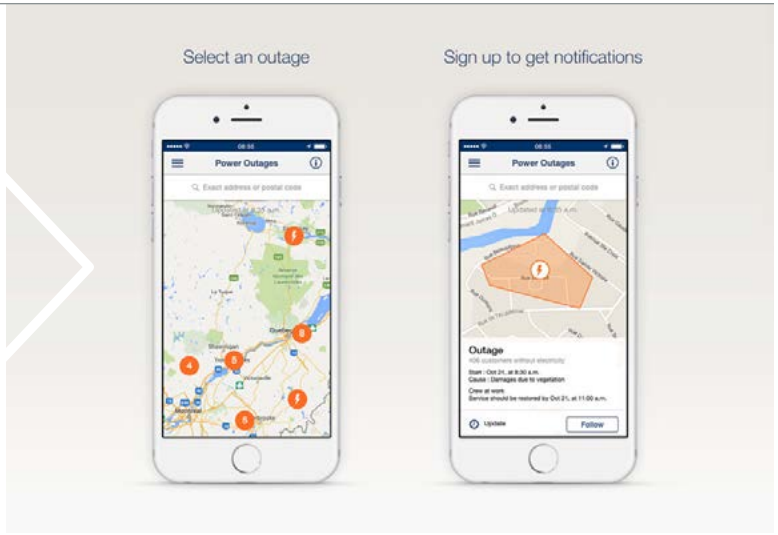
STRATEGIES

1. **Improve customer service**
   - Enhance the performance of our customer relations centres by making our services more accessible
   - Estimate service connection lead times more accurately
   - Launch new initiatives and maintain advances made in energy efficiency
   - Work to further transportation electrification
2. **Communicate proactively with our customers, employees and partners**
   - Inform and listen
   - Prioritize accessibility and openness
3. **Improve productivity**
   - Optimize our use of information and communication technologies
   - Make new energy purchases according to Québec's electricity needs
   - Adjust our goods and services procurement practices to create more value
   - Bank on employee performance and engagement
4. **Develop new growth avenues**
   - Increase exports
   - Acquire assets or stakes outside Québec
   - Commercialize our innovations
   - Increase the capacity of our generating fleet

Improve customer service

ENHANCE THE PERFORMANCE OF OUR CUSTOMER RELATIONS CENTRES BY MAKING OUR SERVICES MORE ACCESSIBLE

- Extend the business hours of our customer service offices and give you the option of reaching us through a variety of digital platforms
- Reduce call wait times to a level in line with industry standards
- Give you the option of having a representative call you at a time that's convenient for you
- Enrich our offer of Web-based self-service options to make it easier for you to manage your account and track your requests
- Optimize our representatives' integrated information tools to improve the rate of first-call resolution



Improve customer service (cont.)

ESTIMATE SERVICE CONNECTION LEAD TIMES MORE ACCURATELY

- Give you and your master electrician the possibility of tracking the progress of your service connection requests on our Web site
- Remind you about the steps you need to take so that we can complete the service connection
- Keep you updated about your scheduled connection date and any changes as your project goes forward
- Continue to standardize our work methods with a view to reducing lead times

Improve customer service (cont.)

LAUNCH NEW INITIATIVES AND MAINTAIN ADVANCES MADE IN ENERGY EFFICIENCY

- Progressively convert off-grid systems to cleaner, less expensive energy sources
  - Launch requests for proposals (RFPs) for all systems by 2020
  - First conversions: Kuujjuarapik and Tasiujaq systems in the Plan Nord area, Obedjiwan (Opitciwan) system in the Haute-Mauricie region, and the Îles-de-la-Madeleine system
- Offer new programs for reducing power usage during peak periods, taking advantage of home automation
  - Load curtailment programs for residential, commercial, institutional and industrial customers
- Maintain energy efficiency efforts
  - Residential: promote energy-saving habits
  - Commercial, institutional and industrial: provide financial support for energy efficiency projects
  - Industrial: promote rate options for interruptible electricity
- Work with the competent bodies to keep improving standards
- Improve the quality of service provided to residential customer-generators of renewable energy who are making use of the Net Metering Option and consider the possibility of enhancing the conditions related to this rate option

Conversion of off-grid systems

RFP launch schedule

YEAR	GENERATING STATION	COMMISSIONING HORIZON
Ongoing	Îles-de-la-Madeleine (wind power)	2020
2016	Kuujjuarapik Tasiujaq Obedjiwan	2020
2017	Kangiqsujuaq	2019
	La Romaine	2020
	Salluit Umiujaq	Post 2020
2018	Inukjuak Kangiqsualujjuaq Kuujjuaq Puvirnituq	
2019	Îles-de-la-Madeleine (conversion) Akulivik Ivujivik Kangirsuk Port-Menier	
2020	L'Île-d'Entrée Quaqtaq Clova Aupaluk	

Project implementation approach

- RFPs prioritized according to the expected end of life of existing facilities, additional capacity requirements and conversion opportunities
- Partnerships between project proponents and communities
- Competitive bidding (local acceptability, cost)
- Consideration given to the particularities of each system and the needs of each community so as to choose the most appropriate technological solutions, e.g.:
  - Leveraging of the latest innovations (hybrid systems involving renewables, energy storage), liquefied natural gas, biomass, connection to main grid

Improve customer service (cont.)

WORK TO FURTHER TRANSPORTATION ELECTRIFICATION

- Accelerate deployment of the Electric Circuit in Québec, especially fast-charge stations, in collaboration with our partners
- Study the possibility of expanding the Electric Circuit outside Québec
- Contribute financially to the development of electric infrastructure for public transit, in accordance with the regulatory framework
- Support innovation in the field of transportation electrification
  - Develop and commercialize innovative technologies in energy storage and electric powertrains
  - Demonstrate concepts combining our technologies with charging services
  - Support high-benefit projects involving contributions from private- or public-sector partners

Deployment of the Electric Circuit in Québec

- Objectives:
  - 800 charging stations by the end of 2016
  - 1,100 stations by the end of 2017
  - 2,500 stations on the 2020 horizon
- Aim: To support the Québec government's objectives regarding transportation electrification

Reduction of our vehicle fleet's GHG emissions

We currently have about 100 hybrid or plug-in vehicles in our fleet. To further reduce its carbon footprint and increase the proportion of electric vehicles, we'll take steps to

- decrease the size of our fleet, and
- replace internal combustion vehicles as they reach the end of their useful lives with hybrid or plug-in vehicles.

Communicate proactively with our customers, employees and partners

INFORM AND LISTEN

- Favor a personable communication approach based on authenticity and attentive listening
- Provide the right information on a timely basis
- Provide clearer explanations of our activities, business context, challenges and contribution to the Québec economy
- Raise visibility for our expertise and promote our activities

Communicate proactively with our customers, employees and partners (cont.)

PRIORITIZE ACCESSIBILITY AND OPENNESS

- Modernize our communications by deploying a digital strategy that allows direct and rapid exchanges, wherever you are (e.g., through social media, mobile apps or an enhanced Web experience)
- Be more active in all spheres of communication throughout Québec
- Answer information requests in compliance with our commitment to transparency.

Our commitment to transparency

Answer information requests in accordance with the following 3 guidelines:

- The disclosure must comply with applicable laws, regulations and directives.
- The disclosure must not affect Hydro-Québec's financial and commercial interests.
- The disclosure must represent a reasonable workload.

Improve productivity

OPTIMIZE OUR USE OF INFORMATION AND COMMUNICATION TECHNOLOGIES (ICT)

- Implement high-performance, competitive, value-added technological solutions
  - Develop our capacity for big data processing
  - Help improve decision-making and operating processes
  - Adapt our integrated ICT governance as a function of corporate priorities
- Continue to ensure cybersecurity for all operations and systems

Improve productivity (cont.)

MAKE NEW ENERGY PURCHASES ACCORDING TO QUÉBEC'S ELECTRICITY NEEDS

- Launch calls for tenders when the energy available over and above the quantity required to meet Québec needs in a given year dips below the threshold of 2.5% of total needs or 5 TWh
  - Inform markets in a timely manner before the 2.5% or 5-TWh threshold is reached
  - Determine purchase volumes according to anticipated needs

Improve productivity (cont.)

ADJUST OUR GOODS AND SERVICES PROCUREMENT PRACTICES TO CREATE MORE VALUE

- Generalize the use of best practices in strategic procurement in order to generate economies based on total cost of ownership
- Review goods and services specifications to make sure we're getting the right level of performance at a fair price
- Develop lasting business relations with suppliers wherever such relations will help both parties attain shared objectives in terms of cost reduction or of performance improvement or technological development with a view to profitability

Improve productivity (cont.)

BANK ON EMPLOYEE PERFORMANCE AND ENGAGEMENT

- Build a unifying corporate culture focused on pride and results
- Modernize working conditions with a view to improving our operational flexibility and meeting our business needs, among other objectives
- Continue our efforts in talent management, in particular by developing employee skills in our priority areas of operation
- Continue to pay incentive compensation to non-unionized personnel in accordance with the rules approved by our Board of Directors and the Québec government, which reflect results determined by the company while incorporating the achievement of Strategic Plan objectives

Develop new growth avenues

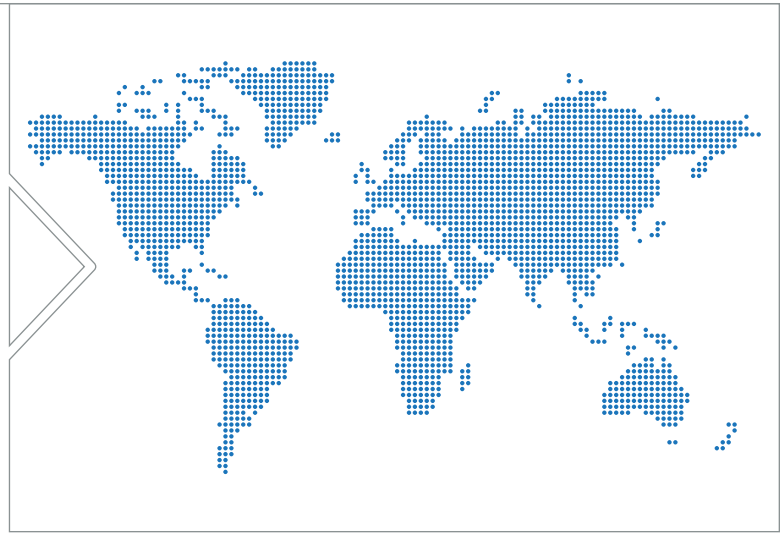
INCREASE EXPORTS

- Ensure a sustained market presence
- Remain on the lookout for opportunities to sell our hydropower profitably, especially in the U.S. Northeast and Ontario
- Promote the attributes of our clean, renewable energy to our customers as part of the solution to climate change
- Participate in initiatives that will help develop promising markets, such as transmission projects outside Québec

Develop new growth avenues (cont.)

ACQUIRE ASSETS OR STAKES OUTSIDE QUÉBEC

- Target assets or projects that will capitalize on our expertise in hydroelectric generation or high-voltage transmission
- Consider potential partnerships
- Take regulatory and market risks into account
- Offer consulting services to support our acquisition strategies or maintain certain key competencies
- Target politically stable countries with reputable legal systems, and apply irreproachable business ethics



Develop new growth avenues (cont.)

COMMERCIALIZE OUR INNOVATIONS

- Work with our partner to commercialize the large-scale battery system developed by joint venture Technologies Esstalion, a prototype of which is currently being tested at our research institute
- Increase the presence of subsidiary TM4 on world markets by offering high-performance, custom-designed powertrains to electric vehicle manufacturers
- Concentrate on innovations that will lead to high-value-added products and services
- Get our technologies to market, primarily through agreements or joint ventures. Objectives:
  - Share resources and risks
  - Benefit from complementary expertise, especially with regard to industrialization and commercialization
  - Gain access to markets outside Québec
  - Maximize economic benefits for Québec
- Continue to closely monitor advances in solar power, in particular as regards its competitiveness and its fields of application

Develop new growth avenues (cont.)

INCREASE THE CAPACITY OF OUR GENERATING FLEET

- Add 1,140 MW to our hydroelectric generating capacity in the Plan Nord area
  - Commission Romaine-3 (395 MW) in 2017 and Romaine-4 (245 MW) in 2020, along with the related transmission facilities
  - Uprate some of our generating facilities (about 500 MW by 2025)
    - Sign agreements with the regional and Aboriginal communities concerned
    - Conduct the necessary technical and environmental studies
    - Start commissioning the units in the early 2020s
- Carry out preliminary studies to determine the feasibility of various large-scale hydropower projects in the Plan Nord area
  - By 2020, determine what our next major project will be after the Romaine complex and consider developing other renewables in the area
- Build new generating facilities in the Plan Nord area if warranted by needs in the industrial and mining sectors

Breakdown of strategies by operating segment

	COMPANY-WIDE	DISTRIBUTION	GENERATION	TRANSMISSION	CONSTRUCTION	CORPORATE AND OTHER ACTIVITIES
1. IMPROVE CUSTOMER SERVICE						
Enhance the performance of our customer relations centres by making our services more accessible		●				
Estimate service connection lead times more accurately		●				
Launch new initiatives and maintain advances made in energy efficiency		●				
Work to further transportation electrification		●				●
2. COMMUNICATE PROACTIVELY WITH OUR CUSTOMERS, EMPLOYEES AND PARTNERS						
Inform and listen	●					
Prioritize accessibility and openness	●					
3. IMPROVE PRODUCTIVITY						
Optimize our use of information and communication technologies	●					
Make new energy purchases according to Québec's electricity needs		●				
Adjust our goods and services procurement practices to create more value	●					
Bank on employee performance and engagement	●					
4. DEVELOP NEW GROWTH AVENUES						
Increase exports			●	●	●	●
Acquire assets or stakes outside Québec			●	●	●	●
Commercialize our innovations						●
Increase the capacity of our generating fleet			●	●	●	

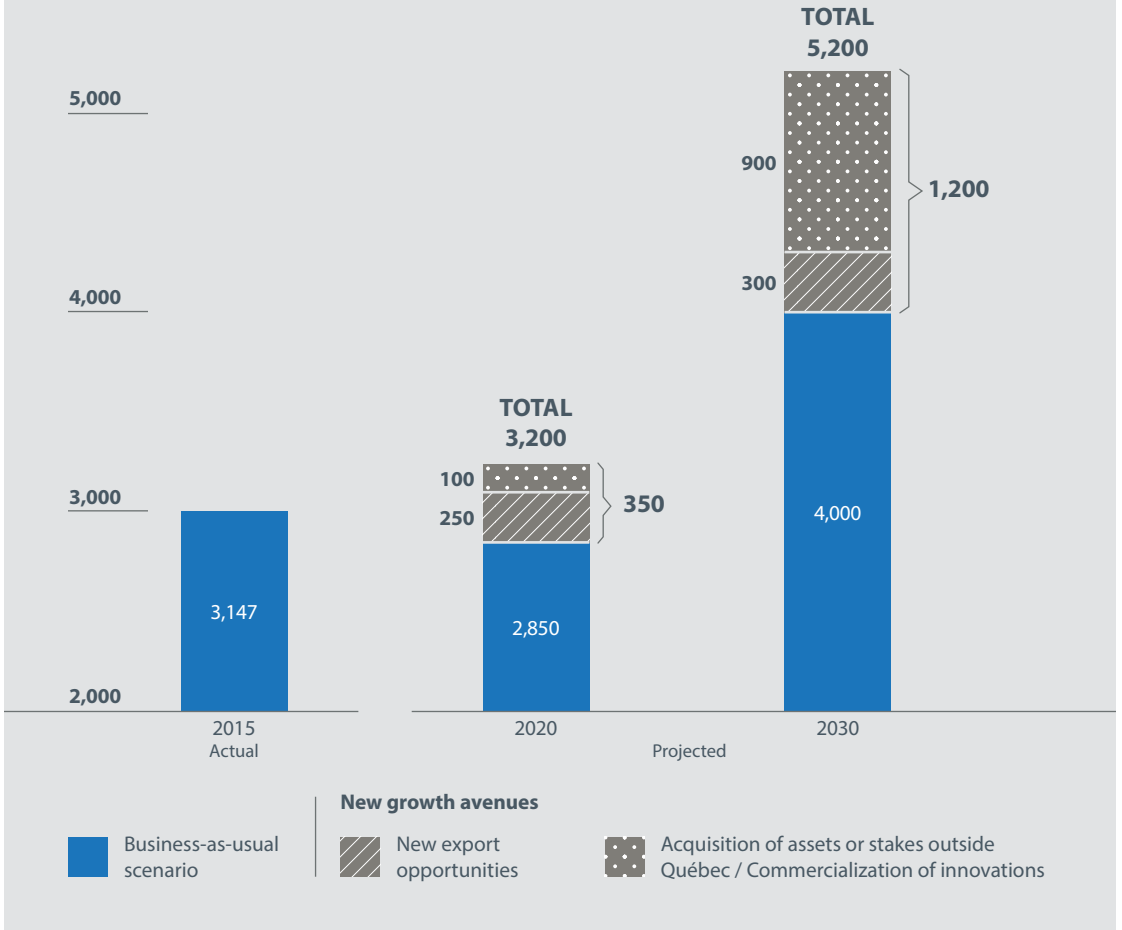
OUR FINANCIAL OUTLOOK AND PERFORMANCE INDICATORS

Our financial outlook

Our objective for 2020 is to lay the groundwork to double our revenue in 15 years, from $13.8 billion in 2015 to about $27 billion in 2030.

We plan to make profits (net income) of $5.2 billion (about $3.9 billion in constant 2015 dollars) by 2030, which represents an increase of $1.2 billion compared to the business-as-usual scenario.

Potential impact of new growth avenues on net income ($M)



Our performance indicators (follow-up and outlook)

INDICATOR	PREVIOUS STRATEGIC PLAN		OUTLOOK
	2009	2015	2020
Net income ($M)	2,871	3,147	3,200[a]
Average annual rate increase compared to inflation[b]	Average increase: 1.45% Average CPI:[c] 1.5% (2009–2015)		Average increase lower than or equal to inflation (2016–2020)[a]
Overall public satisfaction (% of residential customers satisfied)	91	82	Over 90
Service connections:			
– Simple (% completed within 10 business days)	89	83	Over 90
– Multiple-party (% of cases with technical services completed by date indicated to customer)	N/A	55	Over 90
Average annual capital investment ($B)	3.8 (2009–2015)		Between 3.1 and 4.0 (2016–2020)[d]

a) Operating expenses will be controlled so as to keep rate increases lower than or equal to inflation.
b) Excluding Rate L.
c) Consumer Price Index.
d) Excluding investments related to new growth avenues.

CONTENTS

The financial outlook is based on estimates and assumptions concerning our future results and the course of events. Given the risks and uncertainties inherent in any forward-looking statements, our actual results could differ from those anticipated.

UNITS OF MEASURE

¢/kWh	cent or $0.01 per kilowatthour
$M	millions of dollars
$B	billions of dollars
kV	kilovolt (one thousand volts)
W	watt (a unit for measuring capacity or power demand)
kW	kilowatt (one thousand watts)
MW	megawatt (one million watts)
Wh	watthour (a unit for measuring electric energy)
kWh	kilowatthour (one thousand watthours)
TWh	terawatthour (one trillion watthours)
MMBtu	million British thermal units

Note: All amounts are expressed in Canadian dollars, unless otherwise indicated.

Hydro-Québec wishes to thank all people,
in particular its employees, whose photos
appear in this Strategic Plan.

Développement de l'entreprise,
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