

Section 5 - FINANCIAL/LEGAL

Attachment 5.4.1

Financial strength of Hydro-Québec as of December 31, 2016

Hydro-Québec's cue card 2016-2017 can be found at:

http://www.hydroquebec.com/publications/en/docs/cue-card/infocarte_2016-2017.pdf

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\$.

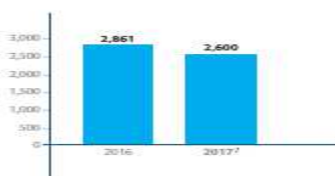
10. Standard & Poor's does not provide an outlook for Hydro-Québec's credit rating. However, it gave a "stable" outlook to the Québec government, Hydro-Québec's shareholder and guarantor, after upgrading the government's credit rating from A+ to AA- in June 2017.

2016 HIGHLIGHTS

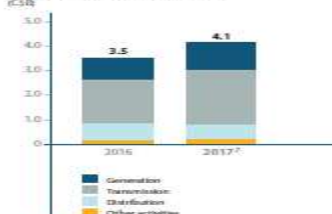
- Net electricity exports reached a historic high of 32.6 TWh, contributing \$803 million to net income.
- Hydro-Québec launched its *Strategic Plan 2016-2020*, which places customers at the heart of its priorities and sets new growth avenues for the company, including the acquisition of assets or stakes 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

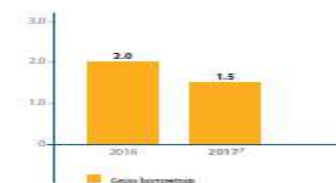
NET INCOME (C\$M)



INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS⁸ (C\$M)



FINANCING ACTIVITIES⁹ (C\$M)



7. Forecasts.
8. Excluding investments related to new growth avenues.

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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.