



Annual Report 2025

**Together, we have
the power to change
the course of history!**



Hydro-Québec in Numbers

\$2.9 billion

Net income in 2025

196.7 TWh

Electricity sales,
including 11.8 TWh
outside Québec

8.29¢/kWh

Residential rate,
the lowest in North America

14.5¢/kWh

Average price obtained
on sales outside Québec

\$7.8 billion

Investments in Québec in 2025

\$20.6 million

Donations and sponsorships
to 640 organizations in 2025

\$4.4 billion

Contribution to the Québec
government's revenue in 2025

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Cover: Xaviera Daoust, Civil Engineering Technician, prepares to launch a drone as she investigates the causes of an equipment failure.

Legal deposit – Bibliothèque et Archives nationales du Québec, 1st quarter 2026

ISBN: 978-2-555-03113-5 (PDF Eng. version)
ISBN: 978-2-555-03111-1 (PDF Fr. version)
ISBN: 978-2-555-03112-8 (Print Eng. version)
ISBN: 978-2-555-03110-4 (Print Fr. version)

Message from the Chair of the Board



Manon Brouillette
Chair of the Board of Directors

The year 2025 was marked by outstanding mobilization at Hydro-Québec in the pursuit of the ambitious objectives of the *Action Plan 2035: Towards a Decarbonized and Prosperous Québec*. Committed to the importance of this mission, the Board of Directors has focused its governance efforts on the support of accelerated investments to reach these goals. In a rapidly changing global context, Hydro-Québec has stayed the course and even exceeded certain 2025 targets it had set for itself, with the organization as a whole driven by the deep conviction that our actions today will shape a more sustainable tomorrow, in a resolutely forward-looking Québec.

Last July saw a significant change in leadership. Following the departure of Michael Sabia, whom we thank for his many contributions, the Board recommended the appointment of Claudine Bouchard as President and Chief Executive Officer. Claudine is the very embodiment of Hydro-Québec's core values of responsibility, innovation and excellence. With more than 25 years of experience within the organization, including five years in senior management, she is one of the architects of the *Action Plan 2035*, as well as being a respected and dedicated leader. Her human approach, extensive knowledge of company operations and strategic vision will certainly be valuable assets in the years to come. She has already assembled a high-performance team of leaders to support her in achieving the goals of the *Action Plan 2035*.

I would also like to point out the commitment and diligence of our Board members, who have fulfilled their duties while keeping the key priorities of the *Action Plan 2035* and the sound management of the company's ongoing activities at the forefront. Within the Board and its five committees, they have worked to ensure thorough governance in the company's major areas of activity, which is essential in the context of the significant investments that will enable the company to navigate this pivotal moment in history. I would also like to thank those members whose terms came to an end in 2025: Hanane Dagdougui, Jonathan Gignac and Paul Stinis.

Finally, I am pleased to welcome two new members to the Board: Julie Lévesque, Executive Vice President of Personal Banking at Banque Nationale; and Mathieu Gervais, Deputy Minister at the Ministère de l'Économie, de l'Innovation et de l'Énergie (MEIE). Their expertise has already greatly enriched our deliberations.

The Board wishes to acknowledge the daily efforts of Hydro-Québec's workforce to improve service quality. Their efforts reflect Hydro-Québec's commitment to delivering a reliable, high-quality energy supply to all of our customers, while preparing the grid for the challenges to come.

The Board is looking to the future with confidence and determination. In support of Management, it will continue to discharge its duties assiduously, ensuring that every decision it makes contributes to the implementation of the *Action Plan 2035*. In this way, Hydro-Québec will continue to build an energy future that meets the aspirations of Québec, drawing on innovation, collaboration, transparency and the commitment of all stakeholders.

Message from the President and Chief Executive Officer



Claudine Bouchard
President and Chief Executive Officer

Hydro-Québec has made a choice to assume a leadership role in the energy transition. My team and I are committed to meeting this historic challenge without compromising on the quality, reliability or affordability of the service we provide to our customers. Our job is to pave the way, to show that our ambitions are achievable through concrete actions that will build a Québec that is more sustainable, innovative and prosperous. In 2025, we strongly reaffirmed this commitment, moving forward together, driven by a vital collective effort.

Ambition serving tomorrow's Québec

Guided by efficient electrification, the energy transition will cause electricity demand to almost double by 2050. In line with this growth, we are making the major investments set out in our *Action Plan 2035* of \$200 billion to increase energy efficiency, upgrade the power system, and expand our generation capacity.

In 2025, this ambition took shape in a number of concrete ways. We rolled out our energy efficiency pathway, which includes historic measures to help the general public and our business customers use electricity more responsibly and sustainably. We also continued implementing our *Wind Power Development Strategy* and investing in expanding capacity at our existing hydroelectric generating stations. In addition, we aim to develop up to 3,000 MW of solar power, a complementary resource to other renewable energy sources in the Québec energy mix.

The pace of investments and economic spinoffs will steadily increase. Hydro-Québec will continue to prioritize local procurement. It's worth noting that, in 2025, while our contribution to Québec's gross domestic product (GDP) reached \$26.1 billion, nearly 90% of our spending on goods and services supported Québec-based companies or businesses with operations in the province—a source of enormous pride for me.

Collaboration with partners from every background

These significant achievements are only possible when participation extends across every sector of society. From a legal perspective, the adoption in 2025 of the *Act to ensure the responsible governance of energy resources and to amend various legislative provisions* will help us reach our objectives. In the same vein, we renewed our agreement with the Union des producteurs agricoles (UPA) on siting transmission lines on farmland and woodlands.

Workforce challenges are significant: to succeed, this plan relies on our union partners and the association representing our first-level managers collaborating and working together. In 2025, we concluded an innovative agreement with the Ministère de l'Éducation to help prepare the workforce we will need on our construction jobsites.

I would also like to highlight the many strategic partnerships established with First Nations and Inuit in a spirit of growing shared, sustainable wealth. Many Indigenous companies hope to participate in projects that will shape Québec's energy future. The work continues, with humility and determination, on the long road to economic reconciliation.

Hydro-Québec: The driving force of our collective success

On December 17, I attended a moving ceremony to mark the connection of the community of Kitcisakik to the grid. The moment was a vivid reminder of the importance of our work, which has now allowed this community to benefit from our renewable energy and continue to grow.

It's a true privilege to advance Hydro-Québec's mission alongside such a dedicated and talented team. I am proud of what we accomplished in 2025, and even prouder of my 24,000 colleagues, whose commitment and enthusiasm are so pivotal to our success. Our plan does not just belong to Hydro-Québec. It's a collective effort that belongs to all of Québec.

And I believe that together, we can change the course of history.

Management Team



Top row

Claudine Bouchard

President and Chief Executive Officer of Hydro-Québec

Maxime Aucoin

Executive Vice President and Chief Financial Officer

Dave Rhéaume

Executive Vice President – Energy and Regulatory Strategy and Industrial Operations

Acting Vice President – Marketing, Brand Image and Customer Relations

Mathieu Johnson

Senior Vice President – Partnerships and Development

Dominic Roy

Acting Senior Vice President – Talent and Organizational Development

Second row

Stéphanie Assouline

Acting Vice President – Legal Affairs and Chief Governance Officer

Jean-François Morin

Vice President – Digital Technologies

Élise Proulx

Vice President – Corporate Affairs and Chief of Staff

Bruno Marcil

Vice President – Internal Audit

Harnessing Our Energy to Change the Course of History

The launch of our *Action Plan 2035 – Towards a Decarbonized and Prosperous Québec* two years ago unfurled a wave of major change. And the momentum only got stronger in 2025, as the combined strengths and impetus of our 24,000 employees continued to carry us toward a more sustainable, resilient and inclusive future. Each project, each step forward, each achievement reflects our commitment to working alongside those who share our ambitions: our partners, local communities, and First Nations and Inuit communities.



Priority 1 – Improve service quality

Towards greater grid reliability, a streamlined customer experience and proactive communications

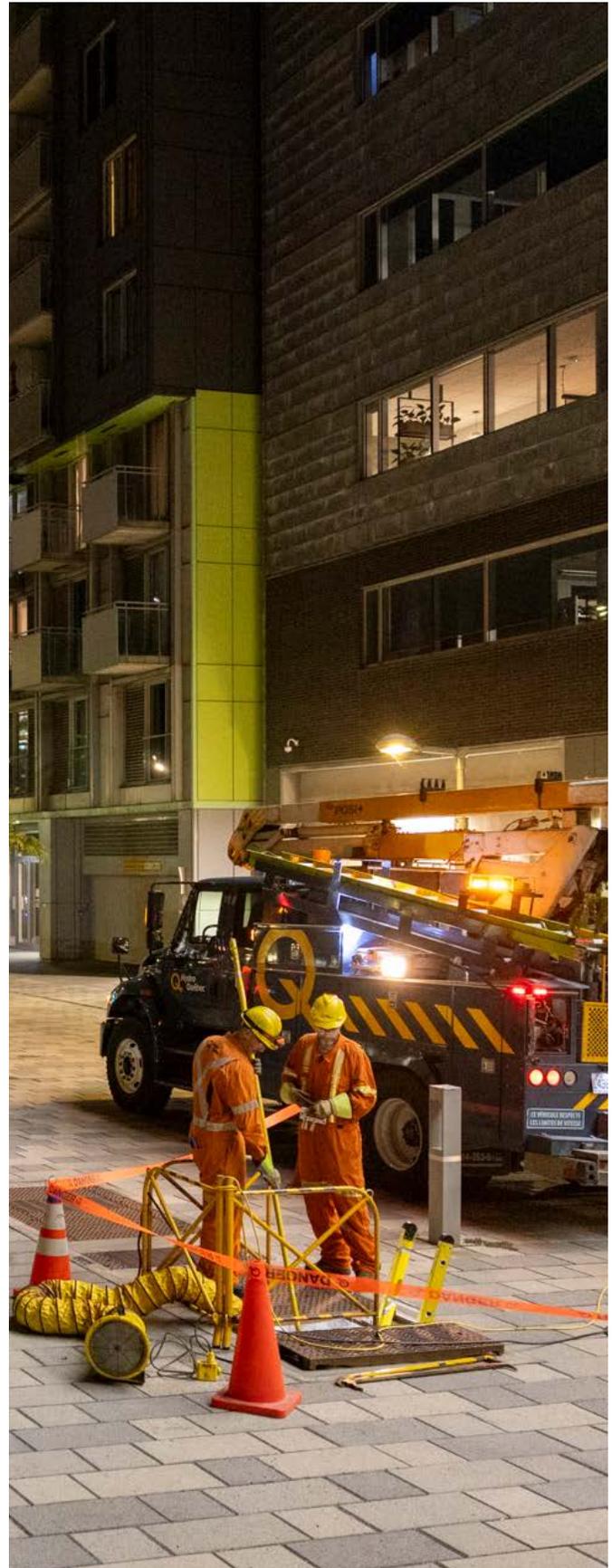
Improving service quality means improving everyday life for all Quebecers. This priority, which takes precedence over all others in our *Action Plan 2035*, is the driving force behind the work of our teams across Québec. With infrastructures under increasing pressure from extreme weather and the energy transition, we have stepped up our efforts to strengthen grid resilience and deliver a better customer experience.

Speeding up work to reduce the number of outages

Our teams have been intensifying their efforts across Québec for several years, but they have also been targeting certain areas—places where grid reliability is a concern and where our interventions will have the greatest impact for customers. Across the province, there has been a 6% decrease in the number of outages in 2025, in spite of a number of major weather events. To accelerate these efforts, we have adopted a new, zone-based approach that draws on a wider range of solutions with the aim of reducing the number of outages and improving service quality. Using this approach, we carried out work in close to 1,800 zones across the province, serving nearly one million customers. In each zone, the solutions best adapted to the local cause for the outage are selected, be it an innovative technical solution or increased efforts in vegetation management. For example, replacing wooden poles with composite poles is a new solution among the many used in our power system. Compared to the reference period of 2019–2023, customers in the nearly 1,800 targeted zones saw a 10% decrease in the number of outages not associated with exceptional weather events.

Shorter connection lead times

We continued to advance toward our goal of reducing connection lead times by 40% by 2028 for the most common work requests. A key focus has been collaboration with numerous partners, including master electricians, to streamline processes and optimize upstream workflows prior to fieldwork. In support of these efforts, we are rolling out a new web portal, *Espace pro* [Pro Space]. Compared to 2023, these efforts have brought down the wait times associated with requests for service connections and other work by 22.4%. This progress was accompanied by a 24% reduction in the number of complaints and claims related to connection requests.



A repair crew responding to an emergency call operates a switch in an underground vault in downtown Montréal.



At La Minerve in the Laurentides region, crews roll out various strategies to improve service quality in an area affected by frequent outages.

Better information online and on the ground

In 2025, major efforts were made to improve communications with our customers, partners and project stakeholders. These initiatives have helped us better meet expectations, reduce frustrations related to outages and bolster satisfaction with the company. Here are three examples:

- Improving our mobile app: Customers can now automatically receive notifications about outages or planned service interruptions at their chosen addresses, such as their home, cottage or the address of a loved one, making it easier to track situations in real time.
- Mobile charging: In collaboration with the Circuit Électrique, in 2025, we tested a mobile charging point made available to EV drivers. Consisting of a trailer equipped with fast-charge stations, it is easy to deploy and helps maintain access to charging during service interruptions. This initiative will continue in 2026.
- Worksite visibility: We strengthened our on-the-ground visibility, notably by installing explanatory signage more frequently near our jobsites. Our teams have also increased engagement with municipalities and local organizations to help us address concerns more effectively and make our projects more widely understood.



Hydro-Québec shares its energy efficiency programs with visitors to the Salon de l'habitation.

Priority 2 – Help our customers make better use of energy

Energy use that is more responsible and more efficient—with better support

In terms of meeting our energy needs and as part of the fight against climate change, energy efficiency is the fastest and most cost-effective solution—which is precisely why it plays such a key role in our *Action Plan 2035*. And in 2025, our customers stepped up to the challenge. Their wholehearted adoption of the efficient technologies promoted by our programs enabled them to reduce their electricity bills, which in turn enabled us to surpass our energy-saving targets.

Launch of our energy efficiency pathway

Last April saw the release of our most ambitious energy efficiency program to date: [*Working Together to Use Energy Wisely*](#). The initiative reflects our vision of a Québec where energy is used more efficiently without sacrificing corporate competitiveness or collective prosperity. By 2035, the savings brought about by the pathway's planned \$10-billion envelope will be equivalent to the power consumed by one in four households in Québec over the next decade.

The Alliance of Exemplary Buildings

In October, we launched the Alliance of Exemplary Buildings, an initiative we hope will spark an inspiring collective movement. The Alliance brings the managers of 25 large buildings together around a shared commitment: adopting best practices in energy consumption. The program targets measures—such as reducing lighting, heating and air-conditioning in spaces that are not in use—that can generate savings of up to 20% on electricity bills. And this is only the beginning: we're aiming for over 500 members by 2028.

Our existing programs continue to perform well

Launched in 2024, our LogisVert program, intended for residential customers, supports the purchase of high-performance appliances. These include heat pumps, which are up to three times more efficient than electric baseboard heaters for winter heating, and also help keep homes cool in summer. This way, winter heating costs can be reduced by as much as 40%. In 2025, the program provided financial assistance for 148,687 heat pumps—an increase of 97% compared to 2024.

The Efficient Solutions Program, intended for commercial and institutional customers, underwent significant growth in 2025, with 10,228 projects compared to the previous year's figure of 6,842. To better meet market needs, we enhanced our financial support particularly for the purchase of heat pumps and heat recovery systems.

Le 1000 De La Gauchetière fait partie de l'Alliance des bâtiments exemplaires.



Consommer l'énergie de façon exemplaire, c'est un engagement.

The Alliance of Exemplary Buildings showcases best practices in energy use by highlighting businesses and institutions whose buildings can inspire others (in French only).

Improved energy use through collective commitment

In 2025, thanks to public engagement and use of the many programs allowing customers to reduce their electricity bills, energy savings rose by more than 63% compared with 2024, reaching a net total of 1,918 gigawatthours (GWh). This is equivalent to the annual energy use of roughly 90,000 small houses, demonstrating the real impact of coordinated efforts across the province, including the examples below:

- Smart thermostats at \$0: A program making smart thermostats available at no charge gave our residential customers the opportunity to obtain devices that could help them save up to 20% on their winter electricity bills, by automatically adjusting indoor temperatures during peak



Efforts deployed in 2025 made it possible to double the number of households using smart thermostats over the course of the year.

demand events. By late 2025, 101,378 households were using connected smart thermostats—double the number of households at the start of the year.

- Winter 2025–2026 peak: In anticipation of the peak demand events, our entire customer base—residential, commercial and industrial—demonstrated strong engagement through participation in the demand response offers. Their commitment to using the various tools available during peak demand events enabled a curtailment potential of 2,664 MW, an increase of 286 compared to the previous winter.
- Support for industrial customers: To help our large-power industrial customers—including 180 paper mills, aluminum smelters, mines and other industries—lower their energy consumption, we now provide personalized energy efficiency support. In 2025, more than 20 of these companies undertook a systematic approach centred on two initiatives: an in-depth energy analysis, and the implementation of an energy management system based on ISO 50001. To support these efforts, we enhanced our financial assistance offering to cover up to 100%, in certain cases, of the costs associated with analyzing and implementing an energy management system. This way, we're helping them reduce their electricity bill while staying competitive.

Priority 3 – Increase our power generation capacity

Towards a more diverse energy mix

Efforts in energy efficiency aren't sufficient to meet the need of growing electricity demand: so we're moving decisively toward our goal of adding 10,000 MW of additional capacity. We're already on the right track in diversifying our energy mix and increasing our output capacity. We're developing each project in a spirit of collaboration, working closely with partners, the public, local communities and First Nations and Inuit communities.

Wind power: A strategy grounded in partnering with the community

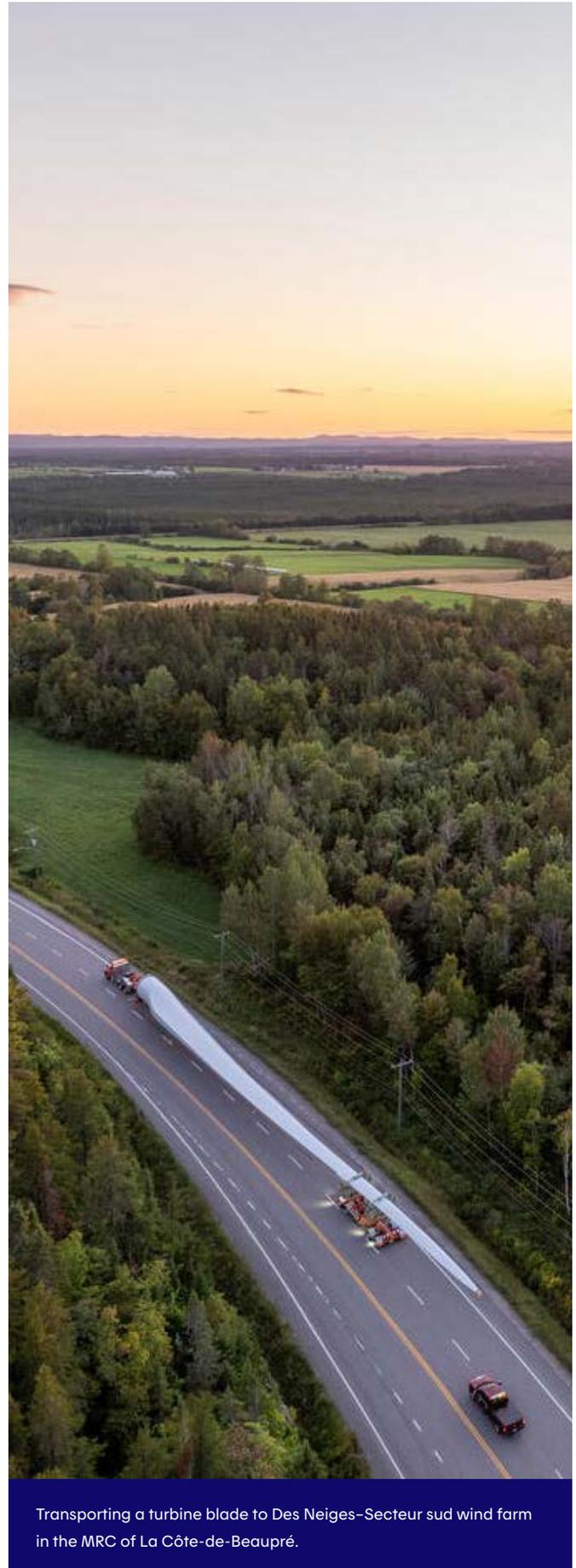
We've continued to roll out our [*Wind Power Development Strategy*](#), which centres on the development of large-scale projects in specific areas, working closely with First Nations and municipalities. The aim is to reach 10,000 MW of new wind power capacity by 2035 in order to meet capacity requirements ranging from 1,500 to 1,700 MW.

In December 2025, to help wind energy promoters target their proposals for projects to be commissioned between 2031 and 2035, Hydro-Québec unveiled a map detailing the potential to integrate wind power into its grid. This demonstrates our willingness to build sustainable partnerships and reflects our commitment to listen to our Québec partners and keep them informed in the spirit of constructive collaboration.

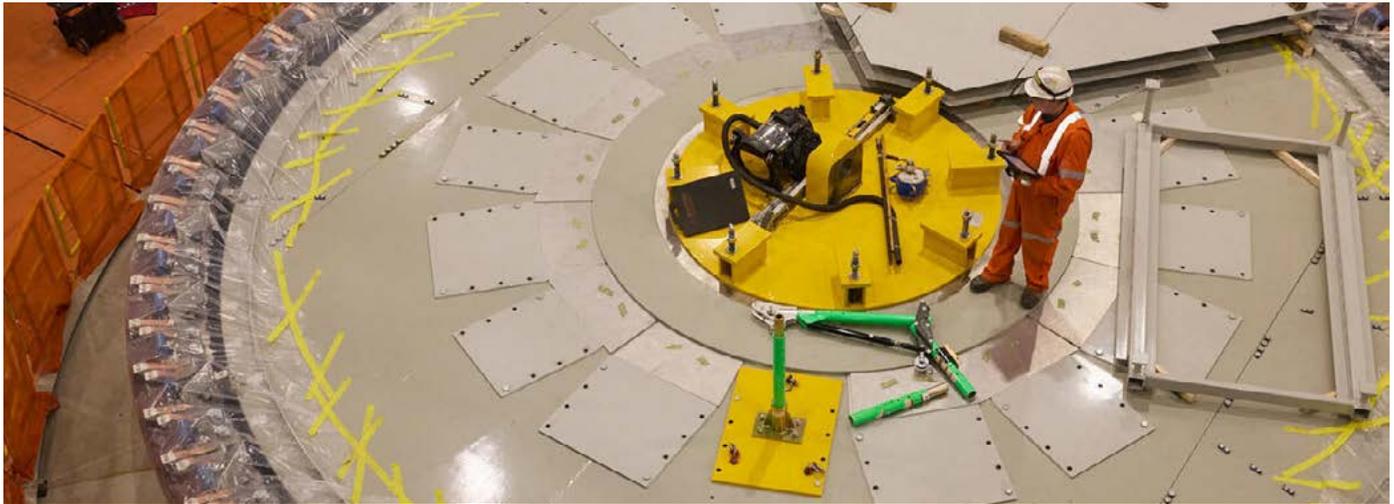
In 2025, we reached two new agreements that represent a combined wind power potential of 7,500 MW bringing Québec's wind potential to 12,500 MW:

- In the Gespe'gewa'gi area, which covers the Gaspé and eastern Bas-Saint-Laurent regions, we entered into a partnership for a potential 6,000 MW with the Mi'gma'wei Mawimi Business Corporation and the Alliance de l'énergie de l'Est, which encompasses the Wolastoqiyik Wamspekwik First Nation and 209 communities.
- In a new area comprising the regional county municipalities of Montmagny, L'Islet, Kamouraska, Témiscouata and Rivière-du-Loup, all of which are in the Bas-Saint-Laurent region, we reached an agreement for a potential 1,500 MW. The project has been dubbed Wetsok, which means "in the direction of the wind" in the Wolastoqey language.

These agreements join the wind energy deals signed in 2024 in three other areas of promise: Chamouchouane and Nutinamu-Chauvin in Saguenay–Lac-Saint-Jean, and Wocawson in the Bas-Saint-Laurent. The combined wind power potential of these areas is approximately 5,000 MW. In 2025, an important milestone was reached with the completion of the prefeasibility studies. We're now able to launch planning activities, including field surveys, public consultations and regulatory procedures.



Transporting a turbine blade to Des Neiges–Secteur sud wind farm in the MRC of La Côte-de-Beaupré.



The work to replace units at Carillon generating station will increase generation capacity for decades to come.

Hydroelectricity: Optimizing our current generating assets

Work has begun in close to a dozen hydroelectric generating stations to increase their output. When completed, these efforts will provide about 2,400 MW of the 4,000 MW of additional capacity sought out in our *Action Plan 2035*.

Our generating fleet is comprised of generating stations of varying ages and configurations. Each of these facilities must therefore undergo careful planning and a thorough technical analysis. To optimize the use of our water resources while minimizing the environmental impacts, we work closely with host communities and our partners.

Solar: Coming into its own as a complementary power source

Solar power, an increasingly affordable energy source that can be deployed quickly and flexibly, represents a promising solution, allowing us to diversify our energy mix and optimize our use of the grid. In May, we achieved a major milestone with the launch of our first request for proposals for 300 MW of capacity from solar farms with a maximum capacity of 25 MW to be connected to the grid by 2029. These solar farms will maximize economic benefits for Québec and comply with responsible procurement practices while integrating harmoniously into farmland. This step marks the start of our [ambitious plan to integrate 3,000 MW of solar power by 2035](#) (in French only), using a phased and rigorous approach aligned with advances in technology and Québec's evolving energy needs.

Preparing the ground for major initiatives

With a significant number of electricity generation projects moving ahead, preparations for major construction are in the works. Implementation will be ambitious, bringing with it no shortage of challenges, from ensuring access to a skilled workforce to fostering social acceptance—key conditions for successfully delivering complex, large-scale initiatives.

Meeting these challenges requires taking steps to accelerate progress. Throughout the year, we strengthened communications and collaborations with the affected communities, as well as with the Commission de la construction du Québec and the unions. We also continued our economic reconciliation efforts with First Nations and Inuit to support their participation in these projects.

In August, we also signed a major agreement with the Ministère de l'Éducation du Québec. The \$250-million partnership, which includes a contribution of \$100 million from Hydro-Québec, will provide training in various construction trades to some 5,000 trainees, helping to address the urgent labour needs across all regions, including for our energy projects. The investment will modernize professional training centres and increase enrollment capacity, while fostering the inclusion of an Indigenous workforce in these trades.

Lastly, our process draws increasingly on technological innovations, such as prefabrication, modular construction, automation and construction data modelling for certain tasks. These tools help us accelerate project design, shorten procurement times and improve management practices.

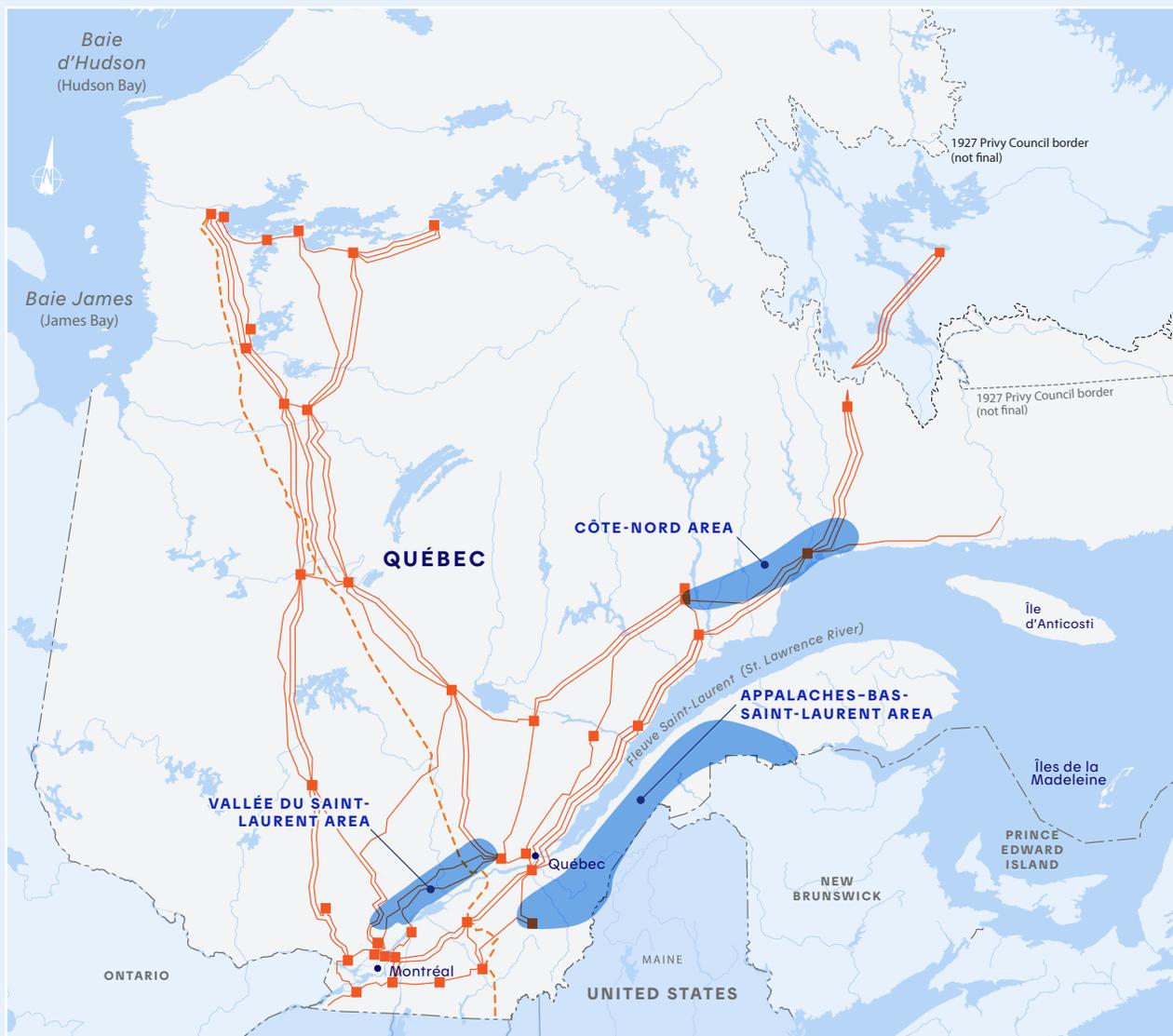
Transmission system: Upgrades in progress

Implementation of our plan to upgrade the transmission system is now underway. Designed to allow the system to efficiently transport the electricity generated by new wind, solar and hydroelectric infrastructures, the plan will also strengthen the grid against extreme weather events, which are on the rise due to climate change.

In 2025, important progress was made with regard to three priority areas:

- **Vallée-du-Saint-Laurent and Appalaches-Bas-Saint-Laurent** – Technical and environmental assessments are ongoing and the public consultation process has begun. We've also started meeting with community organizations and municipal administrations.
- **Côte-Nord** – The draft design phase for this area has begun.

When completed, these three major projects will bring into service 1,000 km of new lines, supported by 1,600 towers and 5 new substations.





This sculpture by Tim Whiskeychan was installed on a commemorative site overlooking the Rivière Rupert and the main dam of the Eastmain-Sarcelle-Rupert complex. The construction of this complex is an example of sustainable collaboration between the Crees and Hydro-Québec.

Priority 4 – Partner with Indigenous communities

Towards lasting partnerships with First Nations and Inuit

The year 2025 marked an important step: moving from vision into action. Launched in December 2024, our *Strategy for Economic Reconciliation and to Strengthen Relations with First Nations and Inuit* is taking shape through a series of concrete actions. Dialogue is ongoing to acknowledge the past and forge partnerships that support the economic, social and cultural development of Indigenous communities.

Reconciliation in action, day by day

In 2025, we maintained a strong connection with Québec's 11 Indigenous nations, spanning 55 communities, as well as with the Indigenous members of our workforce. To these ends, we implemented practices that promote social acceptability, with a focus on listening, transparency and trust. We also stepped up efforts to hire more Indigenous employees while working to make our corporate culture more open and inclusive.

Our Strategy includes 28 initiatives, all of which are underway. The past year saw special emphasis placed on the following:

- Establishing partnerships with First Nations and Inuit for large-scale construction projects.
- Diversifying procurement opportunities and acquiring \$1.5 billion in goods and services from Indigenous suppliers between 2025 and 2029.
- Increasing First Nations and Inuit participation in our projects and operations as well as in our environmental studies and follow-ups.
- Supporting the creation of training centres and study programs for Indigenous people.

In concrete terms, Hydro-Québec opened one of its aerodromes, Nemaska aerodrome, to the public for the first time. It will be operated by a group of Cree companies. This is a way of putting our vision of reconciliation into action, and of making a real contribution to the economic vitality of the Nord-du-Québec region.

Continuing negotiations

Along with wind power agreements, we've also negotiated:

- A collaboration agreement with the W8banaki Nation.
- An agreement with the Innu of Ekuanitshit making it possible to lay the foundation for developing the energy potential of their territory.
- An administrative agreement with the Atikamekw band council for transmission system developments.
- A framework agreement with Makivik to implement our Strategy and advance the energy transition in Nunavik, a region served by our off-grid systems.
- A reconciliation and collaboration agreement with the Innu Nation of Labrador.

These agreements are all grounded in cooperation and mutual respect. Together, they let us carry out our projects responsibly, in tandem with First Nations and Inuit partners, while empowering these communities to play an active role in the energy transition.

Building lasting relationships

We also reinforced our links with many organizations, including Makivik, which represents the 14 Inuit villages of Nunavik, as well as the Assembly of First Nations Québec-Labrador and its committees and regional bodies.

In relation to the 2024 energy supply agreement involving the Churchill Falls generating station and the development of new large-scale projects, we have launched discussions with the relevant Indigenous communities both in Québec and in Labrador.

Electrification of the village of Kitcisakik

In December, we celebrated the connection of the village of Kitcisakik to Hydro-Québec's grid, together with the Conseil des Anicinapek, some 500 members of the community, as well as representatives from Hydro-Québec, the Secrétariat aux relations avec les Premières Nations et les Inuit, the Société d'habitation du Québec and Indigenous Services Canada. Forged over three years of work by three levels of government, the Animiki Ickote (Anishnabe for "electricity") project culminated in a symbolic and moving moment: a group of children from the village lighting a Christmas tree. Thanks to the mobilization of all stakeholders, the village will now have access to reliable service and sustainable energy security.



After three years of work, the village of Kitcisakik was connected to Hydro-Québec's grid.

The James Bay and Northern Québec Agreement turns 50

November 11, 2025, marked 50 years since the signing of the *James Bay and Northern Québec Agreement*, Canada's first modern treaty. The agreement affirmed Cree and Inuit territorial rights while enabling the development of large-scale hydroelectric projects in Northern Québec. Over time, it also led to the creation of structures that support Cree and Inuit self-government and economic independence.

Today, this relationship is grounded in collaboration and mutual respect, offering a promising model for the future.



Robert-Bourassa development, North America's largest electricity generating facility.

Priority 5 – Become an agile, innovative and transparent organization

Towards greater readiness for tomorrow's challenges

Hydro-Québec is reshaping how it works to better meet customer needs while contributing to Québec's decarbonization and prosperity. Anchored in agility, innovation and transparency, this shift is focused on simplifying our processes, accelerating our decision-making, fostering innovation, and investing in talent. Collaboration with government, research institutes and the private sector allows us to quickly integrate best practices and increase our efficiency, openness and effectiveness in order to support the implementation of our *Action Plan 2035*.

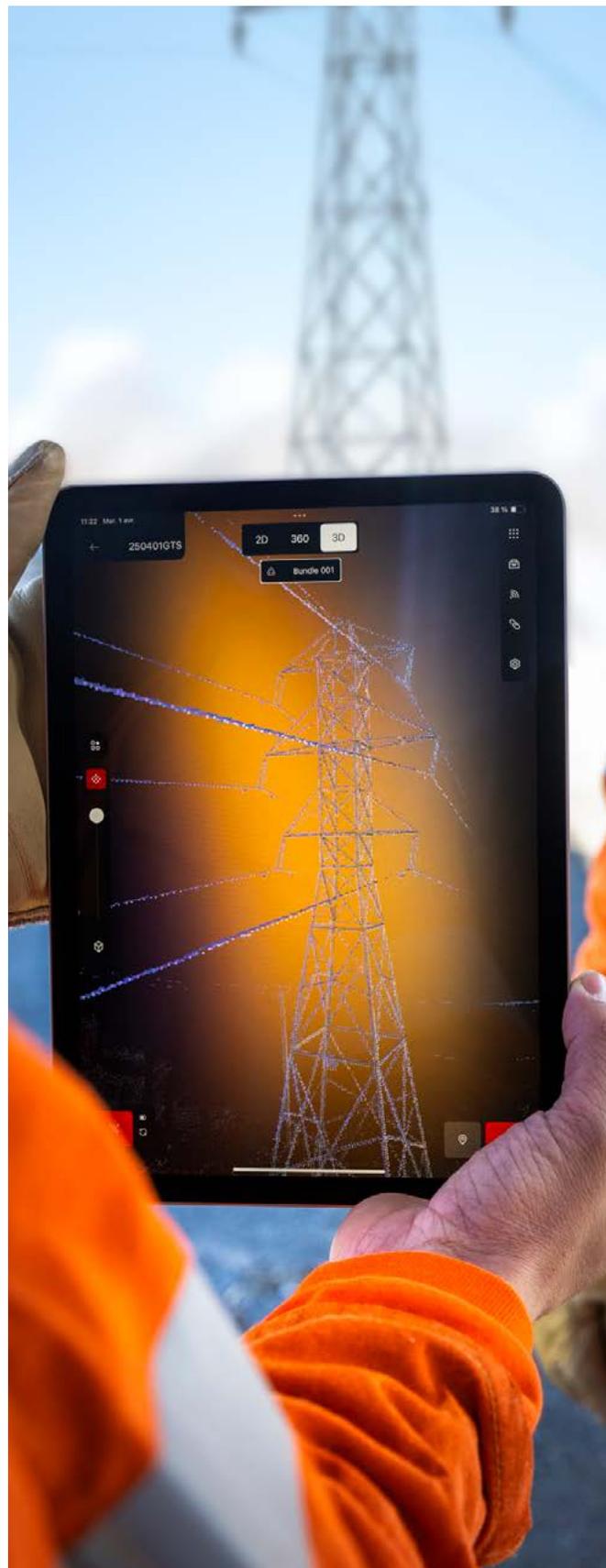
Innovation: Central to our every action

More than just a driver of progress, innovation is becoming a strategic catalyst for organizational transformation and greater agility at Hydro-Québec. We are increasingly deploying technologies like drones, robotics and artificial intelligence (AI) to improve asset management and support grid maintenance—and this transformation has not gone unnoticed.

In 2025, we bolstered our position in Québec and internationally as a leader in energy innovation. Some of the year's highlights included the following:

- Our teams organized the country's first-ever drone symposium in cooperation with Électricité Canada. The event showcased the strategic applications of drones in improving grid maintenance, safety and efficiency—areas in which Hydro-Québec is a global leader, notably due to its 300 pilots trained in-house and specialized based on their area of expertise, a truly unique skillset.
- We hosted CIGRE 2025, a major international gathering of energy sector leaders from 59 countries that brought together nearly 1,900 specialists. A total of 537 articles from 47 countries were presented, 117 of which from Hydro-Québec personnel.
- Hydro-Québec received a dozen awards for its innovation projects, including the prestigious Mitacs Innovation Award for Canadian Innovative Company of the Year in recognition of the leadership and R&D contributions of its research institute, IREQ.

We also implemented a new asset management approach, named R3ALIS, based on the concept of virtual assets. Combining artificial intelligence, high-definition imaging and LiDAR (Light Detection and Ranging), our teams can virtually reconstitute strategic assets like substations and the distribution system as well as the vegetation encroaching on the grid. The *Détective* solution developed by our research centre is a concrete example of the R3ALIS program in action. By analyzing virtual assets, it can quickly identify trees that need pruning, locate poles and power lines, and flag



A fieldworker holds up a tablet displaying a tower and its surroundings, digitally recreated using a robotic scanner that captures thousands of geolocated points and 3D images.

equipment for monitoring or replacement. This approach reduces field visits, speeds up interventions and helps prevent outages. By late 2025, we had mapped 80 substations and 3,500 km of distribution lines. Once fully operational, Détective will be able to map 15,000 km of lines annually.

Smarter prevention, stronger performance

Work environments that are healthy, both physically and mentally, are essential to keeping our teams effective and agile. In 2025, we achieved a new milestone in occupational health and safety, emphasizing collaboration, rigour, accountability and leadership at our organization's every level. We are working to actively engage our operations and construction teams through a health and safety performance improvement plan tailored to their specific contexts. Additional areas of vulnerability, including public safety and mental health, are also being addressed as health and safety risks and formally integrated into our prevention efforts.

This integration supports our efforts in recent years to raise mental health awareness within our workforce. Throughout the year, we ran an awareness campaign on psychosocial risks—harassment, violence and traumatic events—recognized by the Commission des normes, de l'équité, de la santé et de la sécurité du travail. This campaign was designed to inform employees, familiarize them with the available resources and encourage open dialogue in the workplace. We also provided mental health training to our managers and frontline advisors.

Investing in tomorrow's workforce

In 2025, we set up more than 70 events to attract and recruit young talent. We also stepped up our efforts to raise awareness of career opportunities and certain lesser-known trades, in part through open-house events and videos shared on social media.

In January, we inaugurated our new intern centre of excellence, providing support from onboarding through integration to enrich the internship experience and strengthen our reputation as an employer of choice.



The asset virtualization research and development program at Hydro-Québec's research centre creates scalable digital twins of physical equipment, like these generating units at Beauharnois generating station.

Management's Discussion and Analysis

This Management's Discussion and Analysis should be read in conjunction with the consolidated financial statements of Hydro-Québec and the notes thereto. The financial information and tabular amounts presented herein are expressed in Canadian dollars, unless otherwise indicated. The consolidated financial statements take into account the decisions handed down by the Régie de l'énergie (the "Régie") of Québec [Québec energy board] with respect to the transmission and distribution of electricity. They also reflect the provisions of *An Act to simplify the process for establishing electricity distribution rates* (S.Q. 2019, c. 27) and *An Act to ensure the responsible governance of energy resources and to amend various legislative provisions* (S.Q. 2025, c. 24).

This analysis, and especially the Outlook section, contains statements based on estimates and assumptions concerning future results and the course of events. Given the risks and uncertainties inherent in any forward-looking statements, Hydro-Québec's actual future results could differ from those anticipated. Lastly, the information contained herein takes into account any significant event that occurred on or before February 13, 2026, the date of approval of the consolidated financial statements by Hydro-Québec's Board of Directors.

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CONSOLIDATED FINANCIAL STATEMENTS

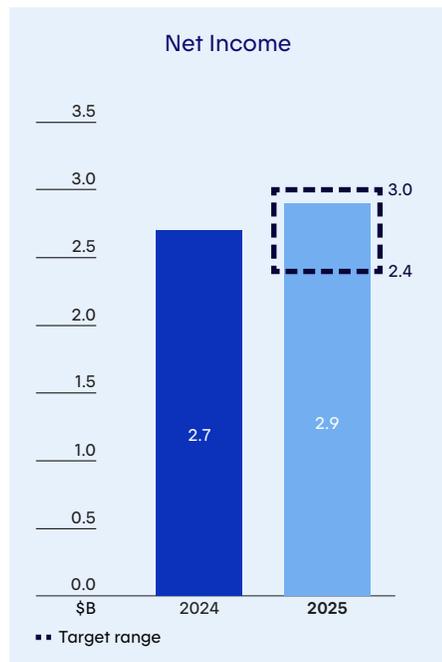
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2025 at a Glance

Hydro-Québec's net income totalled \$2,906 million in 2025, representing an increase of \$243 million from the \$2,663 million recorded a year ago. This is at the top of the target range for the year, forecasting income between \$2.4 billion and \$3.0 billion. This performance was achieved in a context marked by cold temperatures across all markets, especially in the first quarter, and low runoff levels that have persisted since 2023. It also reflects the skillful deployment of the sales strategy through the purchase and sale of energy at appropriate times on external markets. Large reservoirs, which provide natural energy storage and allow strategic management of the reserves, played an important role in this regard.



The increase in net income is due to a \$1,410-million spike in electricity sales. In Québec, colder temperatures in the first and last quarters compared to the previous year, combined with the indexation of rates on April 1, 2024 and 2025, were a major factor behind the \$1,206-million growth in related revenue. On markets outside Québec, sales rose by \$204 million, largely due to weather conditions experienced during the first quarter, which caused energy prices to increase overall. However, these positive impacts, combined with the \$256-million gain on disposal of the investment in Innergex énergie renouvelable inc., were partially offset by a \$1,096-million increase in electricity purchases, mainly due to an increase in short-term purchases on the markets in order to meet Québec's ad hoc requirements during colder periods. They were also reduced by the \$248-million increase in financial expenses under the borrowing program in connection with the investment activities under the *Action Plan 2035*.

In light of these results, Hydro-Québec will be able to pay a dividend of \$2.2 billion to the Québec government, its sole shareholder.

Colder temperatures in 2025

EFFECT OF TEMPERATURES ON SALES IN QUÉBEC

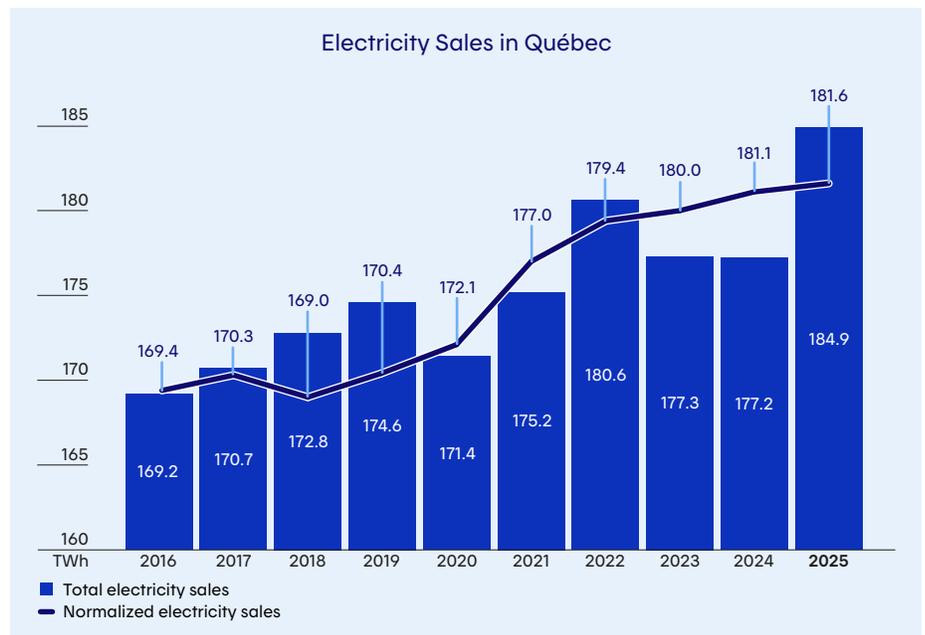
2025: +3.3 TWh

2024: -3.9 TWh

Electricity sales in Québec reached a peak of 184.9 TWh, an increase of 7.7 TWh over 2024. This growth is essentially due to the impact of cold temperatures. In the first quarter, they were 3°C lower on average than in 2024, while in the last quarter, they were 2°C lower on average. It should be noted that in 2024, Québec experienced the warmest year ever recorded province-wide, and the first quarter was the mildest in 10 years.

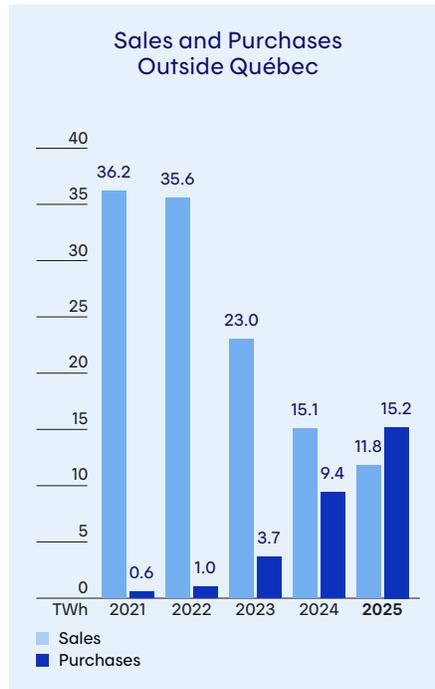
The colder temperatures in 2025 resulted in a 3.3-TWh increase in sales in Québec compared to normal temperatures.

Regarding normalized electricity sales, i.e., excluding the temperature effect, they rose for a seventh consecutive year, totalling 181.6 TWh, a historic high.



Persistent backdrop of low runoff conditions

The results for 2025 are set against a backdrop of continuing low runoff conditions, which have persisted since 2023. Indeed, natural water inflows in recent years have been lower than normal overall, due to lower precipitation and spring runoff, resulting in historically low reservoir levels. As a result, Hydro-Québec continued to take a prudent approach to managing its energy reserves and therefore limited its exports for a third consecutive year to ensure optimum use of water resources. This situation led to a decline of 3.3 TWh in electricity sales on external markets compared with 2024. However, it had no impact on the security of Québec's energy supply. It should also be noted that the runoff is a cyclical phenomenon, characterized by alternating periods of higher and lower precipitation observed since the 1960s.



Profitable and prudent management of water resources

SALES

2025: 11.8 TWh at 14.5¢/kWh

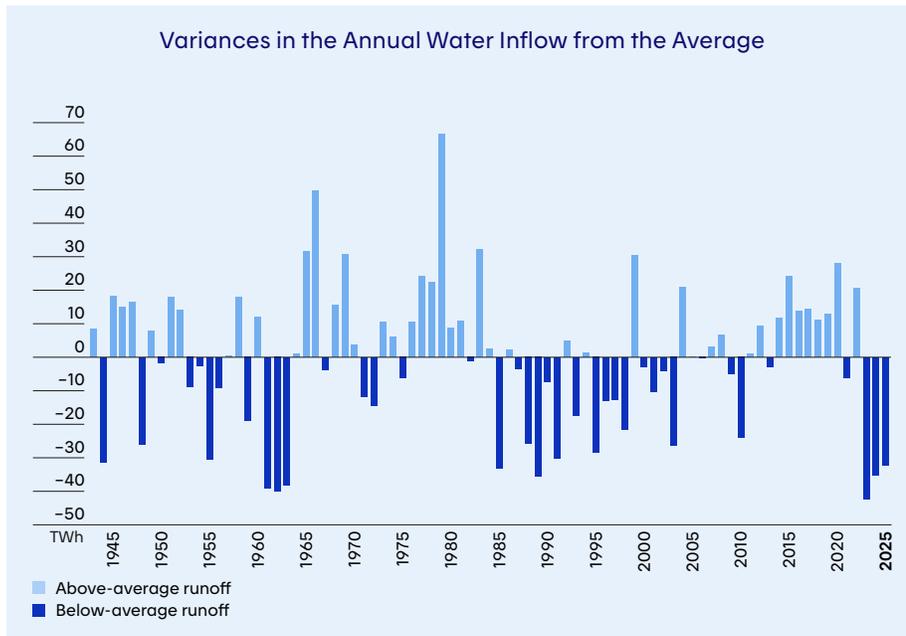
2024: 15.1 TWh at 9.9¢/kWh

PURCHASES

2025: 15.2 TWh at 7.6¢/kWh

2024: 9.4 TWh at 3.6¢/kWh

Thanks to the proactive and flexible management of its water resources, Hydro-Québec was able to capitalize on favourable market conditions through energy purchases and sales at appropriate times. In the first quarter, the company increased its electricity exports to take advantage of high prices arising from strong demand. In the following quarters, prices fell as winter drew to a close, and the focus therefore shifted to increasing purchases as a means of replenishing part of its energy reserves in the persistent context of low runoff levels. As a result, Hydro-Québec generated net revenue of nearly \$200 million by the end of 2025, with the positive contribution of 4.7 TWh¹ regarding water levels in reservoirs, allowing it to mitigate the impact of low runoff.



1) Excluding net income of Great River Hydro

Rigorous implementation of the investment plan

INVESTMENTS

2025: \$7,842M

2024: \$6,533M

In accordance with the priorities set out in the *Action Plan 2035*, Hydro-Québec has significantly increased the funds allocated to its investments. As a result, investments for 2025 totalled \$7,842 million, an increase of \$1,309 million compared to \$6,533 million in 2024. They are mainly composed of investments in property, plant and equipment and intangible assets, as well as investments in the regulatory asset with respect to costs related to energy efficiency and demand response initiatives. The 20% increase reflects the company's commitment to reliable, high-quality service through sustained investment in generating, transmission and distribution facilities, as well as to helping customers consume energy more efficiently and achieve significant savings on their electricity bills. It should be noted that the accelerated plan of recent years has enabled the company to increase the value of its assets to over \$100 billion during 2025.

A large part of the investments in property, plant and equipment and intangible assets, or \$4.4 billion, was devoted to large-scale projects aimed at ensuring long-term operability of the company's assets. In this way, it improved grid robustness, modernized it and replaced equipment nearing the end of its service life.

In addition, \$2.5 billion was allocated to development projects to increase generation capacity, handle the growing customer base in Québec, and increase the energy exchange capacity with neighbouring markets. As a result, the deployment of a 320-kV direct-current line

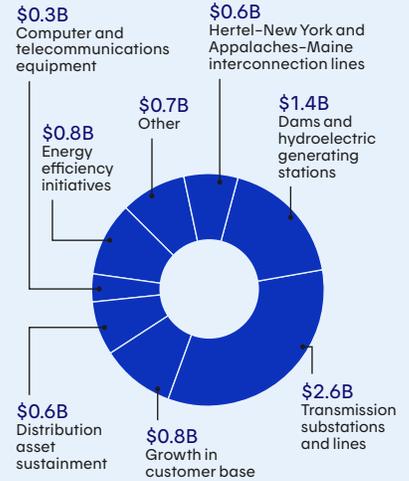
in the Chaudière-Appalaches and Estrie regions, with a view to commissioning a new 1,200-MW interconnection between Québec and New England ("NECEC") in early 2026, continued, as did the construction of the Hertel-New York interconnection line, which will be connected to the Champlain Hudson Power Express line ("CHPE") to deliver electricity to the heart of New York City. Commissioning of this project is scheduled for spring 2026.

These amounts are in addition to the direct investments made by Hydro-Québec's external partners. Collectively, such investments provide major support to the Québec economy.

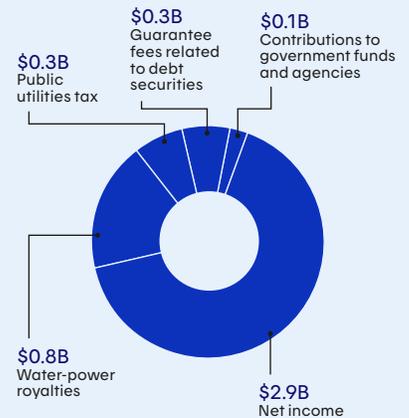
A major contribution to the Québec economy

Hydro-Québec's contribution to the Québec government's revenue for 2025 amounts to \$4.4 billion. In addition to the company's net income, this includes water-power royalties, the public utilities tax, and guarantee fees related to debt securities. This contribution to the economy, combined with the major investments made by the company, generates significant economic spin-offs throughout Québec. It therefore plays an important role in public finances, benefitting the entire community.

Investments in Québec in 2025 \$7.8B



Hydro-Québec's Contribution to the Québec Government's Revenue for 2025 \$4.4B



Consolidated Results

Net income

Net income reached \$2,906 million in 2025, an increase of \$243 million, compared to \$2,663 million in 2024. The increase is mainly due to a spike in electricity sales as well as a gain on disposal of the investment in Innergex énergie renouvelable inc. However, these factors were offset by an increase in electricity purchases and financial expenses.

Revenue

Revenue totalled \$17,999 million, compared to \$16,113 million a year earlier. Electricity sales amounted to \$16,988 million, or \$1,410 million more than the \$15,578 million recorded the previous year. This growth is due to a \$1,206-million rise in electricity sales in Québec, as well as a \$204-million increase in sales on markets outside Québec. Other revenue from ordinary activities and revenue from other activities amounted to \$1,011 million, an increase of \$476 million compared to the \$535 million recorded in 2024.

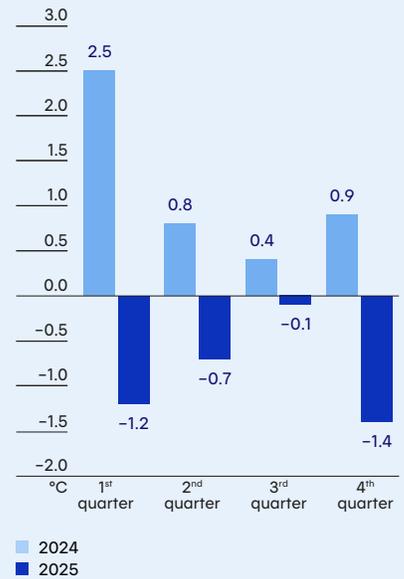
Revenue from ordinary activities

Electricity sales in Québec

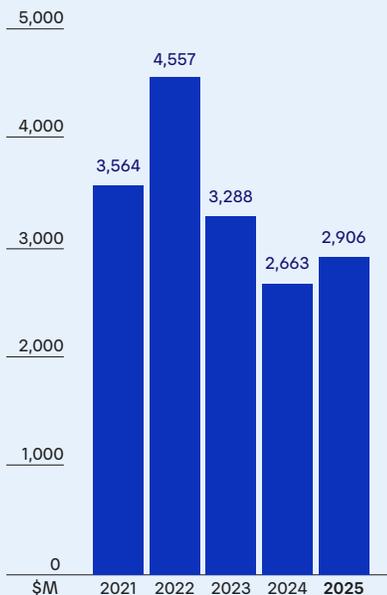
Electricity sales in Québec rose by 7.7 TWh to reach a historic level of 184.9 TWh, contributing to the \$1,206-million growth in related revenue resulting from the combined effect of three main factors.

First, temperatures had a favourable impact of 7.2 TWh or \$652 million compared to the previous year. In fact, temperatures observed across Québec in 2024 were the warmest on record. The impact on electricity sales was most pronounced in the first quarter of 2025, resulting in an increase of 4.1 TWh or \$370 million. More specifically, temperatures in January and February were, on average, 3°C and 5°C lower, respectively, than those of last year. As heating accounts for a large part of electricity consumption during the winter months, any decrease in temperatures during this period necessarily has a favourable impact on the volume of electricity sales and related revenue. The impact was also significant in the last quarter of 2025 and led to an increase of 2.6 TWh or \$237 million. Temperatures in November and December were on average 3°C lower than those in 2024.

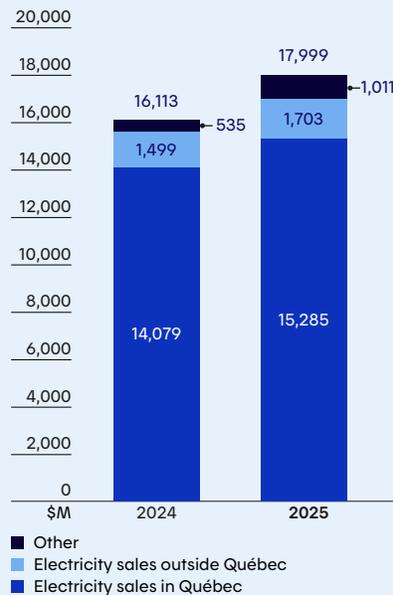
Variations in Actual Temperatures Compared to Normals – Montréal and Québec



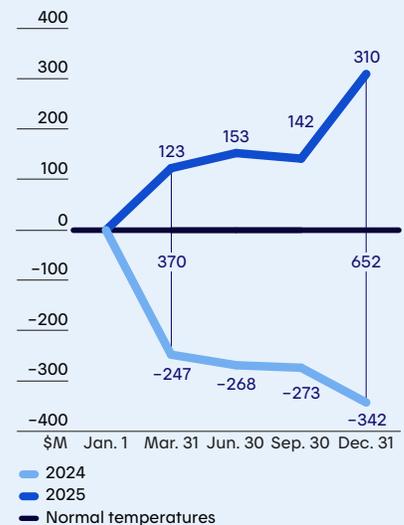
Net Income



Revenue



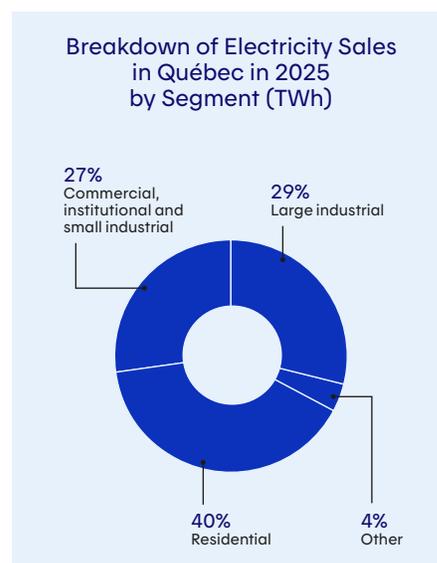
Cumulative Impact on Electricity Sales in Québec of Actual Temperatures Compared to Normals



Second, baseload demand, including the impact of one day less of sales due to the absence of February 29 (2024 being a leap year), rose by 0.5 TWh or \$64 million, mainly due to increased energy needs in the residential segment and in the commercial, institutional and small industrial segment, where demographic change led to growth in the number of customer accounts. However, this growth was mitigated by a slight downturn in demand observed in several business segments in the large industrial customer category, given the economic context.

Third, the rate indexations that came into effect on April 1, 2024 and 2025, resulted in a \$435-million increase in revenue. In 2025, in accordance with the provisions of *An Act to ensure the responsible*

governance of energy resources and to amend various legislative provisions and An Act to simplify the process for establishing electricity distribution rates, the indexation rate for domestic rates, i.e., those applicable to residential and farm customers, was capped at 3%. In addition, under two provisional decisions, the Régie approved rate increases of 3.6% for commercial customers and 1.7% for large-power industrial customers (Rate L). These increases apply until the Régie renders its final decisions on the rate case.



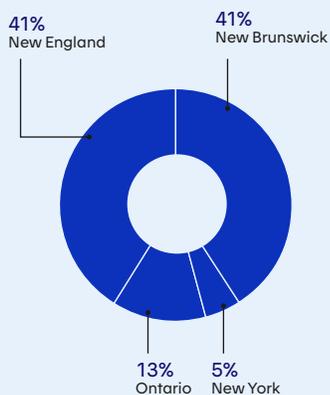
Electricity Sales in Québec by Segment

Segment	Sales volume			Revenue		
	2025	2025-2024 change		2025	2025-2024 change	
	TWh	TWh	%	\$M	\$M	%
Residential	74.7	6.5	9.5	6,857	822	13.6
Commercial, institutional and small industrial	49.6	1.4	2.9	5,041	344	7.3
Large industrial	54.0	(0.4)	(0.7)	2,949	10	0.3
Other	6.6	0.2	3.1	438	30	7.4
Total	184.9	7.7	4.3	15,285	1,206	8.6

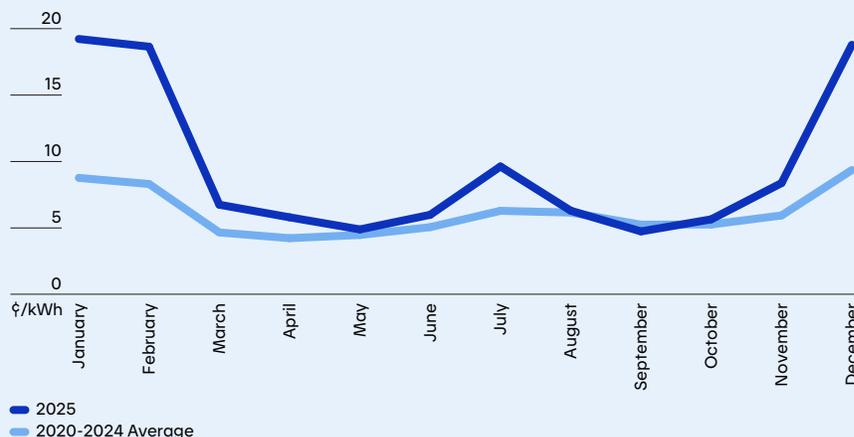
Factors Underlying the 2025-2024 Change in Sales by Segment

Segment	Volume effects					Price effects			Total
	Baseload demand		Temperatures		Total	Rate adjustments	Other	Total	
	TWh	\$M	TWh	\$M	\$M	\$M	\$M	\$M	
Residential	0.7	62	5.7	525	587	193	42	235	822
Commercial, institutional and small industrial	0.2	13	1.3	118	131	192	21	213	344
Large industrial	(0.4)	(15)	-	-	(15)	33	(8)	25	10
Other	-	4	0.2	9	13	17	-	17	30
Total	0.5	64	7.2	652	716	435	55	490	1,206

Breakdown of Sales Outside Québec in 2025 by Market (TWh)



Electricity Prices on the New England Market^a



a) Monthly averages of hourly electricity prices on the New England market (Mass Hub – ISO-NE)

Electricity sales outside Québec

Revenue from electricity sales on external markets stood at \$1,703 million in 2025, or \$204 million more than the \$1,499 million recorded in 2024. Thanks to its sales strategy, Hydro-Québec was able to capitalize on attractive business opportunities during the winter. The result was an increase in revenue from sales outside Québec. In fact, temperatures in the northeastern United States followed the same trend as in Québec, being colder than last year. This led to an increased demand for energy, which resulted in a sharp rise in market prices, particularly in New England, one of the company's main export markets. It should be recalled that, given the lower-than-normal water inflows experienced since 2023, Hydro-Québec continues to manage its large reservoirs prudently and dynamically, and therefore reduced its export volume since the second quarter. The latter was down from the comparative period. Thus, the volume of 11.8 TWh for the entire year remained well below the average for the ten years preceding the current period of low runoff.

Other revenue from ordinary activities

Other revenue from ordinary activities amounted to \$528 million, compared to \$349 million in 2024. This \$179-million increase is mainly due to revenue generated by the delivery of projects by EVLO, a subsidiary specializing in battery energy storage systems.

Revenue from other activities

Revenue from other activities increased by \$297 million compared to the previous year. This change is mainly due to the \$256-million gain recorded on the disposal of Hydro-Québec's investment in Innergex énergie renouvelable inc.

Expenditure

Total expenditure amounted to \$12,385 million in 2025, compared to \$10,990 million a year earlier.

Operational expenditure

Operational expenditure amounted to \$4,923 million, or \$314 million more than the \$4,609 million recorded in 2024, in particular due to the expansion of activities to improve service quality and reliability, in line with the priorities set out in the company's *Action Plan 2035*. These activities include, among other things, servicing and maintenance activities for the electrical system and vegetation control. The increase in expenditure is also due to the indexation

of salaries, the impact of inflation on the entire supply chain, and delivery of EVLO projects. However, these factors were mitigated by a favourable variance arising from the obligations related to the dismantling of the Gentilly-2 nuclear facilities, attributable to a lower remeasurement expense in 2025 than in 2024.

Other components of employee future benefit cost

In the line item Other components of employee future benefit cost, a credit amount of \$916 million was recognized in 2025, compared to \$773 million the previous year. This change is mainly due to the growth in the value of the Pension Plan assets as at December 31, 2024, which had a positive impact on the amounts recognized in this item in 2025.

Electricity purchases

Electricity purchases totalled \$4,021 million, an increase of \$1,096 million compared to the \$2,925 million recognized in 2024, mainly due to the increase in short-term purchases on the markets. On one hand, this difference results from an increase in short-term purchases in the first and fourth quarters to meet Québec's ad hoc requirements during these cold periods. On the other hand, it is also attributable to an increase in external supply as part of the prudent and dynamic management of energy reserves. Given the decline in prices observed at the end of winter 2024-2025, Hydro-Québec adopted a strategy focused on increased purchases in the second and third quarters as a means of replenishing part of its energy reserves and reselling a portion of this energy when prices were higher on the markets.

Depreciation and amortization

Depreciation and amortization expense amounted to \$3,112 million, compared to \$3,019 million a year earlier. This \$93-million increase is mainly due to a \$100-million rise in depreciation of property, plant and equipment and intangible assets resulting from the impact of new asset commissionings in 2024 and 2025, net of assets that were fully amortized during these years.

Taxes

Taxes reached \$1,245 million, or \$35 million more than the \$1,210 million recorded in 2024, due to an increase in water-power royalties attributable to the increase in production volume as well as to the indexation of the applicable rate.

Financial expenses

Financial expenses stood at \$2,708 million in 2025, a \$248-million increase compared to the \$2,460 million recorded the previous year. This increase is essentially due to the impact of the new net debt issues on interest expense, taking into account the increase in the borrowing program in connection with the planned investment activities under the *Action Plan 2035*.

Key Figures

	2025	2024
OPERATIONS AND DIVIDEND (\$M)		
Revenue	17,999	16,113
Income before financial expenses	5,614	5,123
Net income	2,906	2,663
Dividend	2,180	1,997
BALANCE SHEETS (\$M)		
Total assets	108,033	99,709
Property, plant and equipment and intangible assets	83,935	80,055
Long-term debt, including current portion	65,551	60,359
Equity	30,160	28,707
FINANCIAL RATIOS		
Return on equity (%) ^a	10.3	9.6
Capitalization (%) ^b	32.2	32.7
Profit margin (%) ^c	16.1	16.5
Interest coverage ^d	2.02	2.03
Self-financing (%) ^e	33.1	37.1

a) Net income divided by average equity for the year less average accumulated other comprehensive income for the year.

b) Equity divided by the sum of equity, long-term debt, current portion of long-term debt, borrowings and derivative instrument liabilities, less derivative instrument assets and sinking funds.

c) Net income divided by revenue.

d) Sum of income before financial expenses and net investment income divided by net interest on long-term debt.

e) Cash flows from operating activities less dividend paid, divided by the sum of cash flows from investing activities, excluding acquisitions and disposals of short-term investments, acquisitions of sinking fund securities as well as the disposal of an equity method investment, and repayment of long-term debt.

Cash and Capital Management

Operating activities

Cash flows from operating activities amounted to \$4.7 billion in 2025, compared to \$5.2 billion in 2024. The difference is mainly due to the fact that Hydro-Québec increased its investments in the regulatory asset with respect to costs related to energy efficiency and demand response initiatives.

The cash flows were used in particular to pay the dividend for 2024 and to finance a portion of the investment program.

Investing activities

In 2025, Hydro-Québec invested \$6.9 billion in property, plant and equipment and intangible assets, compared to \$6.0 billion for the previous year. The 15% increase compared to 2024 and more than 40% compared to 2023 is in line with several priorities of the *Action Plan 2035*. It reflects the company's commitment to provide reliable, high-quality service through sustained investment in generating, transmission and distribution facilities.

More than 60% of the amount invested in 2025 was devoted to large-scale asset sustainment initiatives, and nearly 40% to major development projects. It should be noted that sustainment investments have significantly increased in recent years. In fact, funds allocated to sustainment in 2025 have increased by nearly half compared to five years ago.

As a result, Hydro-Québec allocated \$4.4 billion to asset sustainment. In particular, it continued to invest in its generating facilities to ensure their long-term operability and maximize their output. Work is underway at the Rapide-Blanc and Carillon generating stations in the Mauricie and Laurentides regions, respectively, and at the Bersimis-2 development in the Côte-Nord region. Regarding power transmission, the company continued the installation of two new converter units at Châteauguay substation in the Montérégie region, as well as modernizing its equipment and systems, including through the replacement of grid control systems, special protection systems and substation protections and controls. It also continued the ongoing work on the architecture development plan for the 315-kV system on the island of Montréal. At the same

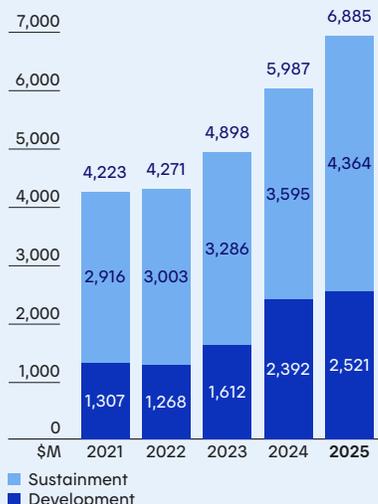
time, it carried out work to optimize the operation of the distribution system and to maintain and improve the quality of its distribution assets.

Investments in development projects totalled \$2.5 billion. In particular, significant funds were allocated to various projects to handle the growing customer base in Québec and increase output capacity. As an example, work is underway at Outardes-2 and René-Lévesque generating stations, in the Côte-Nord region, to increase their capacity. In addition, work is continuing on the construction of the Hertel-New York interconnection line, which will be connected to the CHPE line to deliver electricity to New York City, with commissioning scheduled for spring 2026. Last but not least, a 320-kV direct-current line in the Chaudière-Appalaches and Estrie regions was completed this year, and commissioned in early 2026. This deployment allowed for the commissioning of a new 1,200-MW interconnection between Québec and New England.

Hydro-Québec also continues to make significant investments in transportation electrification. Indeed, it allocated funds to its public charging network, the Circuit électrique, and the modernization of its vehicle fleet.

Finally, note that in addition to these amounts, direct investments are made by Hydro-Québec's external partners. Collectively, such investments provide a major boost to the Québec economy.

Investments in Property, Plant and Equipment and Intangible Assets



Financing activities

During the year, Hydro-Québec carried out numerous fixed-rate issues on the Canadian capital market: issues of medium-term notes maturing in 2032 for an amount of \$2.2 billion, at an average cost of 3.57%, and bond issues maturing in 2065 for an amount of \$3.7 billion, at an average cost of 4.45%.

The funds raised, for a total of \$5.9 billion, were mainly used to support part of the investment program.

Dividend and capitalization rate

The dividend payable to the Québec government for 2025 is \$2,180 million. The capitalization rate was 32.2% as at December 31, 2025.

Under the *Hydro-Québec Act* (CQLR, c. H-5), the dividend cannot exceed 75% of net income. Moreover, the Québec government may not declare, in respect of a given year, a dividend in an amount that would have the effect of reducing the capitalization rate to less than 25% at the end of the year.

Sources of Financing

Type of financing	Amount authorized by the Board of Directors	Market	Outstanding as at December 31, 2025
Operating credit lines	C\$ or US\$1,000 million ^a		-
Credit facility ^b	US\$2,000 million ^c		-
Commercial paper ^b	US\$5,000 million or equivalent in C\$	United States or Canada	-
Medium-term notes ^b	US\$3,000 million or equivalent in other currencies C\$50,000 million or equivalent in US\$	United States Canada	US\$122 million ^d C\$16,343 million ^d

a) Of this amount, available balances of US\$259 million and \$395 million in Canadian or U.S. dollars are covered by operating credit line agreements with the financial institutions concerned.

b) Guaranteed by the Québec government.

c) Including a US\$750-million swing loan.

d) Net proceeds from the issuance of medium-term notes.

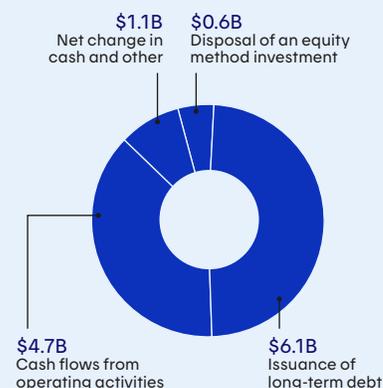
Credit Ratings

	2025			2024		
	Commercial paper	Long-term debt	Outlook	Commercial paper	Long-term debt	Outlook
U.S. agencies						
Moody's	P-1	Aa2	Stable	P-1	Aa2	Stable
S&P Global Ratings	A-1	A+	NA ^a	A-1+	AA-	NA ^a
Fitch Ratings	F1+	AA-	Stable	F1+	AA-	Stable
Canadian agency						
Morningstar DBRS	R-1 (middle)	AA (low)	Stable	R-1 (middle)	AA (low)	Stable

a) S&P Global Ratings does not provide an outlook for Hydro-Québec's credit rating.

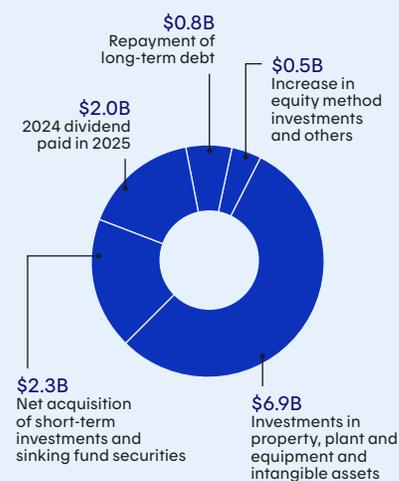
Sources of Funds in 2025

\$12.5B



Uses of Funds in 2025

\$12.5B



Regulatory Framework

The *Act respecting the Régie de l'énergie* (CQLR, c. R-6.01) grants the Régie exclusive authority to determine or modify the rates and conditions under which electricity is transmitted and distributed in Québec. Hydro-Québec's electricity transmission and distribution activities are therefore regulated.

In its role as provider of power transmission services in Québec, Hydro-Québec operates and develops one of the most extensive power transmission systems in North America. It markets system capacity and manages power flows throughout Québec, offering non-discriminatory access to its system to all market players in compliance with applicable regulatory requirements.

In its role as power distributor in Québec, it has the mandate to provide electricity to the Québec market and to deliver reliable power and quality services to its customers with a view to efficiency and sustainable development. In this context, it also promotes energy efficiency.

Rate cases and rate-setting

For 2025, the revenue authorized by the Régie for transmission rate-setting purposes totalled \$3,517 million, or \$3,143 million for native-load transmission and \$374 million for short- and long-term point-to-point transmission services. These amounts represent increases of \$54 million and \$18 million, respectively, compared to 2024.

Under the *Act respecting the Régie de l'énergie*, the Régie set electricity distribution rates effective April 1, 2025, for the first time since 2019. In recent years, rates were indexed annually based on the annual change in the average Québec Consumer Price Index (the "average CPI"). The increase in residential rates has been limited to 3%, in accordance with *An Act to ensure the responsible governance of energy resources and to amend various legislative provisions* (S.Q. 2025, c. 24) ("Bill 24"). During the first quarter of 2025, the Régie authorized rate increases of 3.6% for commercial customers and 1.7% for customers subject to Rate L.

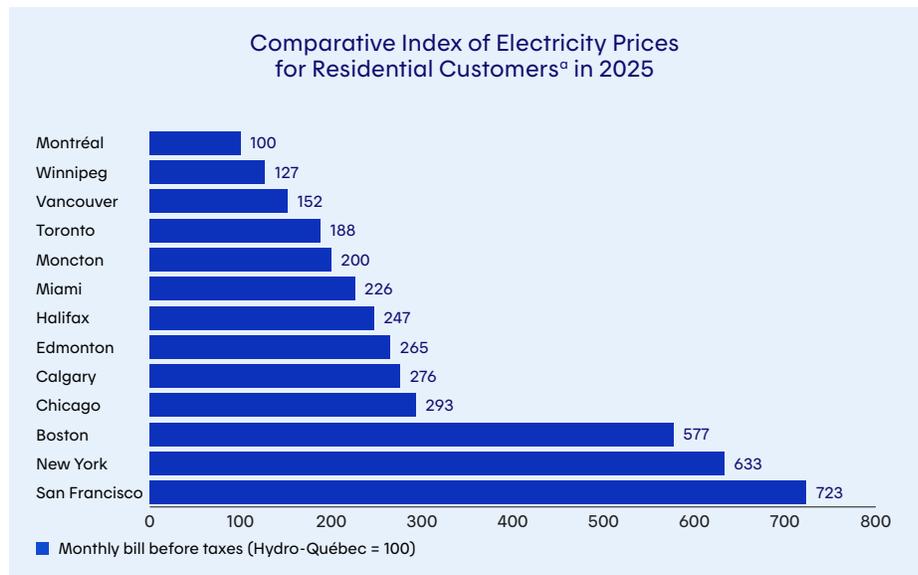
Process for Establishing Electricity Distribution Rates

2020	2021-2024	2025	2026-2028
Rate freeze	Indexation based on inflation ^{a,b}	Régie to set rates based on cost of service for one year, except for residential rates ^c	Régie to set rates based on cost of service for the years 2026, 2027 and 2028

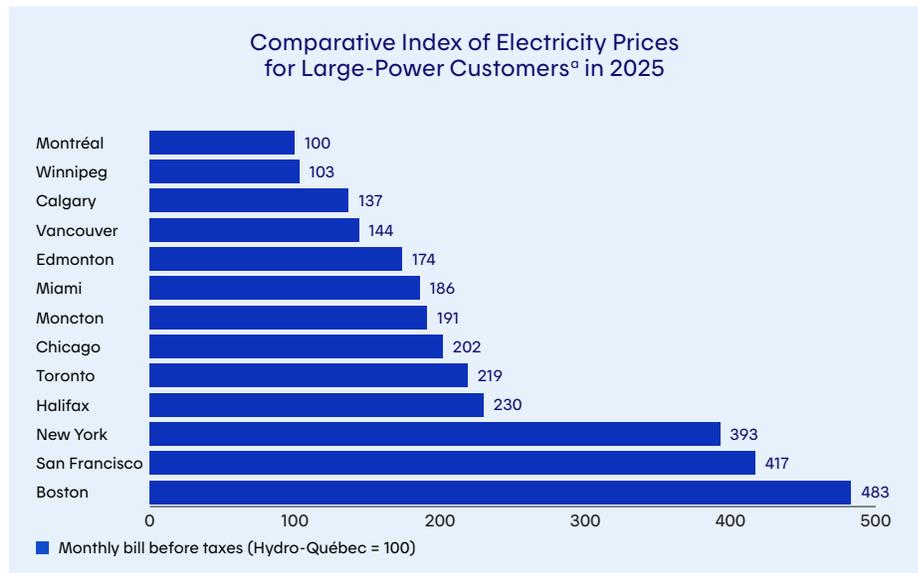
a) Excluding Rate L

b) Based on the lesser of the average CPI and the top rate of the Bank of Canada's inflation-control range for residential rates beginning April 1, 2023, in accordance with the provisions of *An Act mainly to cap the indexation rate for Hydro-Québec domestic distribution rate prices and to further regulate the obligation to distribute electricity*.

c) The increase of residential rates was limited to 3%, in compliance with Bill 24.



a) As at April 1, 2025 (for residential customers with monthly consumption of 1,000 kWh).



a) As at April 1, 2025 (for large-power industrial customers with a monthly consumption of 3,060,000 kWh and a power demand of 5,000 kW).

Following the filing of applications for review by stakeholders, the Régie declared that the rates applicable effective January 1, 2025, for transmission activities, and those applicable effective April 1, 2025, for distribution activities were provisional. These rate adjustments apply until final decisions regarding the review applications are handed down by the Régie. At the end of November 2025, the Régie issued a decision concerning one of these applications. In December 2025, Hydro-Québec filed an application for judicial review with the Superior Court in connection with this decision.

In addition, Bill 24 allows for the modification of rates at any time and updates the rate structure to make rate management more proactive and flexible, thus supporting innovation and energy efficiency, and ensuring improved risk management. Under the provisions of Bill 24, electricity transmission and distribution rates are now established according to the cost-of-service method over a three-year rate cycle, effective January 1, 2026, for transmission activities, and April 1, 2026, for distribution activities. This Act provides that the government may set a maximum rate applicable to the increase in residential electricity distribution rates. A maximum rate of 3% was established by Order-in-Council No. 1239-2025 for rate years 2026, 2027 and 2028. It also allows the Régie to “smooth” rate increases for the three years of the rate cycle, in order to offer more stability and predictability to consumers in Québec.

In July 2025, a rate application was therefore filed with the Régie for the setting of transmission and distribution rates that will be applicable for the years 2026, 2027 and 2028. For transmission activities, required revenue of \$3,748 million was filed for the year 2026. For distribution activities, the increases requested for these three years are 3% for residential rates, and 4.8% for other rates. Final decisions related to these applications are expected in the first quarter of 2026. Given that final decisions regarding the two applications for review concerning 2025 rates should be rendered by then, the impacts on rates for 2026 to 2028 will be reflected in the Régie's decision covering these years.

Year after year, Hydro-Québec's electricity rates continue to be among the most affordable anywhere in North America.

Supplying electricity to the Québec market

Bill 24 significantly amends the regulatory framework applicable to electricity supplies, in particular by allowing Hydro-Québec, as part of its electricity distribution activities, full discretion in its choice of strategy and sources of supply. The company will no longer be obliged to use calls for tenders to meet the needs of the Québec market beyond the heritage pool of 165 TWh, which constitutes its main source of supply. As a result, it will now be possible for the company to use calls for proposals or enter into direct contracts as needed, in order to implement the wind power strategy, or even meet post-heritage requirements by relying on its own generating fleet. Bill 24 also allows activities related to short-term energy market transactions to be replaced with a new approach. As a result, the short-term supplies required to supply the native load, beyond the heritage pool, contracts and other long-term supplies, are now provided by Hydro-Québec. In a manner similar to all new supplies provided by the company, the cost of short-term supplies will be established at a cost reflecting that of the market for a comparable service or product.

On November 1, 2025, Hydro-Québec filed the 2025 Progress Report of the *Electricity Supply Plan 2023-2032* with the Régie, which constitutes the third follow-up since its initial filing, as provided for under Bill 24.

This progress report presents an updated demand forecast for the Québec market, which integrates Hydro-Québec's increased efforts and ambitious targets in energy efficiency contained in the *Action Plan 2035*. It also presents the events that influenced supply planning and measures taken since the filing of the second progress report in November 2024. To achieve its energy efficiency objectives, Hydro-Québec relies on an integrated offer based on raising awareness among customers and helping them make lasting changes in the way they use electricity, as well as on a financial assistance program that encourages the implementation of energy efficiency measures. To achieve reduced consumption during peak demand periods, it also plans to take measures to facilitate participation and performance, which will make it possible to temporarily reduce the electricity demand of customers who have enrolled in the demands response options.

Outlook

For the year 2026, Hydro-Québec is anticipating net income of between \$2.8 billion and \$3.4 billion, pointing to growth compared to 2025. This range is primarily attributable to the fact that the company must continue to limit its exports due to the context of low runoff, which requires prudent and proactive management of energy reserves. As a result, the company will take a proactive approach in identifying opportunities to grow its profitability based on weather conditions and export markets. Furthermore, the start of deliveries in connection with export contracts related to the NECEC and CHPE projects will generate significant new revenue.

The company is planning to make investments in the order of \$10 billion in 2026, which represents an increase of more than 25% compared to 2025. More than half of the amounts invested will be used to increase the reliability and resilience of the power system to provide improved customer service. Among the major projects are the addition of two converter units to Châteauguay substation to increase its interconnection capacity with the New York system, as well as the ongoing refurbishment work at Rapide-Blanc and Carillon generating stations to optimize the generating activities.

The balance of the planned investments will be dedicated to development activities to meet growing demand in Québec, intensify Hydro-Québec's activities on neighbouring markets and contribute to the decarbonization of the economy. In this regard, it should be noted that new customers were connected to the distribution system and that wind power was integrated, in particular the Des Neiges – Secteur sud wind farm. Also worth mentioning are the improvement of transmission capacity via the construction of the Hertel–New York interconnection line, which will be connected to the CHPE line; the completion of work on projects to increase the capacity of certain hydroelectric generating stations, including René-Lévesque, Jean-Lesage and Outardes-2; and the launch of the St. Lawrence Valley reinforcement project.

The 2026 borrowing program is set at \$9.0 billion. The funds collected will help finance Hydro-Québec's ongoing needs, including a large portion of the investment program.

Integrated Risk Management

For many years, Hydro-Québec has applied an integrated risk management process as part of its ongoing activities. This process is supported by various control, communication and assessment mechanisms intended to ensure dynamic monitoring of risk developments.

All groups within the company have a role to play. As part of their activities, they manage the risks relevant to them and reassess them at regular intervals, daily in some cases, using, in particular, the tools developed by the Groupe – Stratégie d’entreprise et finances. This approach makes it possible to create an enterprise risk portfolio during the annual planning process. The portfolio is presented to the Board of Directors with the business plan, which includes a sensitivity analysis indicating the impact of certain risks on Hydro-Québec’s capacity to attain its net income target.

Financial risks

In the course of its operations, Hydro-Québec carries out transactions that expose it to certain financial risks, such as market, liquidity and credit risk. The adoption of strategies that include the use of derivative instruments and systematic monitoring considerably reduces exposure to such risks and their impact on the company’s results.

To manage market and credit risks, a team of specialists that is independent from the teams carrying out the transactions constantly monitors a number of indicators related to financial and energy transactions, recommends strategies and applies controls aimed at reducing risk.

Market risk

Hydro-Québec’s results are subject to three main types of market risk: currency risk, interest rate risk and risk associated with energy and aluminum prices. Fluctuations in the Canadian dollar’s exchange rate relative to the U.S. dollar affect revenue from sales denominated in U.S. dollars as well as the cost of U.S. dollar-denominated debt. Interest rate fluctuations affect

financial expenses and pension costs. Lastly, energy price fluctuations affect revenue from wholesale markets, while aluminum price fluctuations have an impact on revenue from special contracts with certain large industrial customers in Québec.

Hydro-Québec mainly uses derivative financial instruments to manage its market risks. The purpose of this management approach is to limit the impact of risk on its results, according to strategies and criteria that are established based on its risk tolerance. In addition, market risk over the medium and long term is mitigated by the offsetting effect between the impact of a general increase or decrease in interest rates on financial expenses, on one hand, and the impact of such an increase or decrease on pension costs, on the other.

Hydro-Québec’s pension costs are also subject to the risk of fluctuation in the fair value of investments held in the Pension Fund portfolio. To manage this risk, the company relies on asset diversification and on investment management strategies that include the use of derivatives.

Integrated Risk Management Process

	Annually	Semi-annually
Groups	<ul style="list-style-type: none"> • Identification of each group’s risks • Update the list of each group’s risks to be included in the enterprise risk portfolio 	Report on the monitoring of each group’s risks included in the enterprise risk portfolio (certain risks may be monitored on a quarterly basis when deemed appropriate)
Management Committee (or the Executive Vice President – Corporate Strategy and Finance, acting as Chief Risk Officer)	Review of the enterprise risk portfolio, the major risk map and the probability of attaining the net income target	Review of the semi-annual consolidated report on the monitoring of the enterprise risk portfolio
Board of Directors	<p>Audit Committee</p> <p>Analysis of the integrated risk management process, the enterprise risk portfolio and the major risk map</p> <p>Board of Directors</p> <p>Review of the business plan and the probability of attaining the net income target</p>	

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities. This type of risk may arise from difficulties obtaining sources of financing to carry out its investment program.

Hydro-Québec's liquidity risk is mitigated by several factors, including substantial cash flows from operating activities, access to a preauthorized standby credit facility and a diversified portfolio of highly liquid financial instruments.

Credit risk

Credit risk is the risk that a counterparty may not meet its contractual obligations.

Hydro-Québec is exposed to credit risk related to accounts receivable and other financial assets in the course of its day-to-day electricity sales inside and outside Québec.

It is also exposed to credit risk related to cash and cash equivalents, short-term investments, sinking funds, deposits and derivative instruments it trades with financial institutions and other issuers and, to a lesser extent, with North American energy companies. These derivative instruments are associated with power purchase agreements it concludes to supply the Québec market and with energy transactions on markets outside Québec.

Exposure to credit risk is reduced by putting in place frameworks and limits related to risk concentration and counterparty exposure. To ensure compliance with such limits and frameworks, Hydro-Québec takes a proactive approach based on various controls and monitoring reports. These enable it to react quickly to any event that could have an impact on the financial position of its counterparties. In addition, it generally does business with counterparties that have a high credit rating. It also enters into agreements to keep the market value of the main derivative instrument portfolios below a predetermined threshold.

Regulatory risks

Hydro-Québec is exposed to regulatory risks because, under the *Act respecting the Régie de l'énergie*, its electricity transmission and distribution operations are regulated. The decisions handed down by the Régie de l'énergie may therefore affect the results associated with these activities. In particular, the *Act* stipulates that rates are determined on a basis that allows for recovery of the cost of service and provides a reasonable return on the rate base.

However, *An Act to simplify the process for establishing electricity distribution rates*, which came into force in 2019, put an end to the regulatory practice whereby any variance between the actual amounts of certain items, in particular revenue variances related to weather conditions and variances related to the cost of electricity supplies, and the amounts forecast in the rate filings, which were based on climate normals and recognized by the Régie for rate-setting purposes, could later be factored into the rates. As a result, Hydro-Québec is now exposed to the risks associated with these items, which were formerly covered by variance and deferral accounts.

Various measures have been put in place in an attempt to reduce the impact of risk on the revenue and expenditure related to regulated activities. These measures include submitting complete and well-argued files to the Régie and maintaining a dialogue with the latter and the intervenors, particularly during working sessions.

Operational risks

Managing an electric power system like Hydro-Québec's poses many technical challenges associated with the growth in operating assets, technological progress and changing customer needs, particularly in the context of the energy transition. The company must make informed decisions to plan its short- and long-term investments.

Generation activities

One of the principal uncertainties related to generation activities is in connection with natural water inflows. Hydro-Québec must maintain sufficient energy reserves to meet its commitment to supply an annual base volume of up to 165 TWh of heritage pool electricity while still fulfilling its contractual obligations. In concrete terms, this means being able to cover a natural inflow deficit of 64 TWh over two consecutive years, and 98 TWh over four consecutive years. To manage this risk, the company relies on several mitigation measures that it adheres to rigorously. It manages its reservoir storage on a multiyear basis and maintains an adequate margin between commitments and generating capacity. This margin allows it to compensate for variations in runoff, replenish its reserves or take advantage of business opportunities. It regularly reports to the Régie on its generating capacity and its energy reserves.

Moreover, Hydro-Québec operates multiple generating stations, dams and spillways in southern Québec, particularly on the Rivière Saint-Maurice, the Rivière des Outaouais (Ottawa River) and the Fleuve Saint-Laurent (St. Lawrence River), along which a number of urban centres and other agglomerations are located. These rivers experience major spring flooding. To reduce the impact of flooding on communities, Hydro-Québec plans ahead and manages its facilities in such a way as to maximize public safety, by carrying out rigorous monitoring and by working closely with the authorities. For example, various reservoirs are used to limit the risk of flooding. The company also holds numerous information sessions each year to educate the public about the key role that its reservoirs and control structures play in managing floods.

Temperature variations, low runoff and the difference between actual demand on the Québec market and projections represent other elements of risk, as these factors impact energy sales in Québec and the volume available for export.

Transmission activities

Several factors, such as extreme weather events and equipment failure, may cause service interruptions or result in the unavailability of part of the transmission system. The multifaceted strategy adopted by Hydro-Québec to prevent these problems includes compliance with the standards of the North American Electric Reliability Corporation (NERC) as well as various measures to maintain and reinforce its power system in order to ensure that assets continue to operate smoothly throughout their useful lives. It is worth noting in this regard that the Direction principale – Contrôle des réseaux de l'énergie et exploitation des infrastructures serves as the Reliability Coordinator for transmission systems in Québec, a role it was assigned by the Régie de l'énergie in 2007.

Hydro-Québec must ensure adequate transmission capacity to supply the company's distribution system and the facilities of other customers, as well as transmission system security and reliability. To do so, it applies optimal management of the annual peak load and invests in modernizing its transmission facilities based on an asset management model. It has also undertaken major projects to replace the grid control systems, special protection systems and substation protections and controls.

Distribution activities

The continuity of the electricity distribution service is a critical issue for Hydro-Québec. However, as climate change becomes apparent around the world, it is also having a very real impact on its power grid and on the daily activities of its customers due to the power outages that come with it, among other things. That is why the company is planning to increase investments in its power grid to offer reliable, high-quality service at an affordable price.

Hydro-Québec deals at all times with demand fluctuations (in normal weather conditions) related to the economic and energy-related situation that have an impact on its results. Since *An Act to simplify the process for establishing electricity distribution rates* came into force, the company has also been exposed to risks associated with weather

conditions, namely revenue variances related to temperature fluctuations and variances in electricity supply costs. To limit the impact of all these risks, it constantly fine-tunes its method of forecasting electricity demand.

Export activities

In addition to runoff and temperature uncertainties, export activities on wholesale markets are subject to market risk and the risk of unavailability of generating and transmission equipment. Market risk is the result of fluctuations in energy prices on markets outside Québec. It is mitigated by the ongoing monitoring of trends on wholesale markets and the use of hedging derivatives. The risk of unavailability of equipment is reduced through the implementation of maintenance and upgrade programs.

The risks related to export activities are quantified in an integrated fashion by a team of specialists that is independent from the team carrying out the transactions. This team sees to the application of controls, submits daily reports to the managers who oversee these activities and ensures compliance with the limits approved by Management and the Board of Directors.

Construction activities

Pressure on construction project costs is a risk to which Hydro-Québec is constantly exposed. This pressure stems from such factors as market conditions, labour availability resulting from, among other things, the boom in Québec's construction industry, the increase in prices for certain materials and products, as well as various factors like late deliveries, poor quality and work stoppages, which affect project schedules.

To meet its commitments and continue to apply high safety and quality standards, the company implemented a number of measures to reduce its exposure to risk. For instance, teams analyze occupational health and safety (OHS) risks and then develop integrated solutions to eliminate or mitigate these risks in the early stages of engineering. In addition, the company closely monitors project schedules, costs, accidents and risks specific to each project or key deliverable, an approach that enables it to ensure that projects are progressing as planned and to take any necessary corrective action.

Hydro-Québec also maintains ongoing relations with the relevant organizations and government departments to stay abreast of future amendments to laws and regulations that could affect its activities. Finally, it monitors markets and develops strategies to foster competition, increase its attractiveness (as a customer), ensure the sustainability of supplies and maintain expertise in its markets. It also adjusts its project completion strategies based on economic conditions, in consultation with its partners.

Corporate and other activities

Occupational health and safety

Hydro-Québec continues to implement game-changing tools to improve its OHS performance in order to protect all staff members and suppliers. It now incorporates psychological health into its preventive measures, both in its operations and in its construction projects, on the same basis as other safety risks.

The company continues to take concrete steps to control the main hazards in order to prevent potentially serious incidents, both in day-to-day operations and on construction projects. Even when these incidents have no consequences, they are thoroughly investigated to establish their root causes, and reviewed to examine in detail the recommendations made and to extend the scope of the corrective measures put in place. Hydro-Québec relies on manager accountability as well as the leadership of its field crews, and continuously monitors the control of hazards through inspections and other prevention activities. It prioritizes the principal identified hazards and has established clear, consistent requirements for these hazards, and supports its suppliers to help them fulfill their OHS role. In a context marked by growth in operations and investments, new worker orientation, qualification and support are a very high priority.

OHS performance indicators continue to be monitored in dashboards and performance reviews. As required, new indicators are measured, in line with the control of the principal hazards.

Safety of personnel and assets and protection of reputation and revenue

Hydro-Québec is committed to ensuring the safety of all assets needed to carry out its mission, as well as that of its employees and the public, and to protecting its reputation and revenue.

To provide optimum protection, Hydro-Québec fosters a culture focused on safety, in order to increase public and employee awareness of good habits to secure assets and reduce electricity-related hazards. This culture also enables it to anticipate, evaluate, monitor and prevent risks and threats, as well as to implement adapted measures in line with best practices, and to respond effectively in the event of incidents and attempts that cause harm, damage or threat to individuals, assets, revenue or reputation in order to limit impacts, in compliance with legal, regulatory and contractual safety requirements.

In particular, it ensures that patrols are carried out on a daily basis to ensure effective surveillance. In addition, it secures its buildings and facilities in accordance with established standards, and maintains protective equipment and mechanisms. It also oversees the development and sustainability of technology security systems.

Concerning protection of reputation and revenue, the company pays particular attention to electricity theft, fraud, intellectual property infringement and possible attacks on the grid. To counter these risks, it relies on a series of measures, including an analytical method for detecting electricity theft, the creation of a team dedicated to investigating collusion, corruption, fraud and economic integrity, the proactive verification of security risks, as well as continued active surveillance in collaboration with its partners. To mitigate the risk of damage to its reputation in relation to the establishment of a business relationship with an external company or partner, Hydro-Québec carries out risk assessments and verifications when necessary.

Security of digital technologies

Cybersecurity is a key concern for Hydro-Québec. To manage this issue, it relies on a multidisciplinary team that works closely with a network of external collaborators. These stakeholders analyze risks, protect the work environment, identify incidents and implement solutions.

The cybersecurity program that was developed and the measures taken are based on industry best practices and the recommendations of government security and intelligence agencies. The company monitors the evolution of external threats, compares its situation with that of its peers, carries out incident simulations to improve its resilience and ensures compliance with applicable regulatory and legal frameworks. It regularly assesses the mitigation measures in place and deploys new strategies based on changes in the business environment and emerging trends. Specifically, the current program is based on the following orientations:

- increasing cybersecurity for operational technologies
- strengthening the protection of information (including personal information)
- integrating new capabilities using modern technological tools and data
- improving the measurement and communication of cybersecurity risks
- creating a cybersecurity culture at all levels

Lastly, the cybersecurity coordinator frequently reports on the company's main risks and actions to members of the Management Committee and the Board of Directors.

Demand management

In line with decarbonizing the economy, Hydro-Québec is called on to play a central role in the electrification of Québec and intends to leverage its expertise in renewable energy to contribute to the continuing reduction of the use of fossil fuels. The energy transition presents its own unique challenges, such as the tightening of energy and capacity balances, the increased investments required to meet the increase in demand and the need to use energy wisely. To this end, the company is looking to its *Action Plan 2035*, which aims to reduce greenhouse gases, meet expected growth in electricity demand and offer customers a simpler, more reliable and more affordable service.

Environment

Every year, Hydro-Québec reviews its identification of environmental risks and opportunities using its ISO 14001:2015–certified environmental management system. It thereby seeks to better control the impact of its operations and projects on biophysical and human environments and to maximize the positive environmental spin-offs of its presence throughout Québec.

Climate change

The nature of Hydro-Québec's activities, namely the generation, transmission and distribution of hydroelectric power, means that the company is exposed to the effects of climate change. An unforeseen extreme weather event that impacts the generation, transmission or distribution assets could significantly reduce the capacity to supply energy within and outside Québec, and could result in a substantial increase in costs to replace damaged assets. In 2022, Hydro-Québec released its first *Climate Change Action Plan*, which sets out measures to take into account the impact of climate change in the design and operation of facilities, to limit the impact of outages and to ensure compliance with the highest standards of worker health and safety. These measures contribute to achieving the objectives of the *Action Plan 2035*, in particular to increase system reliability and further develop the network in light of climate change. In 2025, the focus was on developing the process for updating the *Climate Change Action Plan*.

MANAGEMENT'S REPORT ON FINANCIAL INFORMATION

Hydro-Québec's consolidated financial statements and all the information contained in this Annual Report are the responsibility of Management and are approved by the Board of Directors. The consolidated financial statements have been prepared by Management in accordance with United States generally accepted accounting principles and take into account the decisions handed down by the Régie de l'énergie of Québec with respect to the transmission and distribution of electricity. They include amounts determined based on Management's best estimates and judgment. Financial information presented elsewhere in the Annual Report is consistent with the information provided in the consolidated financial statements.

Management maintains an internal control system whose objective is to provide reasonable assurance that financial information is relevant and reliable and that Hydro-Québec's assets are appropriately recorded and safeguarded. In particular, this system includes Hydro-Québec's policies and directives, as well as the Code of Ethics applicable to all Hydro-Québec employees, which aim to ensure the proper management of resources and the orderly conduct of business, in compliance with the applicable laws and regulations. The controls relating to financial information are subject to an evaluation by a team that supports Management. The goal of this evaluation is to ensure the proper functioning of the controls. An internal audit process also assists in establishing that the controls exercised by the business in its activities are sufficient and effective. Recommendations ensuing from this process are submitted to Management and sent to the Audit Committee for monitoring purposes.

The Board of Directors approves the corporate governance rules. It assumes its responsibility for the consolidated financial statements through its Audit Committee, composed solely of independent directors, who do not hold full-time positions within Hydro-Québec or in one of its subsidiaries. The Audit Committee is responsible for recommending the consolidated financial statements to the Board of Directors for approval. The Audit Committee meets with Management, the independent auditors and the Vice President – Internal Audit to discuss the results of their audits and the resulting findings with respect to the integrity and the quality of Hydro-Québec's financial reporting as well as its internal control system. The independent auditors and the Vice President – Internal Audit have full and unrestricted access to the Audit Committee, with or without Management present.

The 2025 and 2024 consolidated financial statements have been audited jointly by the Auditor General of Québec, KPMG LLP and Ernst & Young LLP.

/s/ Manon Brouillette
Chair of the Board

/s/ Claudine Bouchard
President and Chief Executive
Officer

/s/ Maxime Aucoin
Executive Vice President and
Chief Financial Officer

Montréal, Québec
February 13, 2026

INDEPENDENT AUDITORS' REPORT

To the Minister of Finance

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Hydro-Québec and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2025 and 2024, and the consolidated statements of operations, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2025 and 2024, and its consolidated results of operations and its consolidated cash flows for the years then ended in accordance with United States generally accepted accounting principles (U.S. GAAP).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Capitalization of labour costs to property, plant and equipment	
<p>Description of the matter</p> <p>As discussed in notes 1 and 8 to the consolidated financial statements, property, plant and equipment are carried at cost, which comprises the cost of materials and labour, other costs directly related to projects that meet capitalization criteria, as well as financial expenses capitalized during construction. Maintenance and repair costs are recognized in results when incurred.</p> <p>Why the matter is a key audit matter</p> <p>Given the magnitude and volume of capitalized self-build projects to which a number of employees are assigned, we made significant efforts in conducting our audit procedures regarding the Group's determination of the portion of labour costs directly attributable to projects that meet the capitalization criteria. Accordingly, we identified the capitalization of labour costs to property, plant and equipment as a key audit matter.</p>	<p>Our audit procedures conducted to address this key audit matter included the following:</p> <ul style="list-style-type: none"> • We obtained an understanding, evaluated the design and tested the operating effectiveness of key controls over the process for capitalizing labour costs to property, plant and equipment; • For a selection of hours capitalized in projects, we discussed with the managers responsible the hours capitalized and the nature of the project; • For a sample of capitalized labour costs, we compared the number of hours spent by an employee to the number of hours charged to this project in the approved time sheet; • For a selection of capitalized projects, we investigated certain variances between the actual capitalized costs and the approved budgeted costs by examining the supporting documents.

Key audit matter	How our audit addressed the key audit matter
<p>Determining the projected benefit obligation of the pension plan</p>	
<p>Description of the matter</p> <p>As stated in notes 1 and 16 to the consolidated financial statements, the projected benefit obligation of the pension plan amounted to \$25,454 million as at December 31, 2025.</p> <p>The projected pension obligation of the pension plan is calculated according to the projected benefit method prorated on years of service. The calculation is based on Management's best estimates, including the following significant assumptions: discount rate, salary escalation, mortality rate and employee retirement age.</p> <p>Why the matter is a key audit matter</p> <p>Given the magnitude and sensitivity of the Group's calculation of the pension plan's projected benefit obligation to minor changes in certain significant assumptions, significant judgments on our part and specialized actuarial expertise and knowledge were required to assess the results of our audit procedures with respect to Management's material assumptions. Accordingly, we identified the determination of the projected benefit obligation of the pension plan as a key audit matter.</p>	<p>Our audit procedures conducted to address this key audit matter included the following:</p> <ul style="list-style-type: none"> • We compared a selection of data used by actuarial experts chosen by Management to the Group's records. • We assessed the appropriateness of significant assumptions by assessing in particular: <ul style="list-style-type: none"> - The salary escalation rate compared with historical data and collective agreements; - Employee retirement age compared with historical data. • We involved our actuarial professionals with specialized skills and knowledge to help us assess: <ul style="list-style-type: none"> - The method used to determine the discount rate and its calculation, by comparing the discount rate with the published external rates; - The adjustments made by the Group to the published Canadian mortality table based on historical plan data; - Appropriateness of the Group's actuarial model.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. GAAP, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITORS' REPORT

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by the *Auditor General Act* (CQLR, c. V-5.01), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

The engagement partners from KPMG LLP and from Ernst & Young LLP on the audit resulting in this independent auditors' report are respectively Philippe Grubert and Martine Quintal.

On behalf of the Auditor General of Québec,

/s/ KPMG LLP¹

/s/ Ernst & Young LLP²

/s/ Patrick Dubuc, CPA auditor
Assistant Auditor General

Montréal, Québec
February 13, 2026

¹ CPA auditor, public accountancy permit No. A120220

² CPA auditor, public accountancy permit No. A112005

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Operations

Years ended December 31 In millions of Canadian dollars	Notes	2025	2024
Revenue	4	17,999	16,113
Expenditure			
Operations		4,923	4,609
Other components of employee future benefit cost	16	(916)	(773)
Electricity purchases		4,021	2,925
Depreciation and amortization	8	3,112	3,019
Taxes	5	1,245	1,210
		12,385	10,990
Income before financial expenses		5,614	5,123
Financial expenses	6	2,708	2,460
Net income		2,906	2,663

Consolidated Statements of Comprehensive Income

Years ended December 31 In millions of Canadian dollars	Notes	2025	2024
Net income		2,906	2,663
Other comprehensive income	14		
Net change in items designated as cash flow hedges	13	178	(185)
Net change in translation differences		(80)	185
Net change in items designated as net investment hedges	13	68	(163)
Net change in employee future benefits	16	589	695
Other		(28)	(18)
		727	514
Comprehensive income		3,633	3,177

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Balance Sheets

As at December 31 In millions of Canadian dollars	Notes	2025	2024
ASSETS			
Current assets			
Cash and cash equivalents		2,660	3,846
Short-term investments		1,634	76
Accounts receivable and other assets	7	4,947	3,953
		9,241	7,875
Property, plant and equipment and intangible assets	8	83,935	80,055
Regulatory assets	3	2,038	1,277
Employee future benefit assets	16	8,978	6,888
Other assets	9	3,841	3,614
		108,033	99,709
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	10	5,001	4,424
Dividend payable	14	2,180	1,997
Current portion of long-term debt	11	794	121
		7,975	6,542
Long-term debt	11	64,757	60,238
Employee future benefit liabilities	16	1,188	1,230
Other liabilities	12	3,953	2,992
		77,873	71,002
EQUITY			
Share capital		4,374	4,374
Retained earnings		24,302	23,576
Accumulated other comprehensive income		1,484	757
		30,160	28,707
		108,033	99,709
Commitments and contingencies	17		

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board of Directors,

/s/ Geneviève Brouillette
Chair of the Audit Committee

/s/ Manon Brouillette
Chair of the Board

Consolidated Statements of Changes in Equity

Years ended December 31 In millions of Canadian dollars	Note	Share capital	Retained earnings	Accumulated other comprehensive income	Total equity
Balance as at December 31, 2024		4,374	23,576	757	28,707
Net income			2,906		2,906
Other comprehensive income	14			727	727
Dividend	14		(2,180)		(2,180)
Balance as at December 31, 2025		4,374	24,302	1,484	30,160
Balance as at December 31, 2023		4,374	22,910	243	27,527
Net income			2,663		2,663
Other comprehensive income	14			514	514
Dividend	14		(1,997)		(1,997)
Balance as at December 31, 2024		4,374	23,576	757	28,707

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31 In millions of Canadian dollars	Notes	2025	2024
Operating activities			
Net income		2,906	2,663
Adjustments to determine net cash flows from operating activities			
Depreciation and amortization		3,112	3,019
Deficit of net cost recognized with respect to amounts paid for employee future benefits		(584)	(421)
Gain on disposal of an equity method investment	9	(260)	-
Other		269	636
Regulatory assets and liabilities		(943)	(492)
Change in non-cash working capital items	15	198	(203)
		4,698	5,202
Investing activities			
Additions to property, plant and equipment and intangible assets		(6,885)	(5,987)
Acquisition of short-term investments		(5,531)	(2,241)
Acquisition of sinking fund securities		(756)	(555)
Disposal of short-term investments		3,993	3,349
Disposal of an equity method investment	9	556	-
Increase in equity method investments		(395)	(79)
Other		(47)	17
		(9,065)	(5,496)
Financing activities			
Issuance of long-term debt		6,089	5,787
Repayment of long-term debt		(827)	(1,323)
Cash receipts arising from credit risk management		2,015	2,559
Cash payments arising from credit risk management		(2,119)	(2,590)
Issuance of short-term borrowings with maturities greater than three months		1,275	2,259
Repayment of short-term borrowings with maturities greater than three months		(1,269)	(2,252)
Dividend paid		(1,997)	(2,466)
Other		38	10
		3,205	1,984
Foreign currency effect on cash and cash equivalents		(24)	45
Net change in cash and cash equivalents		(1,186)	1,735
Cash and cash equivalents, beginning of year		3,846	2,111
Cash and cash equivalents, end of year		2,660	3,846
Supplementary cash flow information	15		

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025, and 2024

Amounts in tables are in millions of Canadian dollars, unless otherwise indicated.

Hydro-Québec was established under the Hydro-Québec Act (CQLR, c. H-5). Its mission is to provide reliable electric power to the Québec market by using primarily renewable sources of energy and operating an integrated electricity generation, transmission and distribution system. It also exports electricity to neighbouring markets in Canada and the United States. As a government corporation, Hydro-Québec is exempt from paying income taxes in Canada.

Note 1 – Significant Accounting Policies

Hydro-Québec's consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP").

Management has reviewed events occurring until February 13, 2026, the date of approval of these consolidated financial statements by the Board of Directors, to determine whether circumstances warranted consideration of events subsequent to the balance sheet date.

Regulation

The *Act respecting the Régie de l'énergie* (CQLR, c. R-6.01) grants the Régie de l'énergie of Québec (the "Régie") exclusive authority to determine or modify the rates and conditions under which electricity is transmitted and distributed by Hydro-Québec. Hydro-Québec's electricity transmission and distribution activities in Québec are therefore regulated. Under this legislation, rates are to be set on a basis that allows for recovery of the cost of service and provides a reasonable return on the rate base.

Since the end of performance-based regulation (PBR) in 2022, power transmission rates had been set using a cost-of-service method. Before June 6, 2025, the electricity distribution rates were governed by *An Act to simplify the process for establishing electricity distribution rates* (S.Q. 2019, c. 27). Under this Act, electricity distribution rates had to be set by the Régie every five years commencing on April 1, 2025, and adjusted each year based on the annual change in the average Québec Consumer Price Index.

Starting June 7, 2025, following the passage of the *Act to ensure the responsible governance of energy resources and to amend various legislative provisions* (S.Q. 2025, c. 24), rates for electricity transmission and distribution are now established by the Régie for a period of three years, commencing January 1, and April 1, 2026, respectively. The Act stipulates that the government can establish a maximum rate applicable for the increase of domestic electricity distribution rates. As a result, a maximum rate of 3% was set in Order-in-Council No. 1239-2025 for rate years 2026, 2027 and 2028.

Under U.S. GAAP, it is acknowledged that rate regulation may affect the timing of the recognition of certain transactions in the consolidated results, giving rise to the recognition of regulatory assets and liabilities.

When certain costs incurred may likely be recovered in future rates, such costs are deferred and recognized as assets. However, if it is probable that Hydro-Québec will be required to reimburse customers, or when costs that will be incurred in the future have been recovered, a liability is recognized. The balances of these assets and liabilities are amortized over the recovery periods approved by the Régie.

The risks and uncertainties related to regulatory assets and liabilities are monitored and assessed from time to time. When Hydro-Québec deems that the net carrying amount of a regulatory asset or liability is no longer likely to be taken into account in determining future rates, a loss or gain is recognized in the results for the period during which the judgment is made.

Scope of consolidation

The consolidated financial statements include the accounts of Hydro-Québec and its subsidiaries. All intercompany balances and transactions are eliminated at the time of consolidation.

Investments over which Hydro-Québec has joint control or significant influence are accounted for on an equity method basis in other assets. These investments are initially recognized at cost, and their carrying amounts are subsequently increased or decreased by an amount equal to Hydro-Québec's share of the changes in their net assets after the date of acquisition. Hydro-Québec's share of the results of these investments is recognized in revenue from other activities. Dividends received from investees reduce the carrying amounts of the investments.

Use of estimates

The preparation of financial statements in accordance with U.S. GAAP requires that Management make estimates and assumptions that affect the amounts recognized as assets and liabilities, the disclosures regarding contingent assets and liabilities at the date of the consolidated financial statements and the amounts recognized as revenue and expenditure for the years at issue. The estimates relate, among other things, to the carrying amounts of regulatory assets; fair value measurements of financial instruments; and the useful lives of property, plant and equipment and intangible assets for calculating the depreciation and amortization expense. They also concern cash flows, the expected timing of payments, and the discount rates used to determine asset retirement obligations and employee future benefit obligations, which are based on different economic and actuarial assumptions. Actual results could differ from those estimates and such differences could be significant.

Revenue

Substantially all revenue from ordinary activities is derived from electricity sales contracts with customers. These sales are recognized over time, based on the electricity delivered and the amount that Hydro-Québec is entitled to charge in accordance with regulated rates or contractual provisions.

Note 1 – Significant Accounting Policies (*continued*)

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the balance sheet date, whereas non-monetary items denominated in foreign currencies are translated at the historical exchange rate. Revenue and expenditure arising from foreign currency transactions are translated into Canadian dollars at the exchange rate in effect at the transaction date. The exchange gains or losses resulting from the translation of monetary items are included in results.

The financial statements of foreign operations whose functional currency is not the Canadian dollar are translated according to the current rate method. Under this method, assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date, whereas revenue and expenditure are translated at the average exchange rate in effect during the period. The exchange gains or losses resulting from the translation of the financial statements of these foreign operations are presented in Other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include investments with a maturity of three months or less from the date of acquisition.

Short-term investments

Short-term investments consist of money market instruments mainly issued by Canadian provincial governments and Canadian banks with maturities of more than three months from the date of acquisition. As at December 31, 2025, all the counterparties with which Hydro-Québec dealt had a credit rating of A or higher. These investments are classified as available-for-sale debt securities and are recognized at fair value. Changes in fair value are recorded in Other comprehensive income until they are realized, at which time they are reclassified to results.

Accounts receivable

Accounts receivable are recognized at the amount invoiced, net of the allowance for credit losses. This allowance is based on the status and risk profile of customer files, the recovery experience for each age group of accounts, the current economic conditions and the future economic forecasts on the balance sheet date.

Other financial assets and liabilities

Other financial assets and liabilities are measured at amortized cost using the effective interest method. Amortized cost includes issue expenses as well as premiums and discounts, if applicable. Interest is recognized in results.

Derivative instruments

Derivative instruments are recognized at fair value at the balance sheet date, except those for which Hydro-Québec chose to apply

the normal purchases and normal sales scope exemption. When they are subject to enforceable master netting arrangements, the derivative instruments are presented at the net amount, net of the balance of cash exchanged as collateral.

Hydro-Québec applies cash flow, net investment or fair value hedge accounting to eligible hedging relationships that it designates as hedges. It ensures that hedging relationships are highly effective in hedging the designated risk exposure. In addition, for hedges of anticipated transactions, it assesses the probability of the occurrence of those transactions designated as hedged items at least on a quarterly basis.

In the case of cash flow or net investment hedges, changes in the fair value of an instrument designated as a hedge are recognized under Other comprehensive income. Thus, for cash flow hedges, these amounts are reclassified to results, in the line item affected by the hedged item, during the periods in which the hedged item affects results. For net investment hedges, the amounts will be reclassified to results when Hydro-Québec disposes of its net investment in the foreign establishment.

In the case of fair value hedges, changes in the fair value of the hedged item attributable to the hedged risk are recognized in results during the hedging period. Changes in the fair value of the instrument designated as a hedge are also recognized in results, under the same line item as those of the hedged item. The changes in fair values of derivative instruments that are not designated as hedges are recognized in results.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In accordance with the applicable standards, Hydro-Québec classifies the fair value measurements of assets and liabilities according to a three-level hierarchy, based on the type of inputs used in making these measurements:

- Level 1: Quoted prices (unadjusted) on active markets for identical assets or liabilities at the measurement date;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly;
- Level 3: Unobservable inputs.

Materials and supplies

Inventories of materials and supplies are valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method.

Note 1 – Significant Accounting Policies (*continued*)

Property, plant and equipment

Property, plant and equipment are carried at cost, which comprises the cost of materials and labour, other costs directly related to projects that meet capitalization criteria, as well as financial expenses capitalized during construction. Costs are capitalized when they allow for increased service capacity or to extend the useful life of an existing property, plant and equipment asset.

Property, plant and equipment also include pre-construction phase costs for projects whose technical feasibility has been demonstrated, whose profitability has been estimated, and for which Management deems that it will in all likelihood have the necessary resources for its completion. The present value of retirement obligations related to property, plant and equipment, as well as that of agreements with local communities concerned by certain investment projects, are added to the carrying amount of the property, plant and equipment at issue. Contributions from third parties and government assistance are applied against the cost of the related property, plant and equipment.

Further, property, plant and equipment related to rate-regulated activities include certain amounts resulting from regulatory practices authorized by the Régie. These amounts correspond primarily to the impact of the change in depreciation methods for property, plant and equipment and the cost of dismantling and restoring the premises relating to replaced assets for which no asset retirement obligation was recognized.

Property, plant and equipment are depreciated over their useful lives, using the straight-line method, starting at the date of commissioning.

When property, plant and equipment are retired, their cost, net of accumulated depreciation and salvage value, is recognized in the results for the year.

Maintenance and repair costs are recognized in results when incurred.

Intangible assets

Intangible assets are recognized at cost.

The cost of internally developed computer software is capitalized when it meets capitalization criteria. The related financial expenses are capitalized during the development period.

Intangible assets with an indefinite useful life are not amortized. These assets are tested for impairment annually or more frequently if events indicate a potential impairment loss.

Intangible assets with a finite useful life are amortized according to the straight-line method.

Leases

Hydro-Québec's leases mainly concern office buildings and its electricity generating and transmission facilities. On the execution date, Hydro-Québec determines whether an agreement is a lease by assessing whether it confers a right to control the use of a specific asset for a certain time period in exchange for consideration.

Right-of-use assets and lease liabilities where the lease is for a term of more than 12 months are recognized at the lease commencement date, using the present value of the lease payments for the term of the lease. The discount rate used is the interest rate implicit in the lease to the extent that it can be readily determined. If such is not the case, Hydro-Québec uses its incremental borrowing rate at the commencement date of the lease. The costs associated with variable lease payments are not taken into account in measuring the lease liabilities and are recognized in results as and when they are incurred. If a lease has both lease and nonlease components, Hydro-Québec has elected to group them together and recognize them as a single lease component.

Right-of-use assets related to finance leases are recognized in Property, plant and equipment and intangible assets, while the corresponding liabilities are recorded in Long-term debt. The depreciation and amortization of assets and interest on finance lease liabilities are recognized in Depreciation and amortization and Financial expenses, respectively.

Right-of-use assets related to operating leases are recognized in Other assets, while the corresponding liabilities are recognized in Other liabilities. Operating lease expenses are recognized on a straight-line basis as an operational expenditure over the term of the lease.

Impairment of long-lived assets

Hydro-Québec reviews the carrying amounts of its property, plant and equipment and its amortizable intangible assets whenever events or changes in circumstances indicate that the expected undiscounted net cash flows could be lower than the carrying amount of the property. An impairment loss corresponding to the amount by which the carrying amount exceeds fair value is recognized in the results for the year, if applicable.

Note 1 – Significant Accounting Policies (*continued*)

Employee future benefits

Hydro-Québec offers all its employees a contributory pension plan based on final pay (the “Pension Plan”), as well as other post-retirement benefits and post-employment benefits (collectively, the “Other plans”). Hydro-Québec’s employee future benefit plans are defined-benefit plans.

The funded status of employee future benefit plans is recognized in Hydro-Québec’s Consolidated Balance Sheets. It is equal to the difference between the fair value of plan assets and the value of the projected benefit obligations of each plan.

Pension Plan and other post-retirement benefits

The Pension Plan is a fully funded contributory plan that provides pension benefits based on the number of years of service and an average of the best five years of earnings. These benefits are indexed annually based on a rate which is the greater of the inflation rate, up to a maximum of 2%, and the inflation rate less 3%.

The other post-retirement benefits are provided by group life, medical and hospitalization insurance plans, which are contributory plans with contributions adjusted annually.

Benefit costs and obligations under the Pension Plan and other post-retirement benefits provided in exchange for current service are calculated according to the projected benefit method prorated to years of service. They are determined using a discount rate and are based on Management’s best estimates, in particular concerning the expected return on plan assets, salary escalation, the increase in health care costs, the mortality rate, and employee retirement age.

In order to determine benefit costs and its obligations under the Pension Plan and other post-retirement benefits, Hydro-Québec has adopted the following policies:

- Discount rates used to determine the projected benefit obligations and to estimate the current service cost and the interest on obligations are based on the interest rate curve on the measurement date, namely December 31, of investment grade Canadian corporate bonds. These discount rates take into account the amount and different payment maturity dates of the projected benefit obligations for each plan.
- Actuarial gains and losses are initially recognized in Other comprehensive income. Thereafter, amortization of actuarial gains or losses is recognized under Other components of employee future benefit cost if the unamortized net actuarial gain or loss at the beginning of the year exceeds 10% of the value of the projected benefit obligations or 10% of the market-related value of the Plan assets, whichever is greater. The amortization corresponds to the excess divided by active employees’ average remaining years of service.
- The expected return on Pension Plan assets is based on market-related values determined by using a five-year moving average value for equity securities and by measuring other asset classes at fair value.

Asset retirement obligations

Asset retirement obligations correspond primarily to the costs of dismantling the Gently-2 nuclear facilities, the removal of spent nuclear fuel resulting from their operations, and the dismantling of thermal generating stations.

Hydro-Québec accounts for these obligations in Other liabilities, in the period in which the legal obligations with respect thereto arise, provided that a reasonable estimate of their fair value can be made. Fair value is determined by discounting the estimated cash flows required to settle the future obligation, calculated using a credit-adjusted risk-free rate. These cash flows are established on the basis of studies that use various assumptions concerning the measures and timing to be adopted for the retirement.

Asset retirement obligations are added to the carrying amount of the related long-lived asset and are amortized over its useful life. The increase in the liability attributable to the passage of time is recognized as an operational expenditure (i.e., an accretion expense) for the current year.

Asset retirement obligations may be adjusted to reflect the revision of expected timing and estimated cash flow amounts. The resulting change in costs is recognized as an increase or decrease in the carrying amount of an item of property, plant and equipment. When the asset reaches the end of its useful life, any change is immediately recognized as an operational expenditure.

Agreements with local communities

Hydro-Québec has entered into various agreements with the local communities concerned by certain investment projects. The amounts under these agreements are recognized in Long-term debt if they fall within the definition of a liability, and the offsetting item is recognized in Property, plant and equipment and intangible assets. The recognized amounts are determined by discounting the future cash flows related to these agreements. The discount rate used is the interest rate on Hydro-Québec bonds at the date of initial recognition. Subsequently, in the case of agreements with indexed cash flows, the cash flows are subject to an annual re-estimate that can result in a change in the discount rate.

Related party transactions

In the normal course of business, Hydro-Québec sells electricity and enters into other business transactions with its sole shareholder, the Québec government and its agencies, as well as with other government corporations and their controlled entities. These transactions are measured at the exchange amount.

Note 2 – Changes in Accounting Policies

Standard issued but not yet adopted

Intangible assets

In September 2025, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2025-06, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40)—Targeted Improvements to the Accounting for Internal-Use Software*.

This ASU makes targeted improvements to the accounting for internal-use software. Specifically, it removes all references to software development project stages and establishes a new cost capitalization criterion based on Management’s authorization and the probable-to-complete recognition threshold. It can be applied using one of three transition approaches: prospective, retrospective or modified prospective basis to the financial statements for quarterly and annual periods beginning on or after January 1, 2028. Hydro-Québec is currently examining the impact of this ASU on its consolidated financial statements.

Government grants

In December 2025, the FASB issued ASU 2025-10, *Government Grants (Topic 832)—Accounting for Government Grants Received by Business Entities*.

This ASU provides guidance on the initial evaluation, recognition, presentation and disclosure of government grants. It can be applied using one of three approaches, a modified prospective approach, a modified retrospective approach or a retrospective approach to the quarterly and annual financial statements of years as of January 1, 2029. Hydro-Québec is currently examining the impact of this ASU on its consolidated financial statements.

Note 3 – Regulation

Distribution activities

Under the *Act to ensure the responsible governance of energy resources and to amend various legislative provisions* (S.Q. 2025, c. 24), electricity distribution rates have been indexed at 3% for residential clients subject to domestic rates. In decisions D-2025-022 and D-2025-033 dated February 20, and March 6, 2025, respectively, the Régie authorized rate increases of 3.6% for commercial customers and 1.7% for customers subject to Rate L. These decisions were stated to be provisional rulings under decisions D-2025-044 and D-2025-045. The rate adjustments became effective April 1, 2025, and apply until the Régie issues its final decisions on the rate cases.

Regulatory assets and liabilities

	Expected years of amortization	2025	2024
Regulatory assets			
Costs related to energy efficiency and demand response initiatives ^a	2026–2040	1,634	892
Financial assistance related to public transit electrification ^b	2026–2050	271	282
Costs related to Indigenous affairs agreements ^c	2029–2075	115	–
Costs related to a suspension agreement ^d	2026	94	224
Other	2026–2047	43	11
		2,157	1,409
Less			
Current portion		119	132
		2,038	1,277
Regulatory liabilities			
Employee future benefits ^e	Various	1,293	335
Depreciation of property, plant and equipment ^f	2026–2115	282	291
Other	2026–2029	53	–
		1,628	626
Less			
Current portion		42	–
		1,586	626

- a) Eligible costs incurred with regard to energy efficiency and demand response initiatives are recognized as a regulatory asset and bear interest at the rate of return on the rate base until such time as they are included in the latter and amortization begins.
- b) The amounts Hydro-Québec allocated for public transit electrification purposes are recognized as regulatory assets. Amortization of these amounts begins when they are included in the rate base, i.e., on the date they are paid.
- c) Eligible costs incurred as part of Indigenous affairs agreements are recognized as a regulatory asset. Amortization of these amounts should begin during the upcoming rate cycle in accordance with the terms to be approved.
- d) The offsetting entry for the financial liability recorded for an agreement regarding the temporary suspension of electricity deliveries from a generating station is recognized as a non-interest-bearing regulatory asset. This regulatory asset is amortized when the annual costs related to the suspension agreement are recovered in the rates, according to the amounts billed.
- e) The unamortized balances of net actuarial gains and losses to be reimbursed or recovered in future rates are recognized as regulatory assets or liabilities, as the case may be. These assets and liabilities are non-interest-bearing and are amortized when the unamortized balances are reclassified as a cost component of employee future benefits.
- f) Prior to July 10, 2015, the useful life of property, plant and equipment was limited to 50 years for rate-setting purposes. The differences in the depreciation expense resulting from this limit were recognized as a non-interest-bearing regulatory liability and are amortized at the same rate as the property, plant and equipment concerned.

Note 4 – Revenue

	2025	2024
Revenue from ordinary activities		
Electricity sales		
In Québec	15,285	14,079
Outside Québec	1,703	1,499
	16,988	15,578
Other revenue from ordinary activities	528	349
	17,516 ^{a,b}	15,927 ^{a,b}
Revenue from other activities^c	483 ^d	186
	17,999	16,113

a) Including revenue from the United States of \$1,240 million in 2025 (\$996 million in 2024).

b) Including gains and losses on derivative instruments (see Note 13, Financial Instruments).

c) Including its share of the results of investments accounted for at equity of \$63 million in 2025 (\$23 million in 2024).

d) Including a gain of \$256 million arising from the disposal of an equity method investment (see Note 9, Other Assets).

Note 5 – Taxes

	2025	2024
Water-power royalties ^a	758	724
Public utilities tax ^b	342	333
Other	145	153
	1,245	1,210

a) Water-power royalties payable to the Québec government totalled \$752 million in 2025 (\$717 million in 2024).

b) The public utilities tax is payable to the Québec government.

Note 6 – Financial Expenses

	2025	2024
Net interest on long-term debt ^a	2,852	2,601
Capitalized financial expenses	(279)	(227)
Net investment income ^b	(160)	(160)
Other ^c	295	246
	2,708	2,460

a) Including investment income of \$48 million in 2025 (\$21 million in 2024) from securities held in the sinking funds allocated to repaying the long-term debt. The voluntary sinking fund strategy aims to issue additional bonds and to invest the funds raised in securities issued by certain Canadian provincial governments, so as to ensure the availability of funds when these debts mature in 2035 (see Note 9, Other Assets, and Note 11, Long-Term Debt).

b) Including interest of \$66 million in 2025 (\$156 million in 2024) on short-term borrowings and cash received as collateral. As part of its liquidity risk management, Hydro-Québec has access to a commercial paper program whose limit is US\$5 billion or equivalent in C\$. The company aims to invest the funds raised in short-term investments and cash equivalents.

c) Including guarantee fees of \$280 million in 2025 (\$259 million in 2024) paid to the Québec government related to debt securities, which are charged at a rate of 0.5%.

Note 7 – Accounts Receivable and Other Assets

	Notes	2025	2024
Accounts receivable ^{a, b}		2,422	2,231
Deposits ^c		135	176
Sinking fund ^d		724	-
Materials and supplies		880	762
Prepaid expenses		316	319
Regulatory assets	3	119	132
Derivative instruments	13	62	39
Other financial assets		289	294
		4,947	3,953

a) Including unbilled electricity deliveries, which totalled \$1,732 million as at December 31, 2025 (\$1,592 million as at December 31, 2024), as well as an allowance for credit losses of \$404 million as at December 31, 2025 (\$386 million as at December 31, 2024).

b) Including amounts receivable from the Québec government totalling \$173 million as at December 31, 2025 (\$189 million as at December 31, 2024).

c) Including amounts paid or Treasury bills transferred to clearing agents (see Note 13, Financial Instruments).

d) The mandatory sinking fund is allocated to repaying the long-term debt. It consists of securities issued by the Québec government.

Note 8 – Property, Plant and Equipment and Intangible Assets

	Depreciation/ amortization period	2025			2024		
		Cost	Accumulated depreciation/ amortization	Net carrying amount	Cost	Accumulated depreciation/ amortization	Net carrying amount
Property, plant and equipment							
Dams and hydroelectric generating stations	40–120 years	56,725	24,360	32,365	56,222	23,531	32,691
Transmission substations and lines	30–85 years	41,603	17,664	23,939	40,733	17,002	23,731
Distribution substations and lines	25–70 years	19,822	8,885	10,937	18,959	8,663	10,296
Administrative buildings, telecommunications equipment and other	5–50 years	11,957	6,978	4,979	11,155	6,618	4,537
Property, plant and equipment under construction		9,661		9,661	6,794		6,794
		139,768	57,887	81,881^{a, b}	133,863	55,814	78,049^{a, b}
Intangible assets							
Amortizable							
Software and licences	5–15 years	3,021	2,209	812	2,885	2,098	787
Rights related to water management and other	20–70 years	630	57	573	658	44	614
		3,651	2,266	1,385^c	3,543	2,142	1,401
Non-amortizable							
Easements and other				669			605
				2,054			2,006
				83,935^d			80,055^d

a) As at December 31, 2025, the cost and accumulated depreciation of property, plant and equipment under finance leases amounted to \$1,433 million and \$591 million, respectively (\$1,330 million and \$535 million as at December 31, 2024).

b) Including an amount of \$1,306 million as at December 31, 2025 (\$1,378 million as at December 31, 2024) relative to the regulatory practice authorized by the Régie in 2010 regarding the change in the depreciation method.

c) For the 2026–2030 period, the amortization of intangible assets recorded as at December 31, 2025, is expected to be: \$122 million in 2026, \$98 million in 2027, \$79 million in 2028, \$60 million in 2029 and \$44 million in 2030.

d) In 2025, the depreciation and amortization expense of property, plant and equipment and intangible assets amounted to \$2,770 million and \$126 million, respectively (\$2,690 million and \$120 million in 2024), and retirement of capital assets amounted to \$110 million (\$128 million in 2024). These amounts were recognized in Depreciation and amortization.

Note 9 – Other Assets

	Note	2025	2024
Investments		1,741	1,697
Sinking fund ^a		1,249	1,202
Contract fulfillment costs ^b		346	316
Operating lease assets		118	112
Derivative instruments	13	12	8
Other		375	279
		3,841	3,614

- a) The voluntary sinking fund, allocated to repaying the long-term debt, consists of \$549 million as at December 31, 2025 (\$113 million as at December 31, 2024) of securities issued by the Québec government and \$700 million as at December 31, 2025 (\$365 million as at December 31, 2024) of securities issued by other Canadian provincial governments, maturing in 2035. The mandatory sinking fund, also allocated to repaying the long-term debt and consisting of securities issued by the Québec government, totalled \$724 million as at December 31, 2024. It is recorded in Accounts receivable and other assets as at December 31, 2025.
- b) These costs correspond to setup costs to honour future sales contracts that will be mainly amortized on a straight-line basis over a 20-year period commencing on the starting date of electricity deliveries.

Investments

	Note	2025	2024 ^a
At equity			
Société en commandite hydroélectrique Manicouagan (60.0%) ^b		545	547
Churchill Falls (Labrador) Corporation Limited (34.2%)		416	393
Société de projet BVH1, s.e.n.c. (33.3%) ^c		407	52
Dana TM4 (45.0%)	19	188	215
Innergex			
Innergex énergie renouvelable inc. (19.9% in 2024)		-	326
Innergex HQI USA LLC (50.0%)		133	135
Other		52	29
		1,741	1,697

- a) The prior year's data have been reclassified to conform to the presentation adopted in the current year.
- b) This investment includes the unamortized excess of the purchase price over the underlying carrying amount of the net assets of Société en commandite hydroélectrique Manicouagan as at the acquisition date, which consisted of unamortizable intangible assets of \$282 million as well as property, plant and equipment of \$171 million as at December 31, 2025 (\$282 million and \$180 million, respectively, as at December 31, 2024).
- c) This investment includes an amount receivable of \$294 million as at December 31, 2025 (nil as at December 31, 2024).

Disposal of an investment

On July 21, 2025, Hydro-Québec closed the sale of its investment in Innergex énergie renouvelable inc. ("Innergex") to the Caisse de dépôt et placement du Québec ("La Caisse"), a Québec state-owned enterprise, for a cash consideration of \$556 million.

This transaction followed the agreement concluded on February 24, 2025, between Innergex and La Caisse to acquire all

issued and outstanding common shares of Innergex, including Hydro-Québec's 19.9% stake.

This transaction resulted in a gain of \$256 million, net of transaction costs, recognized in revenue from other activities. The gain includes the reclassification of \$45 million from Accumulated other comprehensive income, arising from its share from previous periods.

Note 10 – Accounts Payable and Other Liabilities

	Notes	2025	2024
Accounts payable and accrued liabilities ^a		3,792	3,346 ^b
Accrued interest		1,011	936
Derivative instruments	13	45	62
Asset retirement obligations	12	111	80
Regulatory liabilities	3	42	-
		5,001	4,424

- a) Including amounts received from clearing agents pursuant to margin calls (see Note 13, Financial Instruments).
- b) Including an amount of \$117 million to be paid to a Québec government corporation, as financial assistance related to public transit electrification.

Note 11 – Long-Term Debt

During the year, Hydro-Québec carried out a number of fixed-rate issues on the Canadian capital market. The company therefore issued medium-term notes maturing in 2032, for an amount of \$2.2 billion, at an average cost of 3.57%, and bonds maturing in 2065 for an amount of \$3.7 billion, at an average cost of 4.45%.

The following table presents a breakdown of the debt, including the current portion:

		2025		2024	
Maturity		Effective interest rate ^a (%)	Carrying amount	Effective interest rate ^a (%)	Carrying amount
Canadian dollars					
Medium-term notes – fixed rate ^b	2027–2060	4.86	15,852	5.07	14,096
Long-term bonds – fixed rate ^{b, c}	2031–2065	3.90	40,016	3.84	36,016
U.S. dollars					
Medium-term notes – fixed rate ^b	2026–2028	6.87	165	7.25	252
Long-term bonds – fixed rate ^{b, d}	2026–2030	8.99	3,429	8.99	3,601
Redeemable perpetual notes at Hydro-Québec's option – variable rates ^{b, e}		4.37	274	5.05	288
Redeemable Great River Hydro NE LLC notes – fixed rate ^f	2032	5.14	1,029	5.14	1,080
			60,765		55,333
Plus					
Net premiums and unamortized issue expenses ^b			2,526		2,822
Adjustment for fair value hedged risk			58		74
Finance leases ^g	2036–2064		322		330
Other ^h	2026–perpetual		1,880		1,800
			65,551		60,359
Less					
Current portion			794		121
			64,757		60,238

a) Weighted average effective interest rates take into account contractual rates as well as premiums, discounts and issue expenses.

b) As at December 31, 2025, \$60,498 million in long-term debt and borrowings, net of sinking funds, and added to the notes held by a Hydro-Québec trust was guaranteed by the Québec government (\$56,076 million as at December 31, 2024).

c) Some of these debts are related to a voluntary sinking fund, allocated to their repayment. This fund, recognized in Other assets, totalled \$1,249 million as at December 31, 2025 (\$478 million as at December 31, 2024).

d) Some of these debts carry sinking fund legal requirements. This fund, accounted for in Accounts receivable and other assets, totalled \$724 million as at December 31, 2025 (\$724 million in Other assets as at December 31, 2024).

e) The perpetual notes bear interest at the Secured Overnight Financing Rate (the "SOFR"), plus 0.49076% calculated semi-annually.

f) The subsidiary Great River Hydro NE LLC, holds senior notes totalling \$1,029 million (US\$750 million) as at December 31, 2025 [\$1,080 million (US\$750 million) as at December 31, 2024], bearing interest at a fixed rate of 4.94%. They are guaranteed by the entirety of the subsidiary's property, plant and equipment. The subsidiary is required to meet certain financial requirements and conditions relating to these notes, all of which had been met as of December 31, 2025, and 2024.

g) These debts are composed of finance leases covering certain facilities and an administrative building. The average weighted discount rate was 4.31% in 2025 (4.30% in 2024).

h) These debts are mainly composed of liabilities under agreements entered into with local communities. The average weighted discount rate was 4.70% in 2025 (4.49% in 2024).

Note 11 – Long-Term Debt (continued)

Capital repayments

The capital repayments maturing over the 2026–2030 period are as follows:

2026	794
2027	419
2028	2,497
2029	3,533
2030	1,437

Any related debt securities will bear interest at a rate based on the SOFR, except for the swing loan, which is at the U.S. base rate.

Hydro-Québec also has access to operating lines of credit, which are renewed automatically in the absence of notice to the contrary and bear interest at the prime rate. As at December 31, the available balances on these lines of credit were as follows:

	2025	2024
C\$ or US\$ million	395	453
US\$ million	259	259

Credit facility and lines of credit

Hydro-Québec has an undrawn credit facility of US\$2,000 million, including a US\$750-million swing loan, which will expire in 2028.

Note 12 – Other Liabilities

	Notes	2025	2024
Asset retirement obligations		1,515	1,418
Accounts payable ^a		613	711
Regulatory liabilities	3	1,586	626
Operating lease liabilities		112	104
Derivative instruments	13	10	3
Other		117	130
		3,953	2,992

a) Including \$142 million in government assistance received in advance from the Québec government as part of 2030 Plan for a Green Economy as at December 31, 2025 (\$155 million as at December 31, 2024). This government assistance targets specific property, plant and equipment projects to be completed in 2029.

Asset retirement obligations

The rates used to determine the present value of the estimated cash flows ranged from 0.2% to 6.4% as at December 31, 2025, and 2024.

	2025			2024		
	Gentilly-2 nuclear facilities ^a	Other fixed assets	Total	Gentilly-2 nuclear facilities ^a	Other fixed assets	Total
Balance, beginning of year	999	499	1,498	812	297	1,109
Liabilities incurred	–	19	19	–	30	30
Accretion expense	55	15	70	47	9	56
Liabilities settled	(37)	(16)	(53)	(31)	(20)	(51)
Revision of estimated cash flows and expected timing of payments	106	(14)	92	171	183	354
Balance, end of year	1,123	503	1,626	999	499	1,498
Less						
Current portion	44	67	111	51	29	80
	1,079	436	1,515	948	470	1,418

a) In compliance with the *Nuclear Fuel Waste Act* (S.C. 2002, c. 23), Hydro-Québec has established a trust fund to finance the cost of long-term management of its waste. As at December 31, 2025, the fair value of the investments held in this trust fund amounts to \$200 million (\$193 million as at December 31, 2024). The latter were composed of debt securities issued by Hydro-Québec.

Note 13 – Financial Instruments

In the course of its operations, Hydro-Québec carries out transactions that expose it to certain financial risks, such as market and credit risk. Exposure to such risks and their impact on results are reduced through careful monitoring and implementation of strategies that include the use of derivative instruments.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

Currency risk

Hydro-Québec uses currency swaps and forward currency purchase contracts to manage the currency risk associated with U.S. dollar denominated short-term borrowings and long-term debt and forward currency sales contracts to manage exposure associated with probable sales in U.S. dollars. When designated as hedging items, these derivative instruments are recognized as cash flow hedges.

Hydro-Québec also uses forward currency sales contracts to cover its net investment in a foreign operation whose functional currency is the U.S. dollar. When designated as hedging items, these derivative instruments are recognized as net investment hedges.

Interest rate risk

Hydro-Québec uses interest rate swaps to convert certain fixed-rate debts into variable-rate debts and interest rate forward contracts to set the interest rate for certain future debt issues. When designated as hedging items, these derivative instruments are recognized based on the type of hedge, cash flow hedge or

fair value hedge. In light of the hedging strategy used, the variable-rate portion of the bonds was 2.9% as at December 31, 2025 (3.2% as at December 31, 2024).

Price risk

Hydro-Québec uses mainly commodity futures and swaps to manage risk resulting from fluctuations in energy, aluminum and diesel prices. This aims to mitigate the impact of market price volatility on the results on the sale and purchase of electricity and purchase of fuel indexed to these prices. When designated as hedging items, these derivative instruments are recognized as cash flow hedges.

The following table presents the notional amounts of forward contracts and swaps used to manage the main types of market risk:

	2025	2024
Currency risk		
Sale (US\$ million)	2,739	2,733
Purchase (US\$ million)	2,870	2,964
Interest rate risk		
Variable-rate payer (C\$ million)	1,500	1,500
Fixed-rate payer (C\$ million)	2,000	2,000
Price risk		
Electricity – Sale (TWh)	4.9	5.5
Electricity – Purchase (TWh)	2.8	0.4
Aluminum (tonnes)	470,500	300,000
Diesel (millions of litres)	5.0	15.2

Note 13 – Financial Instruments (*continued*)

Credit risk

Credit risk is the risk that one party to a financial asset will fail to meet its obligations.

Hydro-Québec is exposed to credit risk related to accounts receivable and other financial assets such as cash and cash equivalents, short-term investments, sinking funds, deposits and derivative instruments.

In terms of accounts receivable, this risk arises primarily from ongoing electricity sales inside and outside Québec. The risk exposure is limited due to Hydro-Québec's large and diverse customer base in addition to measures put in place such as security deposits, scheduled prepayments, payment arrangements and service interruptions. Management therefore

believes that Hydro-Québec is not exposed to a high credit risk, particularly because sales in Québec are billed at rates that allow for recovery of costs based on the terms and conditions set by the Régie.

In order to reduce the exposure to credit risk related to other financial assets, Hydro-Québec deals with a number of issuers and financial institutions with high credit ratings. Furthermore, to offset exposure to risk related to derivative instruments, it has signed, with each counterparty, a collateral exchange agreement based on the International Swaps and Derivatives Association ("ISDA") guidelines, which limits the market value of the portfolio. A variation of this market value beyond the agreed-upon limit will therefore result in a cash receipt or payment.

Fair value

Fair value of derivative instruments

The following tables present the fair value of derivative instruments, including the impact of offsets, by hedge type:

	2025				
	Fair value hedges	Cash flow hedges	Net investment hedges	Derivatives not designated as hedges	Total
Assets					
Currency contracts	-	527	1	16	544
Interest rate contracts	113	49	-	-	162
Price contracts	-	-	-	60	60
Gross amounts recognized	113	576	1	76	766
Less					
Impact of gross amounts offset ^a					111
Impact of cash received as collateral ^b					581
Net assets					74^c
Liabilities					
Currency contracts	-	24	12	9	45
Price contracts	-	131	-	28	159
Gross amounts recognized	-	155	12	37	204
Less					
Impact of gross amounts offset ^a					111
Impact of cash paid as collateral ^b					38
Net liabilities					55^d

Note 13 – Financial Instruments (*continued*)

	2024				
	Fair value hedges	Cash flow hedges	Net investment hedges	Derivatives not designated as hedges	Total
Assets					
Currency contracts	–	601	–	36	637
Interest rate contracts	129	18	–	–	147
Price contracts	–	41	–	33	74
Gross amounts recognized	129	660	–	69	858
Less					
Impact of gross amounts offset ^a					92
Impact of cash received as collateral ^b					719
Net assets					47 ^c
Liabilities					
Currency contracts	–	41	124	4	169
Interest rate contracts	–	1	–	–	1
Price contracts	–	16	–	45	61
Gross amounts recognized	–	58	124	49	231
Less					
Impact of gross amounts offset ^a					92
Impact of cash paid as collateral ^b					74
Net liabilities					65 ^d

a) The impact of gross amounts offset is related to contracts traded according to ISDA guidelines and constituting enforceable master netting arrangements. Such master netting arrangements apply to all derivative instrument contracts traded over the counter.

b) Cash amounts offset are amounts received or paid under collateral exchange agreements signed in compliance with ISDA guidelines.

c) As at December 31, 2025, \$62 million was recorded in Accounts receivable and other assets (\$39 million as at December 31, 2024) and \$12 million in Other assets (\$8 million as at December 31, 2024).

d) As at December 31, 2025, \$45 million was recorded in Accounts payable and other liabilities (\$62 million as at December 31, 2024) and \$10 million in Other liabilities (\$3 million as at December 31, 2024).

Moreover, although certain derivative instruments cannot be offset for lack of enforceable master netting arrangements, margin calls may result in amounts received from or paid to clearing agents, based on the fair value of the instruments concerned. Hydro-Québec may also transfer Treasury bills to a clearing agent as financial collateral. As at December 31, 2025, an amount of \$24 million receivable in consideration of net payments (\$30 million as at December 31, 2024) and an amount

of \$46 million receivable in consideration of the transfer of Treasury bills (\$76 million as at December 31, 2024) were included in Accounts receivable and other assets, whereas \$29 million payable in consideration of net cash receipts was included in Accounts payable and other liabilities (nil as at December 31, 2024). When the Treasury bills mature, the clearing agent remits the proceeds, including interest, to Hydro-Québec.

Note 13 – Financial Instruments (*continued*)

Fair value hierarchy

Fair value measurements of derivative instruments are classified according to a three-level hierarchy, based on the inputs used.

	2025				2024			
	Level 1 ^a	Level 2 ^b	Level 3 ^c	Total	Level 1 ^a	Level 2 ^b	Level 3 ^c	Total
Assets	23	706	37	766	21	820	17	858
Liabilities	38	165	1	204	61	170	-	231
				562				627

- a) Fair values are derived from the closing price on the balance sheet date.
- b) Fair values are obtained by discounting future cash flows, which are estimated on the basis of the spot rates, forward rates or forward prices (foreign exchange rates, interest rates, and energy, aluminum or diesel prices) in effect on the balance sheet date, and take into account the credit risk assessment. The valuation techniques make use of observable market inputs.
- c) Fair values are not based on observable inputs. The valuation technique used to classify price power purchase agreements of variable volumes is based on forward energy prices, taking the counterparty's historical consumption into consideration.

Impact of derivative instruments on results and Other comprehensive income

The instruments traded, the impact of which is presented in the table below, reduce the volatility of results. Most of the derivative instruments are designated as hedges.

	2025	2024
(Losses) gains on derivatives recognized in results		
Fair value hedges		
Interest rate contracts ^a	(24)	13
Derivatives not designated as hedges		
Currency contracts ^b	(69)	122
Price contracts ^b	59	82
	(34) ^c	217 ^c
(Losses) gains on derivatives reclassified from Other comprehensive income to results		
Cash flow hedges		
Currency contracts ^d	(194)	276
Interest rate contracts ^a	1	-
Price contracts ^e	(35)	394
	(228) ^c	670 ^c
Gains (losses) on derivatives recognized in Other comprehensive income		
Cash flow hedges		
Currency contracts	(65)	170
Interest rate contracts	214	240
Price contracts	(199)	75
	(50)	485
Net investment hedges		
Currency contracts	68	(163)
	18	322

- a) These amounts were recognized in Financial expenses.
- b) These derivative instruments are essentially traded as part of integrated risk management. Their impact on results is recognized in the line items affected by the managed risk. Therefore, in 2025, \$39 million was recognized in Revenue (\$84 million in 2024), \$25 million in Electricity purchases [\$(8) million in 2024], and \$(74) million in Financial expenses (\$128 million in 2024).
- c) In 2025, the items Revenue, Electricity purchases, and Financial expenses totalled \$17,999 million, \$4,021 million and \$2,708 million, respectively (\$16,113 million, \$2,925 million and \$2,460 million in 2024).
- d) In 2025, \$(16) million was recognized in Revenue [\$(82) million in 2024], and \$(178) million in Financial expenses (\$358 million in 2024).
- e) In 2025, \$(34) million was recognized in Revenue (\$394 million in 2024), and \$(1) million in Electricity purchases (nil in 2024).

Note 13 – Financial Instruments (*continued*)

In 2025 and in 2024, Hydro-Québec did not reclassify any amount from Accumulated other comprehensive income to results after having discontinued cash flow hedges.

As at December 31, 2025, Hydro-Québec estimated the total gains and losses on derivative instruments in Accumulated other comprehensive income that would be reclassified to results in the next 12 months to be a net loss of \$93 million (\$5 million as at December 31, 2024).

Fair value of other financial instruments

The carrying amount of cash equivalents, accounts receivable, deposits and other short-term financial assets and liabilities corresponds to their fair value due to their short maturity.

Fair value measurements for other financial instruments are Level 2 measurements. Fair value is obtained by discounting future cash flows, based on rates observed on the balance sheet date for similar instruments traded on financial markets. These items are presented in the following table:

	Notes	2025		2024	
		Carrying amount	Fair value	Carrying amount	Fair value
Assets					
Sinking funds ^a	7, 9	1,973	1,993	1,202	1,201
Liabilities					
Long-term debt ^a	11	65,551 ^{b, c}	63,787	60,359 ^{b, c}	61,706

a) Includes the current portion.

b) Includes an amount of \$1,483 million as at December 31, 2025 (\$1,486 million as at December 31, 2024) for debts subject to a fair value hedge, which resulted in an adjustment of \$101 million as at December 31, 2025 (\$125 million as at December 31, 2024) with respect to existing hedging relationships and of \$(43) million as at December 31, 2025 [\$(51) million as at December 31, 2024] for hedging relationships terminated by Hydro-Québec.

c) Excludes accrued interest in the amount of \$1,011 million as at December 31, 2025 (\$936 million as at December 31, 2024).

Note 14 – Equity

Share capital

The authorized share capital consists of 50,000,000 shares with a par value of \$100 each, of which 43,741,090 shares were issued and paid up as at December 31, 2025 and 2024.

Retained earnings

Under the *Hydro-Québec Act*, the dividends to be paid by Hydro-Québec are declared once a year by the Québec government, which also determines the payment terms. For a given year, the dividend cannot exceed the distributable surplus,

equal to 75% of net income. This calculation is based on the consolidated financial statements. However, in respect of a given year, no dividend may be declared in an amount that would have the effect of reducing the capitalization rate to less than 25% at the end of the year. All or a portion of the distributable surplus that has not been subject to a dividend declaration may no longer be distributed to the shareholder as a dividend.

For 2025, the dividend was \$2,180 million (\$1,997 million for 2024).

Accumulated other comprehensive income

						2025
	Cash flow hedges	Translation differences	Net investment hedges	Employee future benefits	Other	Accumulated other comprehensive income
Balance, beginning of year	471	184	(137)	210	29	757
Other comprehensive income before reclassifications	(50)	(80)	68	589	17	544
Less (Losses) gains reclassified outside of Accumulated other comprehensive income	(228)	-	-	-	45 ^a	(183)
Other comprehensive income	178	(80)	68	589	(28)	727
Balance, end of year	649	104	(69)	799	1	1,484

						2024
	Cash flow hedges	Translation differences	Net investment hedges	Employee future benefits	Other	Accumulated other comprehensive income
Balance, beginning of year	656	(1)	26	(485)	47	243
Other comprehensive income before reclassifications	485	185	(163)	695	(18)	1,184
Less Gains reclassified outside of Accumulated other comprehensive income	670	-	-	-	-	670
Other comprehensive income	(185)	185	(163)	695	(18)	514
Balance, end of year	471	184	(137)	210	29	757

a) Reclassification of a gain from Accumulated other comprehensive income to results, due to the disposal of an equity method investment (see Note 9, Other Assets).

Note 15 – Supplementary Cash Flow Information

	2025	2024
Change in non-cash working capital items		
Accounts receivable and other assets	(285)	(493)
Accounts payable and other liabilities	483	290
	198	(203)
Activities not affecting cash		
Increase in property, plant and equipment and intangible assets in connection with:		
Finance lease liabilities	-	224
Other long-term debts	4	61
Other	143	295
	147	580
Increase in operating lease assets and liabilities	35	33
	182	613
Interest paid	2,351	2,307

Note 16 – Employee Future Benefits

The projected benefit obligations, valued by independent actuaries, and the assets of employee future benefit plans, at fair value, are valued as at December 31 of each year.

Changes in projected benefit obligations and in plan assets, at fair value

	Pension Plan		Other plans		Total	
	2025	2024	2025	2024	2025	2024
Projected benefit obligations						
Balance, beginning of year	25,443	25,290	1,442	1,474	26,885	26,764
Current service cost	372	393	49	50	421	443
Employee contributions	267	256			267	256
Benefit payments and refunds	(1,290)	(1,237)	(88)	(84)	(1,378)	(1,321)
Interest on obligations	1,112	1,158	63	67	1,175	1,225
Actuarial gain ^a	(450)	(417)	(58)	(65)	(508)	(482)
Balance, end of year	25,454	25,443	1,408	1,442	26,862	26,885
Plan assets, at fair value						
Balance, beginning of year	32,331	29,946	145	129	32,476	30,075
Actual return on plan assets	3,124	3,366	6	7	3,130	3,373
Employee contributions	267	256			267	256
Contributions by Hydro-Québec	- ^b	- ^b	24	32	24	32
Benefit payments and refunds	(1,290)	(1,237)	(22)	(23)	(1,312)	(1,260)
Balance, end of year	34,432	32,331	153	145	34,585	32,476
Funded status – Plan surplus (deficit)	8,978	6,888	(1,255)	(1,297)	7,723	5,591
Presented as:						
Employee future benefit assets	8,978	6,888	-	-	8,978	6,888
Accounts payable and other liabilities	-	-	67	67	67	67
Employee future benefit liabilities	-	-	1,188	1,230	1,188	1,230

b) The actuarial gains as at December 31, 2025 and 2024, are primarily due to the increase in discount rates related to the increase of long-term interest rates. The actuarial gain in the Pension Plan as at December 31, 2025, was partly offset by the growth in salary increase rates.

c) Actuarial valuations as at December 31, 2024 and 2023, for Pension Plan funding purposes triggered a contribution holiday for Hydro-Québec in 2025 and 2024.

Note 16 – Employee Future Benefits (continued)

As at December 31, 2025, accumulated benefit obligations under the Pension Plan totalled \$23,777 million (\$23,928 million as at December 31, 2024). Unlike projected benefit obligations, accumulated benefit obligations do not take into account the future salary assumption.

Pension Plan assets

Investments and their associated risks are managed in accordance with the Hydro-Québec Pension Fund Investment Management Policy (the “Investment Policy”), which is approved every year by the Board of Directors. These risks include market risk, credit risk and liquidity risk. The Investment Policy provides for diversification of benchmark portfolio securities in order to maximize the expected return within an acceptable risk interval that takes into account the volatility of the Pension Plan’s surplus or deficit. Additional frameworks define the approval process for each type of transaction and establish rules governing the active

management of the different portfolios as well as credit risk management. Compliance with the Investment Policy and the additional frameworks is monitored on a regular basis. The Investment Policy allows the use of derivative instruments such as forward contracts, options and swaps.

The target allocation of Pension Plan investments, as established by the Investment Policy in effect as at December 31, 2025, was as follows:

%	Target allocation
Fixed-income securities	42
Equities	43
Alternative investments ^a	15
	100

a) Alternative investments include real estate investments and opportunistic funds.

The fair value of net Pension Plan investments as at December 31, according to the fair value hierarchy and based on the type of securities, was as follows:

	2025				2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash	1,044	-	-	1,044	1,249	-	-	1,249
Short-term investments ^a	-	19	-	19	-	26	-	26
Bonds ^{a, b}	-	10,333	-	10,333	5	8,421	-	8,426
Listed shares	15,242	-	-	15,242	14,071	-	-	14,071
Real estate investments ^{a, c}	-	38	4,046	4,084	-	264	4,315	4,579
Private investments ^d	-	-	6,196	6,196	-	-	5,117	5,117
Hedge funds ^e	-	5,235	-	5,235	-	4,911	-	4,911
Investment assets ^{a, f}	11	911	-	922	157	172	-	329
Investment liabilities ^{a, g}	(187)	(8,309)	-	(8,496)	(7)	(6,222)	-	(6,229)
	16,110	8,227	10,242	34,579 ^h	15,475	7,572	9,432	32,479 ^h

a) The fair value of Level 2 short-term investments, bonds, real estate investments and investment assets and liabilities is essentially measured by discounting net future cash flows, based on the current market rate of return. Level 2 derivative instruments are measured using the market closing prices of the underlying products or by discounting net future cash flows.

b) Pension Plan assets include securities issued by Hydro-Québec, as well as by the Québec government and some of its agencies, for a total of \$2,096 million (\$1,521 million as at December 31, 2024).

c) The fair value of Level 3 real estate investments is measured by independent appraisers. The main method used to determine the fair value of these investments is discounting future cash flows. This method is based on observable and unobservable inputs, in particular the discount rate and future cash flows.

d) The fair value of Level 3 private investments is measured by various techniques including future cash flow discounting or using data such as earnings multiples or the price of recent comparable transactions.

e) Hedge funds are measured at the values provided by the fund managers, which are determined on the basis of the fair value of the underlying investments or of the net asset value.

f) Investment assets mainly consist of amounts due from pending trades, for an amount of \$560 million (\$10 million as at December 31, 2024), of securities purchased under resale agreements, for an amount of \$174 million (\$117 million as at December 31, 2024), and derivative instruments, for an amount of \$119 million (\$3 million as at December 31, 2024). As at December 31, 2025, there was no collateral pledged (\$144 million as at December 31, 2024). Securities purchased under repurchase agreements are not recognized in assets given that the counterparty retains substantially all the risks and rewards incidental to ownership.

g) Investment liabilities mainly consist of securities sold under repurchase agreements, for an amount of \$8,117 million (\$6,034 million as at December 31, 2024), bonds sold short, for an amount of \$173 million (\$118 million as at December 31, 2024), and collateral received, for an amount of \$187 million (\$2 million as at December 31, 2024). The securities sold under repurchase agreements are presented in assets given that the Pension Fund retains nearly all the risks and rewards incidental to their ownership. The bonds sold short represent the Pension Fund’s commitments to purchase securities from another party to hedge its positions.

h) The fair value of investments does not take into account the net amount of payables and receivables, which is an amount payable of \$147 million (\$148 million as at December 31, 2024).

Note 16 – Employee Future Benefits (continued)

A reconciliation of the opening and closing balances of Level 3 investments is presented in the table below:

	2025			2024		
	Real estate investments	Private investments	Total	Real estate investments	Private investments	Total
Balance, beginning of year	4,315	5,117	9,432	4,303	3,558	7,861
Acquisitions	260	1,476	1,736	307	1,282	1,589
Disposals	(276)	(508)	(784)	(81)	(243)	(324)
Net investment (losses) gains ^a	(253)	111	(142)	(126)	520	394
Transfers ^b	-	-	-	(88)	-	(88)
Balance, end of year	4,046	6,196	10,242	4,315	5,117	9,432

a) Includes realized net losses of \$26 million and unrealized net losses of \$116 million (realized net gains of \$9 million and unrealized net gains of \$385 million in 2024).

b) No transfers occurred in 2025 (a real estate investment was transferred to Level 2 in 2024).

Plan costs

Net cost components recognized for the year

	Pension Plan		Other plans		Total	
	2025	2024	2025	2024	2025	2024
Current service cost ^a	372	393	49	50	421	443
Other components of employee future benefit cost ^b						
Interest on obligations	1,112	1,158	63	67	1,175	1,225
Expected return on plan assets	(2,087)	(1,994)	(4)	(4)	(2,091)	(1,998)
	(975)	(836)	59	63	(916)	(773)
Net (credit) cost recognized for the year	(603)	(443)	108	113	(495)	(330)

a) This component, net of the amount capitalized in assets, is recognized as an operational expenditure.

b) This item is presented separately in the Consolidated Statements of Operations. Its components are not capitalized in assets.

Components of Other comprehensive income for the year

	Pension Plan		Other plans		Total	
	2025	2024	2025	2024	2025	2024
Actuarial gain	1,487	1,789	60	68	1,547	1,857
Change in Other comprehensive income	1,487	1,789	60	68	1,547	1,857
Change in the employee future benefit regulatory liability	(922)	(1,122)	(36)	(40)	(958)	(1,162)
Net change in Other comprehensive income	565	667	24	28	589	695

Components of Accumulated other comprehensive income

	Pension Plan		Other plans		Total	
	2025	2024	2025	2024	2025	2024
Unamortized net actuarial gain	2,024	537	70	10	2,094	547
Unamortized past service costs	-	-	(2)	(2)	(2)	(2)
Aggregate of amounts recognized in Accumulated other comprehensive income	2,024	537	68	8	2,092	545
Employee future benefit regulatory liability	(1,254)	(332)	(39)	(3)	(1,293)	(335)
Net amount recognized in Accumulated other comprehensive income	770	205	29	5	799	210

Note 16 – Employee Future Benefits (*continued*)

Significant actuarial assumptions

The following actuarial assumptions, used to determine the projected benefit obligations and net cost recognized for the plans, result from a weighted average.

	Pension Plan		Other plans	
	2025	2024	2025	2024
Projected benefit obligations				
Rate at end of year (%)				
Discount rate – Projected benefits	4.98	4.72	4.96	4.71
Salary escalation rate ^a	3.50	3.20		
Net cost recognized				
Rate at end of prior year (%)				
Discount rate – Current service cost	4.83	4.63	4.73	4.63
Discount rate – Interest on obligations	4.43	4.63	4.44	4.63
Expected long-term rate of return on plan assets	6.75 ^b	6.75 ^b	2.75	2.40
Salary escalation rate ^a	3.20	3.20		
Active employees' average remaining years of service	14	14	13	12

a) This rate takes salary increases into account as well as promotion opportunities while in service.

b) The expected long-term rate of return on the Pension Plan assets is the average of the expected long-term returns on the various asset classes, weighted according to the target weightings of each of these, plus a rebalancing, diversification and active management premium, net of expected management and administrative fees.

As at December 31, 2025, health care costs were based on an average annual growth rate of 5.7% for 2026. According to the assumption used, this rate will continue to decrease until 2027 to stand at 5.3% until 2030, and then gradually decline until it has reached a final rate of 4.0% in 2040.

Benefits expected to be paid in next 10 years

	Pension Plan	Other plans
2026	1,300	85
2027	1,315	85
2028	1,331	87
2029	1,348	89
2030	1,370	91
2031–2035	7,312	487

In 2026, Hydro-Québec expects to make contributions of \$23 million to Other plans, but does not plan to make contributions to the Pension Plan.

Note 17 – Commitments and Contingencies

Commitments

Electricity purchases

Hydro-Québec has concluded electricity purchase agreements with companies over which it has joint control or significant influence, as well as companies controlled by a Québec state-owned enterprise. In 2025, electricity purchases from these companies amounted to \$461 million (\$504 million in 2024).

As at December 31, 2025, Hydro-Québec was also committed under contracts to purchase electricity and transmission services from counterparties. Based on the renewal clauses, the terms of these contracts extend through 2066.

On the basis of all these commitments, Hydro-Québec expects to make the following payments over the coming years:

2026	2,574
2027	2,882
2028	3,015
2029	3,176
2030	3,531
2031 and thereafter	80,925

Investments

As part of its development projects and activities aimed at sustaining its assets, Hydro-Québec is committed to purchasing materials and services for an estimated amount of \$9.8 billion over the period from 2026 to 2036. In addition, under leases that are not yet in force, but to which it is already committed, Hydro-Québec expects to make lease payments for a total undiscounted amount of \$644 million from 2026 to 2058.

Contingencies

Litigation

In the normal course of its development and operations, Hydro-Québec is involved in claims and legal proceedings from time to time. Management believes that adequate provision has been made for such litigation. Consequently, it does not expect any material adverse effect of such contingent liabilities on the financial position or consolidated results of Hydro-Québec.

Among other pending actions, certain First Nations and Inuit communities have instituted proceedings before the Québec courts against the governments of Canada and Québec and against Hydro-Québec based on claims of Aboriginal rights and titles. For example, the Innu of Uashat mak Mani-utenam are claiming \$1.5 billion as compensation for various activities carried out on the territory they claim, including the generation and transmission of electricity. In addition, the Innu of Pessamit have brought an action seeking the recognition of their Aboriginal rights and title to lands in Québec where certain Hydro-Québec electricity generation and transmission facilities are located, including the Manic-Outardes and Bersimis hydroelectric complexes. They allege that these facilities infringe on their

Aboriginal rights and title and are claiming \$500 million in compensation. Hydro-Québec is contesting the merits of these claims.

In addition, proceedings have been instituted against Hydro-Québec and Churchill Falls (Labrador) Corporation Limited ["CF(L)Co"] relative to the Churchill Falls hydroelectric complex in Labrador, which is owned and operated by CF(L)Co. In an action brought before the courts of Newfoundland and Labrador in October 2020, Innu Nation Inc. alleges that the construction and operation of this hydroelectric complex amount to a "common enterprise" of CF(L)Co and Hydro-Québec, and allegedly infringe on the Aboriginal rights and title of the Labrador Innu. Innu Nation Inc. seeks a disgorgement of the profits that CF(L)Co and Hydro-Québec have derived from the operation of this hydroelectric complex or, failing that, monetary compensation of \$4 billion with regard to Hydro-Québec. However, on June 4, 2025, Hydro-Québec and Innu Nation Inc. signed a memorandum of understanding (MOU) in which the parties committed to settling their dispute and establishing the foundations and principles of a new relationship. In September 2025, an agreement to this effect was submitted to the two communities that make up Innu Nation Inc. with a view to ratification. As elements required to ratify the agreement are currently pending, Hydro-Québec and Innu Nation Inc. are pursuing their collaboration and will decide on future steps together. A liability in the discounted amount of \$67 million and a regulatory asset of the same amount were recognized, in connection with the MOU.

In another action brought in 2023 before the Québec Superior Court, the Innu of Uashat mak Mani-utenam and the Innu of Matimekush-Lac John allege that the Churchill Falls hydroelectric complex infringes on their Aboriginal rights and title, as well as their treaty rights. In addition to various judicial declarations and permanent injunction orders, these two communities are jointly claiming from Hydro-Québec \$2 billion in compensatory damages, \$200 million in punitive damages, and additional damages in the form of an annual payment equivalent to 12.5% of 15% of Hydro-Québec's annual profits from the date of the commencement of the proceedings. Hydro-Québec is contesting the merits of this claim.

On October 27, 2025, the Kitigan Zibi Anishinabeg instituted proceedings before the Québec Superior Court based on the claims of Aboriginal rights and titles, targeting the Canadian and Québec governments as well as Hydro-Québec and the National Capital Commission, for damages totalling \$5 billion. Regarding Hydro-Québec, they allege that economic benefits were gained from the Mercier hydroelectric dam, and are asking for compensation for loss of profits along with punitive damages. Hydro-Québec is contesting the merits of this claim.

Note 18 – Information on the Operating Segment

Hydro-Québec has only one operating segment and manages its operations using a cross-functional approach. Its results and total assets are analyzed on a consolidated basis by the person acting as chief operating decision maker, i.e., the President and Chief Executive Officer. The latter uses net income to analyze actual and forecast results in order to assess Hydro-Québec's performance. Significant expenses that are submitted to the chief operating decision maker for this purpose on a regular basis over the course of the year are disclosed in the following table. Investments are also submitted.

	Notes	2025	2024
Revenue	4	17,999	16,113
Expenditure			
Current operations ^a		4,301	4,114 ^b
Electricity purchases		4,021	2,925
Depreciation and amortization	8	3,112	3,019
Other ^c		951	932 ^b
Financial expenses	6	2,708	2,460
Net income		2,906	2,663
Investments^d		7,842	6,533 ^b

a) Current operational expenditure is mainly composed of payroll, the cost of external services, acquisition costs of tangible and intangible property, and operating lease expenses. It includes research and development costs totalling \$114 million in 2025 (\$163 million in 2024).

b) The prior year's data have been reclassified to conform to the presentation adopted in the current year.

c) The other expenditure is mainly composed of taxes, other components of employee future benefit cost and current service cost of the Pension Plan.

d) The investments, as presented in this case for management purposes, are mainly composed of investments in property, plant and equipment and intangible assets, and also include investments in the regulatory asset with respect to costs related to energy efficiency and demand response initiatives.

Note 19 – Subsequent Event

On January 20, 2026, Hydro-Québec closed the sale of its investment in Dana TM4, as part of its put option, for a cash consideration of \$263 million (US\$190 million). This transaction resulted in a gain of \$87 million that will be included in the financial statements for the next quarter.

FIVE-YEAR REVIEW

Consolidated Financial Information

\$M	2025	2024	2023	2022	2021
OPERATIONS					
Revenue	17,999	16,113	16,086	16,567	14,526
Expenditure					
Operations	4,923	4,609	4,132	3,844	3,288
Other components of employee future benefit cost	(916)	(773)	(689)	(1,020)	(743)
Electricity purchases	4,021	2,925	2,645	2,834	2,169
Depreciation and amortization	3,112	3,019	3,089	2,828	2,689
Taxes	1,245	1,210	1,217	1,230	1,191
	12,385	10,990	10,394	9,716	8,594
Income before financial expenses	5,614	5,123	5,692	6,851	5,932
Financial expenses	2,708	2,460	2,404	2,294	2,368
Net income	2,906	2,663	3,288	4,557	3,564
DIVIDEND	2,180	1,997	2,466	3,418	2,673
BALANCE SHEET SUMMARY					
Total assets	108,033	99,709	92,668	89,374	82,698
Long-term debt, including current portion	65,551	60,359	55,155	51,541	49,698
Equity	30,160	28,707	27,527	26,877	23,260
INVESTMENTS AFFECTING CASH					
Property, plant and equipment and intangible assets	6,885	5,987	4,898	4,271	4,223
FINANCIAL RATIOS					
Return on equity (%) ^a	10.3	9.6	12.2	17.6	14.3
Capitalization (%) ^b	32.2	32.7	33.7	34.6	32.0
Profit margin (%) ^c	16.1	16.5	20.4	27.5	24.5
Interest coverage ^d	2.02	2.03	2.36	3.01	2.53
Self-financing (%) ^e	33.1	37.1	47.5	55.4	52.7

a) Net income divided by average equity for the year less average accumulated other comprehensive income for the year.

b) Equity divided by the sum of equity, long-term debt, current portion of long-term debt, borrowings and derivative instrument liabilities, less derivative instrument assets and sinking funds.

c) Net income divided by revenue.

d) Sum of income before financial expenses and net investment income divided by net interest on long-term debt.

e) Cash flows from operating activities less dividend paid, divided by the sum of cash flows from investing activities—excluding acquisitions and disposals of short-term investments, acquisitions of sinking fund securities as well as the disposal of an equity method investment—and repayment of long-term debt.

Operating Statistics

	2025	2024	2023	2022	2021
GWh					
Electricity sales					
In Québec, by segment					
Residential	74,705	68,275	68,221	70,941	67,572
Commercial, institutional and small industrial	49,631	48,174	47,571	47,983	46,157
Large industrial	53,959	54,387	55,087	55,357	55,779
Other	6,622	6,401	6,450	6,279	5,721
	184,917	177,237	177,329	180,560	175,229
Outside Québec					
Canada and United States	11,776	15,092	23,001	35,634	36,190
Total electricity sales	196,693	192,329	200,330	216,194	211,419
\$M					
Revenue from electricity sales					
In Québec, by segment					
Residential	6,857	6,035	5,852	5,974	5,522
Commercial, institutional and small industrial	5,041	4,697	4,406	4,205	3,957
Large industrial	2,949	2,939	2,852	2,674	2,498
Other	438	408	405	378	342
	15,285	14,079	13,515	13,231	12,319
Outside Québec					
Canada and United States	1,703	1,499	2,365	2,912	1,826
Total revenue from electricity sales	16,988	15,578	15,880	16,143	14,145
As at December 31					
Number of customer accounts					
In Québec, by segment					
Residential	4,309,418	4,264,311	4,223,163	4,178,346	4,128,692
Commercial, institutional and small industrial	331,842	329,638	327,790	325,498	323,501
Large industrial	215	205	201	194	193
Other	5,057	4,989	4,938	4,868	4,812
Total customer accounts	4,646,532	4,599,143	4,556,092	4,508,906	4,457,198

Operating Statistics (continued)

	2025	2024	2023	2022	2021
MW					
Installed capacity – Québec					
Hydroelectric	36,809	36,854	36,885	36,882	36,694
Thermal	550	543	541	547	544
Photovoltaic	10	10	10	10	10
	37,369 ^a	37,407	37,436	37,439	37,248
Installed capacity – United States					
Hydroelectric	619	619	619	30	30
Total installed capacity	37,988	38,026	38,055	37,469	37,278
GWh					
Total energy requirements^b	212,356	209,061	217,286	235,717	231,913
MW					
Peak power demand in Québec^c	41,502	39,871	36,346	42,601	40,537
km					
Lines (overhead and underground)					
Transmission	34,885	34,900	34,922	34,678	34,775
Distribution	230,889	229,283	228,568	227,796	226,949
Total lines (overhead and underground)	265,774	264,183	263,490	262,474	261,724

a) In addition to the generating capacity of its own facilities, Hydro-Québec has access to almost all the output from Churchill Falls generating station (5,428 MW) under a contract with Churchill Falls (Labrador) Corporation Limited that will remain in effect until 2041. A new non-binding agreement in principle reached in 2024 provides for the replacement of this contract with a new one that will run until 2075. Hydro-Québec also purchases all the output from 45 wind farms (4,137 MW) and 55 hydroelectric generating stations (714 MW) and almost all the output from 12 biomass and 4 biogas cogeneration plants (385 MW) operated by independent power producers. Moreover, 525 MW are available under long-term contracts.

b) Total energy requirements consist of kilowatthours delivered within Québec and to neighbouring systems.

c) The 2025 figure is the best estimate as at February 13, 2025. The values indicated reflect demand at the annual domestic peak for the winter beginning in December. The 2025-2026 winter peak occurred at 8:00 a.m. on January 24, 2026.

Other Information

	2025	2024	2023	2022	2021
%					
Rate increases as at April 1					
Residential rates	3.0	3.0	3.0	2.6	1.3
Business rates	3.6	5.1	6.5	2.6	1.3
Rate L ^a	1.7	3.3	4.2	1.7	0.8
As at December 31					
Total number of employees^b					
Permanent	21,146	20,600	19,841	18,808	18,163
Temporary	2,769	2,680	2,965	3,243	3,005
	23,915	23,280	22,806	22,051	21,168
%					
Representation of underrepresented groups					
Women	27.7	28.0	28.5	28.7	28.5
Other ^c	14.2	14.5	13.0	12.6	11.9

a) Rate L is included in the large industrial customer segment.

b) Excluding employees of subsidiaries and joint ventures.

c) Self-reported members (men and women) of the following groups: Indigenous peoples, ethnic minorities, visible minorities and people with disabilities.

CONSOLIDATED RESULTS BY QUARTER

					2025
\$M	1st quarter	2nd quarter	3rd quarter	4th quarter	12-month period
Revenue	5,775	3,716	3,762	4,746	17,999
Expenditure					
Operations	1,074	1,206	1,009	1,634	4,923
Other components of employee future benefit cost	(229)	(229)	(229)	(229)	(916)
Electricity purchases	1,093	821	724	1,383	4,021
Depreciation and amortization	757	768	780	807	3,112
Taxes	376	267	273	329	1,245
	3,071	2,833	2,557	3,924	12,385
Income before financial expenses	2,704	883	1,205	822	5,614
Financial expenses	648	662	652	746	2,708
Net income	2,056	221	553	76	2,906

					2024
\$M	1st quarter	2nd quarter	3rd quarter	4th quarter	12-month period
Revenue	4,873	3,464	3,515	4,261	16,113
Expenditure					
Operations	1,011	1,074	1,144	1,380	4,609
Other components of employee future benefit cost	(193)	(193)	(193)	(194)	(773)
Electricity purchases	810	692	583	840	2,925
Depreciation and amortization	724	733	741	821	3,019
Taxes	337	265	283	325	1,210
	2,689	2,571	2,558	3,172	10,990
Income before financial expenses	2,184	893	957	1,089	5,123
Financial expenses	608	624	613	615	2,460
Net income	1,576	269	344	474	2,663

Board of Directors



Top row: **Manon Brouillette, Claudine Bouchard**

Second row: **geneviève bich, Sarin Boivin-Picard, Geneviève Brouillette, Anne-Marie Croteau, Marco Dodier**

Third row: **Luc Doyon, Mathieu Gervais, Victoria LaBillois, Jean-Marc Lechene**

Bottom row: **Julie Lévesque, Claude Séguin**

Hydro-Québec's Board of Directors has 13 members, 11 of whom sit as independent directors. The Québec government appoints the Chair of the Board of Directors for a term of up to five years, which can be renewed twice, consecutively or non-consecutively. The other Board members are also appointed by the Québec government based on the expertise and experience profile established by the Board. Directors hold their position for a term of up to four years that can be renewed twice, consecutively or non-consecutively. The Board is currently made up primarily of women, i.e., 7 of the 13 members. One of its members was 35 years of age or younger when appointed, and two of the members voluntarily self-identified as belonging to one of the diversity groups reflecting the various segments of Québec society.

Manon Brouillette

Chair of the Board of Directors, Hydro-Québec

Status: Independent director

Appointment: June 2, 2023

Term: June 2, 2028

Place of residence: Montréal

Manon Brouillette holds a bachelor's degree in public communications (marketing profile) from Université Laval and a Certified Director accreditation from the Institute of Corporate Directors. She has also completed the Ivey Executive Program at the University of Western Ontario's Richard Ivey School of Business. Ms. Brouillette has over 20 years of experience as a senior executive in the telecommunications, media and high-tech sectors. Among other things, she served as President and Chief Executive Officer of Vidéotron as well as Executive Vice President at Verizon and Chief Executive Officer of Verizon Consumer Group. She also has extensive experience as a corporate director, as Executive Chair of Lightspeed's Board of Directors and having sat on the boards of several Québec and international companies, including Banque Nationale, Cirque du Soleil, BFA Industries, Sonder, Altice France and Altice USA. In addition, her social engagement has led her to sit on the boards of the École de technologie supérieure, Montréal's Quartier de l'innovation and the Centre hospitalier universitaire Sainte-Justine. She is committed to developing women's leadership skills and promoting mental health in the workplace.

Claudine Bouchard

President and CEO, Hydro-Québec

Status: Non-independent director

Appointment: July 5, 2025

Term: July 5, 2030

Place of residence: Montréal

Ms. Bouchard holds a Bachelor of Science from Université de Montréal and an MBA from Université du Québec à Montréal, and has completed Harvard Business School's Advanced Management Program. She also holds a Certified Director accreditation from the Institute of Corporate Directors. Ms. Bouchard has over 25 years of experience at Hydro-Québec, where she held positions of increasing responsibility in wide-ranging fields including communications, community relations, governance and operations before being appointed to senior leadership as Vice President – Distribution System in 2017. From 2020 to 2023, Ms. Bouchard held various senior positions including Executive Vice President and Chief Operating and Infrastructure Officer. As President and CEO, she oversees the activities of the entire organization while maintaining a

balance between performance, the energy transition and social responsibility. Under her leadership, Hydro-Québec will reinforce its role as a driver of sustainability and a world leader in the field of renewable energy. Ms. Bouchard is a seasoned manager known for her human leadership. She has received several distinctions, including the Woman of WaterPower Award in 2021 and the King Charles III Coronation Medal in 2024. From 2018 until her nomination as President and CEO, Ms. Bouchard headed the Centraide Leaders Donors campaign for Hydro-Québec's active and retired employees.

geneviève bich

Vice President, Human Resources, Metro Inc.

Status: Independent director

Initial appointment: September 9, 2015

Renewals: February 19, 2020, and April 10, 2024

Term: April 9, 2028

Place of residence: Montréal

geneviève bich holds a Bachelor of Arts with a major in psychology from McGill University and a law degree from Université de Montréal. She is a member of the Barreau du Québec and the Ordre des conseillers en ressources humaines agréés du Québec. From 1991 to 2008, she held various management positions at Bell Canada, including Vice President, Human Resources and Labour Relations. Before joining Metro in 2013 as Vice President of Human Resources, Ms. bich worked for Groupe Dynamite and Aimia. She also sits on the Board of Directors of Sodexo S.A. and chairs its Compensation Committee.

Sarin Boivin-Picard

Customer Success Manager, Vessel

Status: Independent director

Initial appointment: June 1, 2022

Term: June 1, 2026

Place of residence: Montérégie

Sarin Boivin-Picard holds a bachelor's degree in business administration from HEC Montréal, a master's degree in finance from IE Business School (Spain) and an MBA from Oxford University (United Kingdom). Mr. Boivin-Picard began his career as a structured products analyst at Banque Nationale while simultaneously serving as a reserve officer in the Canadian Armed Forces. He then joined the Lucie and André Chagnon Foundation as an investment analyst and taught business administration as a lecturer at Université de Moncton. He also worked as a product manager for Altitude-sports.com before joining NextGen Venture Partners, a venture capital firm. He currently holds the position of Customer Success Manager for Vessel.

Geneviève Brouillette

Corporate Director

Status: Independent director

Initial appointment: July 12, 2017

Renewals: September 4, 2019, and April 10, 2024

Term: April 9, 2028

Place of residence: Montréal

With a bachelor's degree in accounting from Université du Québec à Montréal and a Bachelor of Commerce from McGill University, Geneviève Brouillette is a member of the Ordre des comptables professionnels agréés, which awarded her the title of Fellow (FCPA) in 2022, and is certified by the Institute of Corporate Directors. Ms. Brouillette began her career in finance and management over 35 years ago and has extensive experience as a corporate director. She has served as Chief Financial Officer of Groupe Aldo and held management positions in major corporations, including Keurig, Dr Pepper, St-Hubert and Kraft Foods. Her expertise includes strategic planning, capital optimization, turnarounds, and mergers and acquisitions. For close to 25 years, Ms. Brouillette has sat on the boards of several private and public companies and non-profit organizations. She joined Transat's Board of Directors in 2023 and was assigned to its Human Resources and Governance Committee in 2024. Appointed to Hydro-Québec's Board of Directors in 2017, she has chaired its Audit Committee since 2019. She became a member of the Investment and Major Projects Committee in 2024 and sat on the Human Resources Committee until 2024. She also sat on the Board of Directors of Previa and chaired its Audit Committee from 2022 to 2025, and was a Director of the Multiple Sclerosis Society of Canada from 2001 to 2010.

Anne-Marie Croteau

Dean, John Molson School of Business, Concordia University

Status: Independent director

Initial appointment: July 6, 2016

Appointment: August 19, 2020

Term: August 19, 2024¹

Place of residence: Montréal

Anne-Marie Croteau holds a bachelor's degree in actuarial mathematics from Concordia University, a bachelor's degree in business administration and a master's in management from HEC Montréal, and a Ph.D. in administration from Université Laval. She is Dean of the John Molson School of Business at Concordia University and a full professor of business technology management. Certified by the Collège des administrateurs de sociétés, she sits on the executive boards of the Autorité des marchés financiers and the AACSB International network, an accreditation body for business schools, and is the Vice Chair of the board of Collège André-Grasset.

Marco Dodier

Consultant in private practice

Status: Independent director

Initial appointment: July 12, 2021

Term: July 12, 2025¹

Place of residence: Estrie

Marco Dodier received a bachelor's degree in industrial engineering from Université du Québec à Trois-Rivières in 1998. After co-founding Cesart in 1996, he held the positions of Executive Vice President and President, growing the company into one of the largest and most well-known web development and consulting firms before it was acquired by Bell Canada in 2005. From 2006 to 2015, as President of Gesca Digital Investments, he was in charge of developing the company's digital assets through acquisitions or equity stakes. In addition, Mr. Dodier held several executive positions within the Power Corporation group from 2009 to 2015, including President of Cyberpresse, President of w.illi.am/ and co-President of Duproprio.com. In 2015, he became President and Chief Executive Officer of DuProprio, before selling the company to Desjardins in 2021. He is currently an independent consultant.

Luc Doyon

Corporate Director

Status: Independent director

Initial appointment: September 4, 2019

Renewal: April 10, 2024

Term: April 9, 2028

Place of residence: Montréal

Luc Doyon holds a bachelor's degree in mechanical engineering from Polytechnique Montréal and a graduate diploma in welding engineering from the École supérieure du soudage et de ses applications in Paris, France. He has also taken part in the Executive Education program at the Institut européen d'administration des affaires (INSEAD) in Fontainebleau, France. He spent his career with the French industrial group Air Liquide, where he worked from 1983 to 2017. He started out as an engineer at Air Liquide Canada and became a manager in 1988. In particular, he served as Vice President, Merchant Gases at Air Liquide America in Houston (United States), and President and Chief Executive Officer of Air Liquide Canada in Montréal. In 2012, he was appointed President and Chief Executive Officer of the welding division of Groupe Air Liquide in Paris, and in 2017 he left the company. He is also a corporate director of Chemtrade Logistics and Lassonde Industries.

1) When their term expires, directors remain in office until replaced or reappointed.

Mathieu Gervais

Deputy Minister, Ministère de l'Économie, de l'Innovation et de l'Énergie

Status: Non-independent director

Initial appointment: May 15, 2025

Term: May 31, 2026

Place of residence: Québec

Mr. Gervais holds a bachelor's degree in business administration from HEC Montréal and a master's degree in economics from Université de Montréal. He began his career as an economist for the Québec government in 2003 and later held various positions with the Ministère des Finances for over 14 years prior to his appointment as Assistant Deputy Minister at the Ministère de l'Économie, de l'Innovation et de l'Énergie in 2019. He has held the position of Deputy Minister at this ministry since 2025.

Victoria LaBillois

President and speaker, V LaBillois MC Services

Status: Independent director

Initial appointment: October 1, 2024

Term: October 1, 2028

Place of residence: Listuguj, Québec

Victoria LaBillois holds a Bachelor of Arts and an MBA from the University of New Brunswick. She began her career in the public sector as a program officer at the Indigenous Citizens Department of Heritage Canada. She became Director of Training and Employment Services at the Listuguj Mi'gmaq Development Centre and Director of Urban Services at the First Nations Human Resource Development Commission of Québec. She then joined the Mi'gmaq government of Listuguj as Director of Intergovernmental Relations and later became the Director of Commercial Fishing. She then went on to hold the positions of Director of Health at Gesgapegiag Health and Community Services and National Director of Employer and Partner Relations at the Aboriginal Human Resource Council. In 2011, she entered the private sector as President and Chief Executive Officer of Wejipeg Excavation and President of Wejuseg Construction. Ms. LaBillois has also been President of the Gespe'gewaq Mi'gmaq Resource Council. Since 2023, she has been President and speaker at V LaBillois MC Services and Vice President of the National Indigenous Economic Development Board. She sits on several Indigenous advisory boards, including those of the Major Projects Office of the Government of Canada and Telus.

Jean Marc Lechene

Corporate Director

Status: Independent director

Initial appointment: October 1, 2024

Term: October 1, 2028

Place of residence: Paris (France)

Jean Marc Lechene holds a civil engineering degree from the École nationale supérieure des mines de Paris (France) and an MBA from the Institut européen d'administration des affaires (INSEAD). He began his career as an IT development engineer for Air Liquide and moved on to hold various executive positions at Dassault Systèmes, McKinsey & Company and Lafarge, before being hired by Michelin as Senior Vice President and President of Large Goods Vehicles Europe. From 2011 to 2012, he was President of Lechene Consulting, and from 2012 to 2019, he was Operations Director and Senior Vice President of Vestas Wind Systems. He sits on the boards of directors of Valorem in France and of Norican and Tresu in Denmark. He also sat on the Board of Directors of Velux for six years and of McPhy for more than two years.

Julie Lévesque

Executive Vice President – Personal Banking, Banque Nationale

Status: Independent director

Initial appointment: June 9, 2025

Term: June 9, 2029

Place of residence: Montréal

Ms. Lévesque holds a certificate in human resources management from Université du Québec à Montréal and an Executive MBA from McGill University and HEC Montréal. Throughout her career, she has taken on various roles in the IT field, including senior management positions at Banque Nationale and the Canada Pension Plan Investment Board. Ms. Lévesque sits on the Board of Directors of the Centre de recherche informatique de Montréal (CRIM) and Flins Technology Inc. She is also a member of the organization committee of Hôpital Sainte-Justine's Grand Ball and sits on the Board of Directors of the Fondation pour les ressources des enfants diabétiques.

Claude Séguin

Chair of the Board, Fonds de solidarité FTQ

Status: Independent director

Initial appointment: August 19, 2020

Renewal: September 25, 2024

Term: September 25, 2028

Place of residence: Montréal

With a bachelor's degree in business administration from HEC Montréal and both a master's and PhD in public administration from Syracuse University (United States), Claude Séguin began his career in the public sector, holding management positions at the Secrétariat du Conseil du trésor before being appointed Assistant Deputy Minister of Finance in 1983 and then Deputy Minister of Finance in 1987. In 1992, he struck out into the private sector as Téléglobe Inc.'s Executive Vice President, Finance and Chief Financial Officer. He then served as President of CDP Capital – Private Equity at the Caisse de dépôt et placement du Québec, and subsequently joined Groupe CGI, where he was Senior Vice President, Corporate Development and Strategic Investments from 2003 to 2016 and Special Advisor to the Chair from 2016 to 2018. He has been Chair of the Board of the FTQ Fonds de solidarité since 2018.

Activity Report of the Committees of the Board of Directors

Governance and Customer Experience Committee (A)

The quality of communications and relationships between Hydro-Québec and its customers is a major priority for the Governance and Customer Experience Committee, chaired by Marco Dodier. Accordingly, the Committee closely monitored progress made in connection with the customer experience vision and the development of options for various customer segments. On the energy efficiency front, the Committee held discussions with Management about financial support guidelines, the main initiatives aimed at achieving Hydro-Québec's ambitious objectives and the various indicators for monitoring their performance. The Committee received information concerning the new process for allocating blocks of power to Hydro-Québec's industrial customers, which was implemented after the *Act to ensure the responsible governance of energy resources and to amend various legislative provisions* came into effect.

The Committee recommended that the Board of Directors approve the evaluation criteria for its members, the Board's performance and that of its committees, and subsequently reviewed and led the evaluation processes. It also recommended that the Board review the composition of some of its committees and approve certain amendments to committee charters following the annual review and benchmarking.

In accordance with its mandate, the Committee carefully examined the new employee *Code of Ethics* and recommended Board approval. The Committee reviewed the various energy efficiency performance indicators and supported Management in the first phase of its review of the Social Responsibility Directive to ensure greater alignment with the *Action Plan 2035*. It recommended Board approval of various donations and sponsorships.

The Committee also recommended Board approval of the *Annual Report 2024* and *Hydro-Québec's 2024 Report on Steps to Prevent and Reduce the Risks of Forced Labour or Child Labour in its Supply Chain*.

Lastly, the Committee examined the reports on the application of policies concerning the governance of Hydro-Québec subsidiaries, our relations with Indigenous communities and our social role (titled *Gouvernance des filiales d'Hydro-Québec, Nos relations avec les autochtones* and *Notre rôle social*).

Audit Committee (B)

Chaired by Geneviève Brouillette, FCPA, the Audit Committee met with independent auditors to examine the company's quarterly and annual financial statements as well as the annual financial statements of the Hydro-Québec Pension Plan. It recommended that the Board approve the statements.

The Committee carefully monitored the management of risks involving the Hydro-Québec Pension Fund, the Fund's performance compared to its peers and its portfolio structure. It recommended that the Board approve the Pension Fund

Investment Management Policy and the actuarial valuation of Pension Plan funding and solvency.

The Committee fulfilled its role in overseeing business risk management. It closely monitored changes in Hydro-Québec's risk portfolio given the current geopolitical context and paid particular attention to all risks impacting implementation of the *Action Plan 2035*.

The Committee carefully examined the financial programs involving Hydro-Québec's investment strategy and recommended Board approval. It also reviewed the annual reports on insurance plans.

The Committee ensured that Hydro-Québec's major processes concerning risk management, internal control, governance and operations were independently assessed and that significant threats were brought to its attention by the Vice President – Internal Audit or by another member of the management team, and subsequently addressed. The Committee also recommended the Board's review of the charter of the Groupe – Audit interne and closely monitored the improvement plan developed for the group's practices.

The Audit Committee carried out its other responsibilities, namely ensuring the sound management of the company's finances. It also reviewed reports on a variety of topics, including the programs for mobilizing funds, swaps and financial risk management, the optimal use of the company's resources and follow-up, and the application of the company's policies on financial disclosure and finances (titled *Divulgation financière* and *Nos finances*). The Committee also reviewed the report on corporate compliance.

Committee members attended various presentations, including on the financial implications and recognition of the agreement with Newfoundland and Labrador, the new standards of the Institute of Internal Auditors, the overview of the company's subsidiaries and the strategy for use of artificial intelligence by the Groupe – Audit interne.

The Committee organized a workshop on the *Registre de délégations d'autorité* [register of delegated authority]. Participants undertook an in-depth study of the proposed changes to the register to ensure that Hydro-Québec has greater agility in the decision-making process while providing for an appropriate level of responsibility and sound risk management. It subsequently recommended Board approval.

Committee members attended training sessions on the recognition of agreements with Indigenous communities and on the impact of regulatory developments on rate-setting. All Audit Committee members are independent.

Human Resources Committee (C)

Chaired by Geneviève Bich, the Human Resources Committee played a very active role in the process leading to the appointment of the new President and Chief Executive Officer. The Committee also diligently monitored activities involving corporate succession planning.

The Committee's activities included careful examination of compensation plans and pay raises for non-unionized employees and Hydro-Québec executives, as well as employees of wholly owned subsidiaries, including management personnel. It recommended Board approval of certain modifications and of the incentive compensation objectives.

The Committee closely monitored the collective agreement renewal process as well as the occupational health and safety (OHS) activities and strategies implemented by Hydro-Québec. After examining the agreement between the Ministère de l'Éducation and Hydro-Québec concerning construction workers, the Committee recommended Board approval.

In addition to reviewing the Corporate Ombudsperson's report and its recommendations, the Committee closely monitored Hydro-Québec's environmental performance and oversaw implementation of the program to characterize contaminated lands. Committee members attended various presentations, including on climate change and its related risks. To fulfill its responsibilities, the Committee regularly reviewed a dashboard of strategic indicators and examined reports on the application of the company's human resources, security and environment policies (titled *Nos ressources humaines*, *Sécurité* and *Environnement*).

Investment and Major Projects Committee (D)

Chaired by Claude Séguin, the Committee oversaw the rigorous governance of Hydro-Québec's investments and

closely monitored the company's financial management. It recommended Board approval of the 2026–2028 rate application for transmission and distribution, the 2025 progress report on the Electricity Supply Plan and the Reconciliation and Collaboration Agreement with the Innu Nation of Labrador.

The Committee also recommended Board approval of several strategic projects. These include long-term operability projects, such as the refurbishment of Rapide-Blanc generating station, the replacement of generating units at Jean-Lesage generating station and the upgrade of the advanced metering infrastructure. With regard to growth projects, the Committee approved the decarbonization project for the Obedjiwan off-grid system, the second phase of the Des Neiges wind farm connection and the first phase of the Vallée du Saint-Laurent project.

On the strategic procurement front, the Committee recommended implementation of the plan to secure grid compensation systems and the procurement strategy for ensuring the supply of underground transformers for the distribution system. The Committee also monitored the performance of project portfolios and the progress of major projects, including the Hertel–New York and Appalaches–Maine interconnection line projects.

In addition, the Committee recommended the review of key policies: the policy on energy system assets and the policy on procurement and contract management. Lastly, the Committee recommended Board approval of the 2026–2035 investment plan, in line with the *Action Plan 2035*.



In 2025, Hydro-Québec enhanced its collection with artist Marie-Michelle Deschamps's largest sculpture to date. The work is the result of a meticulous engagement with copper: cut, folded, enamelled, then fired, the metal responded to the heat with surprising forms and colours ranging from verdigris to shimmering reds. Viewed from a distance, the form reads as a blank, crumpled sheet—a shifting surface that subtly alludes to today's information overload.

Marie-Michelle Deschamps (1980–)

Contours – Vitreous enamel on copper sheet, 2023
157.5 x 228.56 cm

© Marie-Michelle Deschamps



In 2012, Escuminac-based artist Maryse Goudreau began a long-term project devoted to the beluga—an “open work” with both poetic and archival dimensions that grew out of a formative encounter with an animal in captivity. *La permission*, a photograph from that moment, encapsulates the artist's quietly assertive approach: the living world bears witness to our actions and asks us to pay attention.

Maryse Goudreau (1980–)

La permission – Inkjet print, 5/5, 2016
50.8 x 76.2 cm

© Maryse Goudreau

Digital Technologies Committee (E)

In accordance with its mandate, the Digital Technologies Committee, chaired by Anne-Marie Croteau, monitored the performance of major projects and activities involving digital technologies. It examined the current and planned financial commitments required to develop and implement major IT systems and infrastructure based on the priorities set out in the *Action Plan 2035*. Specifically, the Committee monitored the progress of the project to modernize grid control systems together with the Investment and Major Projects Committee.

The Committee kept a very close watch on cybersecurity issues, the main risks involving digital technologies and the governance mechanisms for managing major IT projects.

Committee members attended presentations on the protection of Hydro-Québec's IT assets, data hosting and the company's objectives concerning artificial intelligence and the related governance measures it plans to implement. Lastly, the Committee studied the privacy protection program in the context of the *Action Plan 2035* and examined the report on the application of the digital technologies policy (titled *Technologies numériques*).

Director Attendance at Meetings of the Board of Directors and Board Committees in 2025

Directors	Committees	Notes	Board ¹	Committees				
				A	B	C	D ²	E ³
		Number of meetings	10	4	4	7	8	5
Manon Brouillette	A B C D E		10/10	4/4	4/4	7/7	8/8	5/5
Michael Sabia		4	4/4					
Claudine Bouchard		4	5/5					
geneviève bich	A C		10/10	3/4		7/7		
Sarin Boivin-Picard	A E		10/10	4/4				5/5
Geneviève Brouillette	B D		10/10		4/4		8/8	
Anne-Marie Croteau	C E		8/10			5/7		4/5
Hanane Dagdougui	E	5	3/4					2/2
Marco Dodier	A E		10/10	4/4				5/5
Luc Doyon	C D		9/10			7/7	8/8	
Mathieu Gervais		6	5/6					
Jonathan Gignac		6	2/2					
Victoria LaBillois	B C		8/10		4/4	5/7		
Jean Marc Lechene	A B D	7	10/10	4/4	1/1		8/8	
Julie Lévesque	E	8	6/6					3/3
Claude Séguin	B D		10/10		4/4		8/8	
Paul Stinis	B D	9	3/4		2/2		2/2	
Committees A. Governance and Customer Experience B. Audit C. Human Resources D. Investment and Major Projects E. Digital Technologies		Notes 1. The Board of Directors held 10 meetings, including 3 special meetings. 2. Including one joint meeting with the Digital Technologies Committee (E). Attendance of members of Committee E at the joint meetings is indicated in this column. 3. Including one joint meeting with the Investment and Major Projects Committee (D). Attendance of members of Committee D at the joint meeting is indicated in this column. 4. Michael Sabia resigned as President and Chief Executive Officer effective July 4, 2025. Claudine Bouchard was appointed President and Chief Executive Officer on July 5, 2025. 5. Hanane Dagdougui held her position until June 8, 2025. 6. Jonathan Gignac resigned on May 14, 2025, and was replaced by Mathieu Gervais, appointed effective June 4, 2025. 7. Jean March Lechene joined the Audit Committee on September 18, 2025. He remained a member of the Investment and Major Projects Committee as well as the Governance and Customer Experience Committee. 8. Julie Lévesque was appointed effective June 9, 2025, and is a member of the Digital Technologies Committee. 9. Paul Stinis's mandate ended with the adoption on June 7, 2025, of the <i>Act to ensure the responsible governance of energy resources and to amend various legislative provisions</i> .						

Governance

Hydro-Québec's Board of Directors complies with the requirements of the *Hydro-Québec Act* with regard to governance. In particular, it ensures that the appropriate control mechanisms are in place and are subject to periodic reporting.

Independence

The independent members of the Board of Directors have no direct or indirect relations or interests—in particular, of a financial, commercial, professional or philanthropic nature—that could affect the quality of their decision-making with regard to the interests of the company.

Rules of Ethics

The Board is responsible for compliance with the rules set out in the [Code of Ethics and Rules of Professional Conduct for Directors and Executives of Hydro-Québec and its subsidiaries](#) (in French only), which are based primarily on the [Regulation respecting the ethics and professional conduct of public office holders](#).

Compensation and Benefits Paid to Directors

Compensation of Members of the Board of Directors for the Year Ended December 31, 2025

Member's name	Compensation for serving on the Board		Compensation for serving on committees ^a		Benefits	Total compensation for the year
	Chair	Member	Chair	Member		
geneviève bich ^b	-	\$31,154	\$6,617	\$9,414	\$179	\$47,364
Sarin Boivin-Picard	-	\$31,142	-	\$8,919	\$293	\$40,353
Geneviève Brouillette ^c	-	\$31,156	\$6,617	\$11,396	\$2,079	\$51,248
Manon Brouillette ^d	\$195,102	-	-	-	\$8,574	\$203,676
Anne-Marie Croteau ^e	-	\$29,157	-	\$8,423	\$190	\$37,770
Hanane Dagdougui ^f	-	\$12,767	-	\$1,982	\$83	\$14,832
Marco Dodier ^g	-	\$31,153	\$6,617	\$8,919	\$7,952	\$54,641
Luc Doyon	-	\$30,155	-	\$13,872	\$1,986	\$46,013
Mathieu Gervais ^{h, i}	-	-	-	-	-	-
Jonathan Gignac ^{i, k}	-	-	-	-	\$7	\$7
Victoria LaBillois	-	\$29,154	-	\$8,423	\$6,375	\$43,952
Jean Marc Lechene	-	\$31,145	-	\$12,387	\$165	\$43,697
Julie Lévesque ^l	-	\$17,783	-	\$2,973	\$97	\$20,853
Claude Séguin ^m	-	\$31,145	-	\$11,396	\$3,288	\$45,829
Paul Stinis ⁿ	-	\$12,770	-	\$3,964	\$2,935	\$19,669

a) Compensation for all independent directors is set out in Order-in-Council No. 610-2006 and is indexed periodically by the government. It consists of a basic annual retainer of \$21,168 plus a fee of \$991 for each Board or committee meeting attended. A yearly supplement of \$6,617 is paid to chairs of the Audit, Human Resources and Governance and Customer Experience committees.

b) Chair of the Human Resources Committee.

c) Chair of the Audit Committee.

d) Manon Brouillette receives an annual compensation of \$195,000 as Chair of the Board of Directors. She receives no other compensation.

e) Chair of the Digital Technologies Committee.

f) Hanane Dagdougui held her position until June 8, 2025.

g) Chair of the Governance and Customer Experience Committee.

h) Receives no compensation as a member of the Board of Directors.

i) Mathieu Gervais was appointed effective June 4, 2025.

j) Receives no compensation as a member of the Board of Directors.

k) Jonathan Gignac resigned on May 14, 2025.

l) Julie Lévesque was appointed effective June 9, 2025.

m) Chair of the Investment and Major Projects Committee.

n) Paul Stinis held his position until June 7, 2025.

Hiring of Independent Experts

Board members may retain the services of independent experts at the company's expense in order to obtain advice on matters related to their mandate.

Director Induction and Training Program

When Board members are first appointed, they receive training on their roles and responsibilities, the nature and business context of Hydro-Québec's main activities, and the company's legal and regulatory framework. New directors are also instructed on the fundamental concepts of electricity and invited to visit key facilities such as the Des Irlandais substation, the Centre Hydro (in Varennes), and the energy trading floor. By the end of the induction program, they will have received some 15 hours of training. Continuing development activities for Board members in 2025 included training on the digital shift and future energy potential.

Day-to-day Governance

Internal Control System

Hydro-Québec's Management maintains an internal control system. The financial information component of this system is based on the internationally recognized framework developed by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission, and includes the implementation of an annual control plan. The objective of this component is to provide reasonable assurance that the financial information is relevant and reliable, and that Hydro-Québec's assets are appropriately recorded and safeguarded. The control system includes an integrated business risk management process, and the company has also established a process for governance and assessing the compliance of its operations in various fields such as the fight against corruption. The Groupe – Audit interne objectively and independently assesses the primary risk management, internal control and governance processes to determine if they are sufficient and appropriate, and issues recommendations for improving their economy, efficiency and effectiveness.

Auditors' Fees and Independence

KPMG LLP, Ernst & Young LLP and the Auditor General of Québec were Hydro-Québec's independent auditors for 2025.

The professional fees billed by KPMG LLP and Ernst & Young LLP in 2025 for services other than auditing and certification accounted for 5.5% of the total \$4.2 million in fees billed. Hydro-Québec uses various mechanisms to enable the Audit Committee to ensure that independent auditors remain independent, including a process whereby any engagement that could be assigned to them is analyzed beforehand. No professional service engagement may be assigned to the Auditor General of Québec, since that office serves the National Assembly exclusively.

Access to Information and Privacy Protection

All requests for access to information received by Hydro-Québec are handled in accordance with the *Act respecting Access to documents held by public bodies and the Protection of personal information*. In 2025, Hydro-Québec received 615 requests for access to administrative documents or personal information and processed 605 of these requests. Of these, 121 were granted in full, 324 were granted in part, and 82 were turned down. The most common reason for denying requests was that the documents contained either confidential personal information or sensitive information that, if shared, could impact the company's finances, public safety or administrative decisions. As for the other 78 requests, they could not be fulfilled because they were either not admissible or not applicable. Therefore, they were redirected to other public bodies, could not be processed because Hydro-Québec did not have the documents in question, or were withdrawn.

In total, 362 access requests were processed within 20 days, 146 in 21 to 30 days, and 97 in 31 days or more. The average processing time was 20 days.

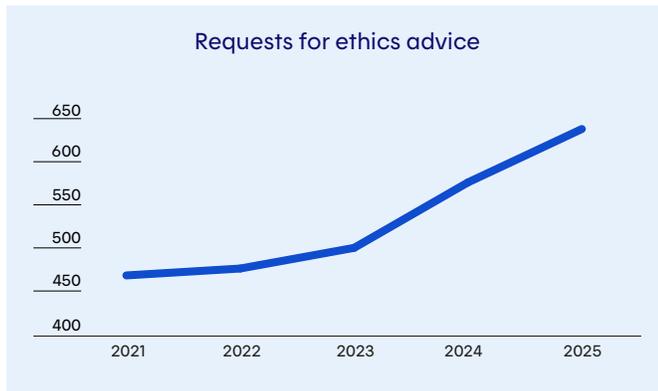
In addition, Hydro-Québec received 13 review notices from the Commission d'accès à l'information. No access requests were the subject of reasonable accommodation measures under the government policy on equal access for persons with disabilities to publicly available documents and services. Decisions on access requests and the [report on requests processed in 2025](#) are available (in French only) on the company's website. Hydro-Québec posts [documents and information whose publication is prescribed](#) by the *Regulation respecting the distribution of information and the protection of personal information* on its website to facilitate access by the public. Hydro-Québec continued to implement its privacy protection program, in particular by offering its employees training and awareness-raising activities, as well as by amending its existing guidelines.

Promoting a Culture of Ethics

At Hydro-Québec, it is important that our company culture reflects our values and those of our stakeholders. To that end, the company provides employees and managers with support and guidance on ethical issues and responds to their questions. In 2025, we received and processed 635 requests (573 in 2024), the majority of which concerned the duty of loyalty and transparent business relations.

Hydro-Québec regularly updates the [Code of Ethics and Rules of Professional Conduct for Directors and Executives of Hydro-Québec and its subsidiaries](#) (in French only) and the employee [Code of Ethics](#). The latter was updated in 2025, following internal consultations, with certain passages reformulated to better reflect the present-day context (telework, artificial intelligence, legislative changes, etc.).

Other internal initiatives carried out in 2025 include employee training and awareness-raising activities to strengthen the company's ethical culture, and a second iteration of the ethical leadership program for managers. These initiatives contributed to an increase in the number of ethics advice requests processed, which reflects a greater sensitivity among our employees to ethical risks and issues.



Combating Corruption

Since June 2021, Hydro-Québec has been certified ISO 37001, a recognized international standard designed to prevent, detect and respond to bribery. This certification attests to our ongoing commitment to adopting best practices in bribery risk management. The standard is based on continuous improvement and a stringent anti-bribery management system. In keeping with the standard's main requirements, Hydro-Québec must implement key measures that include:

- Ensuring sound governance specific to the fight against corruption
- Assessing and mitigating the risks associated with certain processes (procurement, managing sensitive information, etc.)
- Holding employee awareness and training activities
- Updating Hydro-Québec's anti-corruption policy, which sets out the company's obligations and expectations in this area
- An annual internal compliance audit to determine whether the anti-bribery management system meets the standard's requirements and promotes continuous improvement
- A [confidential and anonymous reporting mechanism](#), accessible to all employees, stakeholders and members of the general public and that provides protection against retaliation in the event of disclosure

Furthermore, each year, numerous staff members at Hydro-Québec and its subsidiaries participate in the third-party audit conducted to verify compliance with the standard. In 2025, the external audit for the 2024–2026 certification cycle was carried out by EuroCompliance, which confirmed the reliability and robustness of our anti-bribery management system.

Language Guidelines

Hydro-Québec pursued its efforts to comply with the new obligations in the *Charter of the French Language* (CQLR c. C-11, "the Charter") based on the *Act respecting French, the official and common language of Québec* (2022, c. 14).

In spring 2025, the Ministère de la Langue française approved the situations involving the use of a language other than French that constitute exceptions applicable to Hydro-Québec (requirement under Section 29.15 of the Charter).

We have therefore adopted a directive concerning our duty to lead by example regarding the use of the French language. The directive sets out four key strategic directions: promotion, influence, protection and use of French within the organization.

We have also developed a series of tools to help employees meet these requirements, including a new intranet site that describes the rules and measures applicable to Hydro-Québec's various areas of activity.

Compensation of Officers

Compensation of Hydro-Québec Officers for the Year Ended December 31, 2025

Names and positions of the most highly compensated officers (in alphabetical order)	Base compensation paid	Incentive pay related to 2024 ^a	Pension plan contributions paid by the employer	Other benefits paid or granted	Total compensation for the year
Maxime Aucoin Executive Vice President and Chief Financial Officer	\$589,846	\$150,309	\$120,929	\$225,017	\$1,086,101
Claudine Bouchard^b President and Chief Executive Officer	\$628,135	\$150,309	\$200,929	\$179,266	\$1,158,639
Domenica Maciocia^c Senior Vice President – Talent and Organizational Development	\$318,282	\$66,835	\$71,319	\$532,760 ^d	\$989,196
Dave Rhéaume Executive Vice President – Energy and Regulatory Strategy and Industrial Operations	\$492,173	\$118,665	\$106,129	\$133,959	\$850,926
Michael Sabia^e President and Chief Executive Officer	\$342,019	\$287,550	\$0	\$665,565 ^f	\$1,295,134

a) The amounts paid in March 2025 represent short-term incentive pay related to 2024.

b) Claudine Bouchard held the position of Executive Vice President and Chief Operating and Infrastructure Officer until July 4, 2025. She was appointed President and Chief Executive Officer of Hydro-Québec on July 5, 2025.

c) Domenica Maciocia held the position of Senior Vice President – Talent and Organizational Development until October 17, 2025.

d) A severance package of \$327,750 was paid to Domenica Maciocia.

e) Michael Sabia held the position of President and Chief Executive Officer until July 4, 2025.

f) Michael Sabia received \$429,013 as compensation for non-participation in the pension plans.

Annual Incentive Pay Related to 2024

Under Hydro-Québec's incentive compensation policy, non-unionized employees may receive an annual performance bonus. In the case of officers, it is based on predetermined corporate objectives and is conditional upon the attainment of the financial performance threshold approved by the Board of Directors. The main factors determining the amount of the annual incentive pay are the degree to which the corporate objectives were met and the officer's annual salary, prorated to the period during which the officer held that position during the year.

For 2024, the maximum short-term incentive pay for officers other than the President and Chief Executive Officer was 30% of their annual base salary. It was 50% for the President and Chief Executive Officer. The financial performance threshold for 2024—net income of at least \$1,800 million—was attained. Incentive pay was paid in March 2025.

For the HQPP, the amounts disclosed are the contributions that should have been paid by Hydro-Québec without taking into account the contribution reductions resulting from the Plan's financial situation. The amounts disclosed are equal to 11.45% of pensionable earnings under the Plan. For the Supplementary Benefits Program, the amounts disclosed represent the current service cost calculated by Hydro-Québec's external actuary, based on the following:

- Same assumptions as those used for the HQPP's actuarial valuation on a funding basis as at December 31, 2024.
- Current service cost calculated on the basis of the earnings rates in effect in 2025.

Pension Plan Contributions Paid by Hydro-Québec

Hydro-Québec Pension Plan (HQPP, funded plan)

The basic plan is a contributory defined-benefit pension plan. Retirement pension is calculated on the basis of average salary for the best five years and is partially indexed. The credit is 2.25% of average salary per contribution year, and 66.67% of the maximum incentive compensation is recognized as pensionable earnings, up to a maximum of 20% of salary.

Supplementary Benefits Program (unfunded plan)

The additional benefits aim to offset the HQPP tax limits (ceiling lifted on permitted maximum amount). The current service cost is borne entirely by Hydro-Québec and benefit payment terms are the same as for the HQPP.

Other Benefits Paid or Granted

The sums reported as other benefits paid or granted are generally the taxable amounts associated with the following benefits provided to officers by Hydro-Québec:

- Annual automobile allowance (for executive vice presidents: \$18,432 for a gas-powered vehicle or \$23,052 for a plug-in electric vehicle; for senior vice presidents and vice presidents: \$12,156 for a gas-powered vehicle or \$15,180 for a plug-in electric vehicle).
- Expenses in connection with parking or access to an electric charging station at the workplace, if applicable.
- Company car for the President and Chief Executive Officer (the value of this benefit, which is equal to the amortization of the cost of the vehicle plus maintenance and charging costs, is included in the amount reported as other benefits paid or granted and is not a taxable benefit).

- Group insurance plan premiums – life, health, travel and disability insurance. The premium paid by Hydro-Québec for long-term disability insurance, included in the amount reported as other benefits paid or granted, is not a taxable benefit for the officer (only insurance payouts are taxable). In addition, the monetary value of salary continuation in the event of short-term disability cannot be determined.
- Gratuity account allowing for the reimbursement of expenses related to financial, tax or estate planning, sports clubs and professional dues up to \$10,000 per year for the President and Chief Executive Officer, \$5,000 per year for executive vice presidents and senior vice presidents, and \$4,000 per year for vice presidents.
- Access to an annual health assessment.

The amounts reported also comprise any lump sum payments made during the year.

Compensation of Officers of Entities in Which Hydro-Québec Holds at Least a 90% Stake

The officers listed in the table below for entities in which Hydro-Québec holds at least a 90% stake are also Hydro-Québec officers. The total compensation components shown are the amounts paid or granted by Hydro-Québec, for their role both as Hydro-Québec officers and as officers of the entities in which Hydro-Québec holds at least a 90% stake.

Names and positions of the five most highly compensated officers (in alphabetical order)	Name of the entity in which Hydro-Québec holds at least a 90% stake	Base compensation paid	Incentive pay related to 2024 ^a	Pension plan contributions paid by the employer	Other benefits paid or granted	Total compensation for the year ^b
Claudine Bouchard^c President and Chief Executive Officer	Société d'énergie de la Baie James	\$628,135	\$150,309	\$200,929	\$179,266	\$1,158,639
Guillaume Bouthillier^d President	Groupe Financier HQ inc. and Hydro-Québec IndusTech inc.	\$283,539	0 \$	\$40,848	\$202,054	\$526,441
Mathieu Johnson^e President	Hydro-Québec Développement énergétique inc., Marketing d'énergie HQ inc. and Hydro-Québec éolien inc.	\$439,885	\$88,233	\$65,229	\$228,693	\$822,040
Jean-Hugues Lafleur^f President	Groupe Financier HQ inc. and Hydro-Québec IndusTech inc.	\$468,069	0 \$	\$101,129	\$48,531	\$617,729
Dave Rhéaume^g President	Marketing d'énergie HQ inc.	\$492,173	\$118,665	\$106,129	\$133,959	\$850,926

a) The amounts paid in 2025 represent short-term incentive pay related to 2024.

b) The compensation reported is that paid by Hydro-Québec. No compensation is paid by the entity in which Hydro-Québec holds at least a 90% stake.

c) Claudine Bouchard held this position until July 24, 2025.

d) Guillaume Bouthillier has held this position since June 6, 2025.

e) Mathieu Johnson held this position at Marketing d'énergie HQ inc. until December 12, 2025.

f) Jean-Hugues Lafleur held this position until June 6, 2025.

g) Dave Rhéaume has held this position since December 12, 2025.

Details regarding incentive pay, pension plan contributions and other benefits paid or granted to officers who are also employed by Hydro-Québec are presented on pages [80](#) and [81](#).

Occupation and Vitality of Territories

Under the Québec government's 2025–2029 strategy to ensure the occupancy and vitality of territories, Hydro-Québec shows its commitment to the energy transition, regional development and biodiversity protection through three concrete initiatives. These measures highlight our support for vibrant communities and the enduring vitality of Québec's territories.

Measures to ensure the occupancy and vitality of territories	Indicator
<p>Continue efforts in the field of transport electrification</p> <p>The addition of new charging stations is concrete evidence of Hydro-Québec's contribution to the energy transition and sustainable mobility. Installing these new stations helps strengthen regional attractiveness and the vitality objectives of each territory.</p>	<p>1,429 EV fast-charge stations installed across Québec</p> <p>In all, there are more than 8,000 charging stations in operation across Québec.^a</p>
<p>Offer free guided tours of some of our facilities</p> <p>Our facility tours attest to Hydro-Québec's role as a driver of regional development. These tours help stimulate the local economy and tourism while allowing visitors to gain a better understanding of electricity generation and the operations of Hydro-Québec's power system.</p>	<p>96,855 visitors to our facilities in 2025</p>
<p>Enhance biodiversity</p> <p>Hydro-Québec promotes projects that strengthen ecological resilience in the territories and improve community quality of life. Hydro-Québec supports municipalities in their planning of landscaping that promotes biodiversity in transmission line rights-of-way.</p>	<p>Combined total of 28.43 hectares converted into biodiversity-friendly developments</p>

a) The exact number of charging stations is subject to change due to maintenance activities and updates to the system. The total number of Circuit électrique charging stations differs from the number of charging stations available to the public, as it includes the charging stations associated with special programs and private vehicle fleets. As at January 13, 2025, there were 8,347 Level 2 charging stations, 6,583 of which are available to the public, in addition to 1,486 fast charge stations, 1,429 of which are available to the public. Source: Internal Hydro-Québec report.

Respecting Public Land Use Plans

When a project must be carried out on lands in the domain of the State, Hydro-Québec follows the government guidelines set out in the *Plan d'affectation du territoire public* (PATP – public land use plan) for the region in question. The company reports on how it incorporates these guidelines into its environmental impact study. In 2025, no studies were filed under Section 31.1 of the *Environment Quality Act* regarding a project involving public land.

Act Respecting Workforce Management and Control Within Government Departments, Public Sector Bodies and Networks and State-Owned Enterprises

On December 5, 2014, the Québec government adopted the *Act respecting workforce management and control within government departments, public sector bodies and networks and state-owned enterprises*. The purpose of this Act is to strengthen workforce management and control mechanisms within public bodies, in particular through workforce planning and measures to control staffing and service contracts.

In accordance with the Act, Hydro-Québec adopted a directive establishing the situations in which the authorization of its Chief Executive Officer is not required for the signing of service contracts during the application period of the Act. The directive was submitted to the Conseil du Trésor and has been in effect since December 1, 2017. For the period from April 1, 2024, to March 31, 2025, the President and Chief Executive Officer of Hydro-Québec authorized 60 contracts falling within the scope of the Act, for a total of \$1,060,968,166.

The table opposite shows Hydro-Québec's total workforce, in paid hours, for the reference period.

Paid hours	
Management	4,284,737
Professionals	16,560,877
Clerical staff, technicians and similar	9,218,294
Peace officers	18,037
Labourers, maintenance and service personnel	14,114,264
Students and interns	220,696
Total	44,416,905

Sustainable Development Plan 2024–2028: Progress Summary

In 2025, Hydro Québec's [Sustainable Development Plan 2024–2028](#) entered year two of its implementation phase. The Sustainable Development Plan serves to guide the company's activities to ensure a responsible energy transition in the context of the *Action Plan 2035*. The table below presents the 2025 results in accordance with the Québec government's requirements under the *Sustainable Development Act*; it also presents how Hydro-Québec's targets align with the *Government Sustainable Development Strategy 2023–2028* (GSDS).

[More information on the Sustainable Development Plan and our sustainability actions and performance](#)

Action (GSDS compliance)	Indicator	Starting measurement	Target 2025	Result 2025
Responsible procurement				
Increase the share of our sustainable procurement. (5.4.1)	% of contracts incorporating new sustainability components	24.6 (2024)	20	30.6 ^a
Increase the business opportunities made available to social economy enterprises. (5.4.1)	Number of social economy enterprises with a contract or active order for the current year	49 (2023)	90	94 ^a
Biodiversity				
Determine the conservation potential of our properties so as to help attain government biodiversity conservation objectives. (2.1.1)	Cumulative number of hectares targeted for conservation	New indicator (2024)	75	79 ^a
Incorporate improvement or restoration measures aimed at promoting biodiversity in our projects. (2.1.2)	Cumulative number of additional measures incorporated into projects	3 (2024)	6	5 ^a Additional measures were incorporated into two of the three planned projects in 2025. The measures for the third project, which is underway, will be incorporated in 2026.
Sustainable Indigenous communities and other communities				
Obtain Gold-level certification in the Partnership Accreditation in Indigenous Relations (PAIR) program run by the Canadian Council for Indigenous Business. (3.2.2)	Certification level	Silver level (2023)	Gold level	Gold level
Support Indigenous women entrepreneurs. (3.2.2)	Annual number of personalized support activities for Indigenous women entrepreneurs	424 (2023)	1,040	660 ^a In 2025, despite a higher number of active projects, the number of support activities was lower than expected due to procedural efficiency, the nature of the projects and participants' varying needs. The calculation method will be reviewed in 2026.
Work with municipalities to implement projects that foster biodiversity in our transmission rights-of-way. (4.1.1)	Cumulative number of hectares developed	10.2 (2023)	60	28.4 ^a In 2025, projects to foster biodiversity were carried out with three municipalities. An analysis of high-potential sites is underway so that we may be proactive in 2026. A new greening program aiming to promote local initiatives in partnership with municipalities and Indigenous communities was launched this year.

a) Data verified by the BNQ.

Action (GSDS compliance)	Indicator	Starting measurement	Target 2025	Result 2025
Responsible energy use				
Achieve the 21-TWh (terawatt-hour) energy savings target by 2035 through our energy efficiency programs. (1.1.3)	Cumulative number of gross TWh saved	0,84 (2023)	2,81	3,93 ^a
Free up 3,500 MW of electricity that can be shaved or shifted by 2035 through our demand response offers. (1.3.2)	Number of megawatts (MW) shifted or shaved	2,041 (2023–2024)	2,424	2,664.87
Decarbonization				
Increase electricity supply to help reduce the energy intensity of transporting people and goods. (4.2.2)	Number of fast-charge stations in Québec for light- and heavy-duty vehicles	897 (2023)	1,345	1,347 ^a
Reduce direct (scope 1) GHG emissions. (5.6.1)	% reduction of tonnes of CO ₂ equivalent compared to the average for the 2015–2020 period	362,820 tonnes of CO ₂ equivalent (2015–2020)	5	Data available in late June
Gradually convert our fleet of gas-powered vehicles to low- or zero-emission models. (5.8.1)	Electrification percentage (%) of the light vehicle fleet	39 (2023)	50	53 ^a
Circular economy				
Increase the number of circular initiatives involving construction, renovation and demolition (CRD) waste at our various worksites. (5.6.2)	Cumulative number of new initiatives	0 (2023)	3	3
Responsible governance				
Provide our subsidiaries with a plan to support the implementation of the <i>Government Sustainable Development Strategy</i> . (1.1.1)	% of active subsidiaries with a plan	0 (2024)	20	17 ^a Hydro-Québec identified the subsidiaries it will help develop sustainable development plans in 2026.
Assess the sustainability of our new strategic planning activities, our new financial assistance programs and our existing programs when updated, as well as our projects involving an environmental impact study. (5.1.1)	% of structuring initiatives that have undergone a sustainability assessment	0 (2023)	75	75
Integrate sustainability criteria into our donation and sponsorship evaluation and selection processes. (5.3.4)	% of donation/sponsorship recipients that meet sustainability criteria	44 (2024)	25	47 ^a
Integrate sustainability criteria in new financial assistance programs and when updating existing programs. (5.3.4)	% of financial assistance programs with at least one sustainability criterion beyond the inherent goal of the program	New indicator (2024)	60	0 The complexity and duration of the programs have delayed our achievement of this year's target.
Integrate climate risks into our targeted processes.	Cumulative number of processes	1 (2024)	8	4 Efforts in 2025 focused on updating the <i>Climate Change Adaptation Plan</i> and establishing a structure for managing climate risks.

a) Data verified by the BNQ.

Action (GSDS compliance)	Indicator	Starting measurement	Target 2025	Result 2025
Sustainable and resilient infrastructures				
Renew our BOMA BEST certificates as per version 4.0 of the applicable standards. (5.7.1)	% of renewals meeting 4.0 requirements	0 (2023)	2	3
Optimize the total output of generating units in order to maximize the use of existing infrastructure while accelerating maintenance. (1.1.2)	Cumulative added capacity in MW	6.7 (2023)	10	Data available in late March
Human resources				
Improve workplace safety by adopting measures to reduce accident risks.	Frequency of work-related accidents involving lost time and/or death, per 200,000 hours worked at Hydro-Québec	1.17 (2023)	1.08	1.3 No deaths recorded in 2025; decrease in the number of serious incidents. Lost time linked to musculoskeletal disorders, ground-level slips and psychological injury increased from the previous year.
Increase the share of active, collective or alternative transportation used as compared to single-occupancy vehicle use. (5.8.2)	% of modes of transport other than single-occupancy vehicle travel	50 (2023)	50	50.72

OUR GENERATING, TRANSMISSION AND DISTRIBUTION FACILITIES

Generation

Installed capacity in Québec				37,369 MW	
62 hydroelectric generating stations				36,809 MW	
Robert-Bourassa	5,616	Sainte-Marguerite-3	882	Péribonka	385
La Grande-4	2,779	Laforge-1	878	Laforge-2	319
La Grande-3	2,417	Bersimis-2	845	Trenche	302
La Grande-2-A	2,106	Outardes-4	785	La Tuque	287
Beauharnois	1,864	Bernard-Landry	768	Romaine-1	270
Manic-5	1,596	Carillon	762	Beaumont	270
La Grande-1	1,436	Romaine-2	640	Romaine-4	245
René-Lévesque	1,326	Toulnustouc	526	McCormick	235
Jean-Lesage	1,229	Outardes-2	523	Rocher-de-Grand-Mère	230
Bersimis-1	1,125	Eastmain-1	480	Rapide-Blanc	217
Manic-5-PA	1,064	Brisay	469	Paugan	216
Outardes-3	1,026	Romaine-3	395	Shawinigan-2	200
				Manic-1	184
				Shawinigan-3	184
				Rapides-des-Îles	176
				Sarcelle	150
				Chelsea	144
				Première-Chute	124
				La Gabelle	124
				Les Cèdres	113
				Rapides-des-Quinze	111
				Others (17 generating stations rated less than 100 MW)	786
24 thermal generating stations				550 MW	
Bécancour (gas turbine)			411	Others (23 diesel plants on off-grid systems)	
				139	
2 photovoltaic generating stations				10 MW	
Gabrielle-Bodis			8	Robert-A.-Boyd	
				2	
Other sources of supply — Power purchase agreements				11,189 MW	
Churchill Falls generating station [Churchill Falls (Labrador) Corporation Limited] ^a				5,428	
45 wind farms operated by independent power producers ^b				4,137	
55 hydroelectric generating stations operated by independent power producers ^b				714	
12 biomass and 4 biogas cogeneration plants operated by independent power producers ^c				385	
Other				525	
a) Under the 1969 contract, Hydro-Québec has access to almost all the output until 2041. A new non-binding agreement in principle concluded in 2024 provides for the replacement of this contract by a new agreement that will remain in effect until 2075.					
b) Hydro-Québec purchases all the output.					
c) Hydro-Québec purchases almost all the output.					
Installed capacity in the United States				619 MW	
13 hydroelectric generating stations operated by Great River Hydro, a wholly owned subsidiary of Hydro-Québec				589	
2 hydroelectric generating stations jointly owned with Innergex énergie renouvelable inc.				30	

Transmission

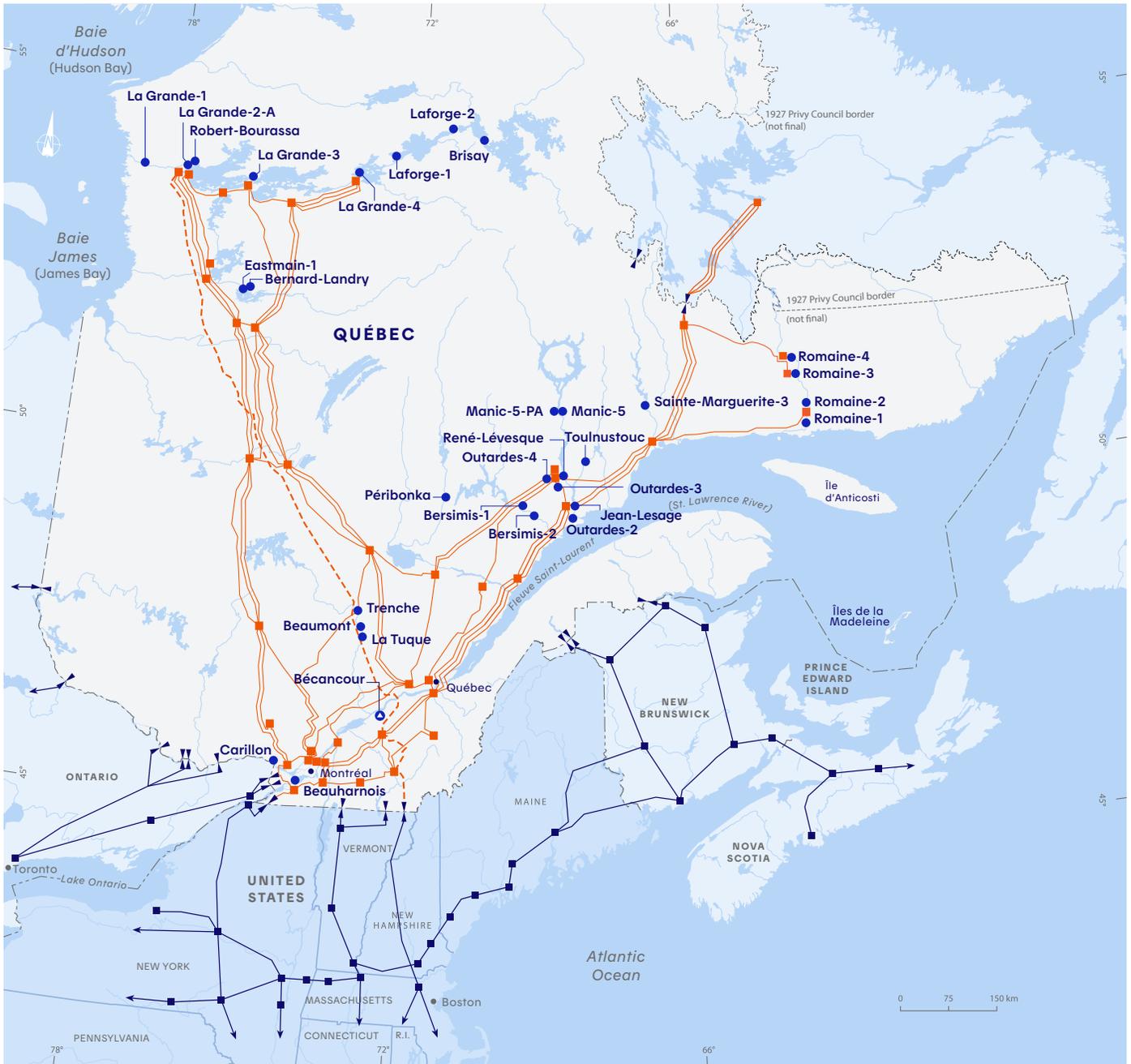
Voltage	Lines (km)	Substations (number)
765 and 735 kV	12,581 ^a	41
450 kV DC	1,218	2
315 kV	5,526 ^b	88
230 kV	3,257 ^c	54
161 kV	2,091	43
120 kV	7,162	227
69 kV or less	3,050	80
Total	34,885	535

a) Including 469 km of 735-kV lines operated at 315 kV.
b) Including 5 km of 315-kV lines operated at 120 kV.
c) Including 33 km of 230-kV lines operated at 120 kV.

Distribution

Medium voltage	Lines (km)
34 kV	836
25 kV	116,463
12 kV	4,229
4 kV or less	222
Total	121,750
Low voltage	109,139
Total	230,889

Our Major Facilities



Hydro-Québec operates the most extensive transmission system in North America. It includes 34,885 km of power lines at varying voltages.

Generating stations rated 245 MW or more	
● Hydro	● Thermal
Other facilities	
■ 735-kV substation	— 735-kV line
▶ Interconnection	- - - 450-kV direct-current line
■ Neighbouring system (simplified)	

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Affaires corporatives

Legal deposit – Bibliothèque et Archives
nationales du Québec, 1st quarter 2026
ISBN: 978-2-555-03113-5 (PDF Eng. version)
ISBN: 978-2-555-03111-1 (PDF Fr. version)
ISBN: 978-2-555-03112-8 (Print Eng. version)
ISBN: 978-2-555-03110-4 (Print Fr. version)

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Hydro-Québec wishes to thank all the
employees, suppliers and customers whose
photos appear in this Annual Report.

The original text written in French shall prevail.
Ce document est également diffusé en français.

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