VALENER energy company

# PRESS RELEASE

**FOR IMMEDIATE RELEASE**

## VALENER AND GAZ MÉTRO REPORT THEIR FISCAL 2016 FIRST QUARTER RESULTS

**Q1 2016 HIGHLIGHTS**

### Valener

- Normalized operating cash flows per common share[1] of $0.27, up 4% from the same quarter of fiscal 2015;
- Adjusted net income[1] of $16.5 million, up 5% ($0.8 million), or $0.43 per common share, compared to $0.41 in the same quarter of fiscal 2015; and
- Declaration of a $0.27 dividend per common share, up 4% from the previous quarter.

### Gaz Métro

- Recurring net income[1] of $75.3 million, up 9% ($6.5 million); and
- $125 million of capital expenditures, in line with the investment plan.

**Montreal, February 12, 2016 –** Valener Inc. (Valener) (TSX: VNR) (TSX:VNR.PR.A), the public investment vehicle in Gaz Métro Limited Partnership (Gaz Métro), today reported normalized operating cash flows of $10.4 million for the first quarter of fiscal 2016, or $0.27 per common share, compared to $9.9 million or $0.26 per common share in the first quarter of 2015. The company also declared a quarterly dividend of $0.27 per share, in line with the plan announced in autumn 2015.

*"Valener's financial position remains strong: our cash flows are stable and predictable, and our goal of raising the dividend over the next two years remains unchanged despite mounting pressure on energy prices and rising market volatility,"* said Pierre Monahan, Chairman of Valener's board of directors. *"Our significant investment in Gaz Métro, a diversified and largely regulated energy portfolio, has helped insulate Valener from recent market turbulence."*

For the first quarter of fiscal 2016, Valener recorded adjusted net income attributable to common shareholders of $16.5 million ($0.43 per common share) compared to $15.7 million ($0.41 per common share) in the same quarter of fiscal 2015. This increase of $0.8 million ($0.02 per common share) stems from an increase in Gaz Métro's recurring net income, partly offset by a decrease in the net income generated by the wind farms.

[1] Non-U.S.-GAAP financial measure.
A reconciliation of non-U.S.-GAAP financial measures is presented below.

## Summary of Valener's results

| For the quarters ended December 31 | | |
|---|---|---|
| *(in millions of dollars, unless otherwise indicated)* | **2015** | 2014 |
| **Consolidated net income** | **40.2** | 15.7 |
| **Net income attributable to common shareholders** | **39.1** | 14.6 |
| **Adjusted net income attributable to common shareholders** (1) | **16.5** | 15.7 |
| ***Per common share*** *(in $)* | **0.43** | 0.41 |
| **Normalized operating cash flows** (1) | **10.4** | 9.9 |
| ***Per common share*** *(in $)* | **0.27** | 0.26 |

(1) These measures are non-U.S.-GAAP financial measures. A reconciliation of non-U.S.-GAAP financial measures is presented below.

As mentioned in the VALENER INC. AND GAZ MÉTRO LIMITED PARTNERSHIP section of Valener's MD&A for the first quarter ended December 31, 2015, Valener and Gaz Métro have retrospectively adopted U.S. GAAP. Therefore, the MD&A and interim consolidated financial statements of Valener and Gaz Métro for the three-month periods ended December 31, 2015 and 2014 have been prepared in accordance with U.S. GAAP. The comparative financial information and the information presented in this press release have also been adjusted to comply with U.S. GAAP.

## Seigneurie de Beaupré wind farms – Valener and Gaz Métro

| Phase | Wind Farms | Installed capacity | In service date | Valener | Gaz Métro |
|---|---|---|---|---|---|
| **I** | **2 and 3** | **272 MW** | **Dec. 2013** | **24.5%** | **25.5%** |
| **II** | **4** | **68 MW** | **Dec. 2014** | | |

The Seigneurie de Beaupré wind farm operations were affected by less favourable wind conditions than in the same period last year, a risk inherent to this type of business activity. This impact was partly offset by the fact that Wind Farm 4 was in operation throughout the entire first quarter of fiscal 2016 compared to only one month in the same quarter of 2015.

In total, the Seigneurie de Beaupré wind farms generated operating cash flows of $31.0 million in the first quarter of fiscal 2016 compared to $12.9 million in the first quarter of fiscal 2015. This increase was partly due to a $12.9 million payment received from Hydro-Québec in the first quarter of fiscal 2016 relating to a note receivable for the reimbursement of certain construction costs.

Wind Farms 2 and 3 produced 208,915 megawatthours (MWh) during the first quarter of fiscal 2016 compared to 234,656 MWh in the same quarter of last year, a difference of 11.0%. Wind Farm 4 produced 52,141 MWh during the first quarter of fiscal 2016 versus 15,627 MWh in its single month of operation during the first quarter of fiscal 2015.

## Gaz Métro's results

Excluding non-recurring items, net income attributable to the Partners of Gaz Métro totalled $75.3 million in the first quarter of fiscal 2016, an increase of $6.5 million, or 9.4%. This increase was due to the favourable impact of the appreciation of the U.S. dollar against the Canadian dollar, a timing difference between revenue and cost recognition, and higher capitalized interest on non-rate-base investments in Gaz Métro-QDA. The increase was partly offset by lower natural gas and electricity deliveries due to warmer temperatures and lower liquefied natural gas (LNG) sales.

Gaz Métro is pursuing its investment plan, with $485 million in capital expenditures earmarked for fiscal 2015-2016. *"We deploy our capital carefully to ensure the integrity and development of our gas and electricity networks and to further establish our presence in the promising LNG market. We submitted our expansion projects for the Bellechasse and Asbestos regions to the Régie de l'énergie du Québec, and we continue to support our U.S. subsidiaries in bolstering and extending their gas and electricity distribution infrastructures in Vermont. And we are investing to increase the liquefaction capacity at our LSR plant in Montreal. To that effect, we entered into a major commercial agreement with National Grid, one of the main natural gas distributors in the Northeastern United States, to supply its storage facilities in New England,"* said Sophie Brochu, President and Chief Executive Officer of Gaz Métro. *"Despite current economic headwinds in the energy sector, we remain confident moving forward thanks to our robust business model that shields us from major earnings fluctuations."*

**Gaz Métro's segment results – Net income attributable to Partners, excluding non-recurring items**

For the quarters ended December 31

| *(in millions of dollars)* | **2015** | 2014 | Change |
|---|---|---|---|
| **Energy Distribution** | | | |
| Gaz Métro-QDA | **53.4** | 48.7 | 4.7 |
| Impact of the regulatory treatment related to other postretirement benefits (Gaz Métro-QDA) | **79.3** | - | 79.3 |
| GMP and VGS [(1)] | **18.3** | 15.9 | 2.4 |
| | **151.0** | 64.6 | 86.4 |
| **Natural Gas Transportation** [(1)] | **4.5** | 3.9 | 0.6 |
| **Energy Production** [(1)] | **0.5** | 0.9 | (0.4) |
| **Energy Services, Storage and Other** [(1)] | **1.0** | 1.5 | (0.5) |
| **Corporate Affairs** [(1)] | **(2.4)** | (2.1) | (0.3) |
| **Net income attributable to Partners** | **154.6** | 68.8 | 85.8 |
| Non-recurring items | **(79.3)** | - | (79.3) |
| **Net income attributable to Partners, excluding non-recurring items** [(2)] | **75.3** | 68.8 | 6.5 |

(1) Net of financing costs of investments in this segment. These costs consist of interest on long-term debt incurred by Gaz Métro to finance investments in subsidiaries, joint ventures and entities subject to significant influence in each of these segments.

(2) This measure is a non-U.S.-GAAP financial measure. A reconciliation of non-U.S.-GAAP financial measures is presented below.

## SEGMENT INFORMATION

### Energy Distribution

| Natural gas distribution in Quebec (Gaz Métro-QDA) | | | |
|---|---|---|---|
| Rate base | Authorized return | Distribution network | Customers |
| **$2.0B** | **8.90%** | **10,000 km** | **195,000** |

Excluding non-recurring items, Gaz Métro-QDA recorded first quarter net income attributable to Partners of $53.4 million, a $4.7 million or 9.7% year-over-year increase that was mainly due to:

- a timing difference between revenue and cost recognition. This difference, anticipated in the 2016 rate case, is expected to reverse at the end of fiscal 2016; and
- higher capitalized interest on non-rate-base investments.

This increase was tempered somewhat by a decrease in deliveries, particularly due to adverse economic conditions and warmer weather; specifically, in Gaz Métro-QDA's service area, temperatures were 29% warmer than normal in November and December 2015.

As a result of applying U.S. GAAP, Gaz Métro recorded a $79.3 million one-time regulatory asset related to employee future benefits. Under U.S. GAAP, this regulatory asset could not be recognized on the opening balance sheet (October 1, 2014) and was therefore written off through an adjustment to deficit. Regulatory treatments were changed in December 2015 following a decision by the Régie, resulting in the recognition of the regulatory asset and a one-time increase in Gaz Métro's net income (non-recurring item). Regulatory treatments are now aligned with U.S. GAAP and such impacts on net income are unlikely to occur in the future.

| Energy distribution in Vermont | | | | |
|---|---|---|---|---|
| | Rate base | Authorized return | Distribution network | Customers |
| **GMP** | **US$1.3B** | **9.44%** | **21,100 km[1]** | **265,000** |
| **VGS** | **US$200M** | **10.09%** | **1,300 km** | **50,000** |

1) GMP's system consists of over 1,500 km of overhead transmission lines, 18,000 km of overhead distribution lines and 1,600 km of underground distribution lines, mostly located in Vermont but also extending into New Hampshire and New York.

The Energy Distribution segment in Vermont, through its subsidiaries Green Mountain Power Corporation (GMP) and Vermont Gas Systems Inc. (VGS), recorded net income attributable to Partners of $18.3 million for the first quarter of fiscal 2016, up $2.4 million or 15.1%, year over year. This increase was mainly due to:

- the favourable impact of the appreciation of the U.S. dollar against the Canadian dollar; and
- an increase in the average rate base of both entities;

partly offset by lower electricity revenues, mainly due to warmer weather.

On January 8, 2016, VGS obtained a reconfirmation of the Certificate of Public Good by the Vermont Public Service Board (VPSB) further to a memorandum of understanding, reached last October between VGS and the Vermont Department of Public Service (VDPS), that placed a cap of US$134.0 million on the total amount of the Addison project's Phase I costs that can be recovered through rates.

The Addison project, which consists of extending the natural gas distribution service by 66 km to serve the Vermont communities of Vergennes and Middlebury, will continue to be developed as planned. In February 2016, the first 17 km were gassed up, and most of the next phase's construction work is scheduled to be completed by the end of the year.

### Natural Gas Transportation

The Natural Gas Transportation segment generated net income attributable to Partners of $4.5 million compared to $3.9 million for the first quarter of fiscal 2015. This increase was mainly due to:

- the favourable impact of the appreciation of the U.S. dollar against the Canadian dollar; and
- lower financial expenses due to the final repayment, in the second quarter of fiscal 2015, of amounts owed to PNGTS customers in accordance with a decision made by the Federal Energy Regulatory Commission.

### Energy Production

For the first quarter of fiscal 2016, the Energy Production segment generated net income attributable to Partners of $0.5 million, down from $0.9 million in the first quarter of last year. The decrease was mainly due to less favourable wind conditions during autumn 2015, partly offset by the operation of Wind Farm 4 throughout the entire first quarter of fiscal 2016 compared to only one month of operation during the first quarter of fiscal 2015.

### Energy Services, Storage and Other

The Energy Services, Storage and Other segment generated net income attributable to Partners of $1.0 million for the first quarter of fiscal 2016, down $0.5 million from the first quarter of fiscal 2015. This decrease was mainly the result of a significant short-term contract executed in the first quarter of fiscal 2015, partly offset by improved profitability at Gaz Métro Plus and Transport Solutions.

## Reconciliation of non-U.S.-GAAP financial measures

**Valener Inc.**

**Reconciliation of normalized operating cash flows**

| For the quarters ended December 31<br>*(in millions of dollars)* | **2015** | 2014 |
|---|---|---|
| **Cash flows related to operating activities** | **11.5** | 11.0 |
| Dividends paid to preferred shareholders | **(1.1)** | (1.1) |
| **Normalized operating cash flows** | **10.4** | 9.9 |

**Valener Inc.**

**Reconciliation of adjusted net income attributable to common shareholders**

| For the quarters ended December 31 *(in millions of dollars)* | **2015** | 2014 |
|---|---|---|
| **Net income** | **40.2** | 15.7 |
| Non-recurring items of Valener | **(0.1)** | 1.5 |
| Share in the non-recurring items of Gaz Métro | **(23.0)** | - |
| Income taxes on the non-recurring items of Valener and on the share in the non-recurring items of Gaz Métro | **-** | (0.4) |
| Deferred income taxes related to the outside-basis temporary difference on the interest in Gaz Métro | **0.5** | - |
| **Net income, excluding the non-recurring items of Valener, the share in the non-recurring items of Gaz Métro, net of income taxes, and deferred income taxes related to the outside-basis temporary difference on the interest in Gaz Métro** | **17.6** | 16.8 |
| Cumulative dividends on Series A preferred shares | **(1.1)** | (1.1) |
| **Adjusted net income attributable to common shareholders** | **16.5** | 15.7 |

**Gaz Métro Limited Partnership**

**Reconciliation of net income attributable to Partners, excluding non-recurring items**

| For the quarters ended December 31 *(in millions of dollars)* | **2015** | 2014 |
|---|---|---|
| **Net income attributable to Partners** | **154.6** | 68.8 |
| Non-recurring items | **(79.3)** | - |
| **Net income attributable to Partners, excluding non-recurring items** | **75.3** | 68.8 |

## Conference call

Valener will hold a conference call today at 1:00 pm (Eastern Time) to discuss its results and those of Gaz Métro for the quarter ended December 31, 2015. The public is invited to join the call at **647-788-4922** or toll-free at **877-223-4471**. A simultaneous webcast will also be available using the link provided under "Events and Presentations" in the "Investors" section of www.valener.com. A replay of the webcast will be archived on the Company's website for 365 days following the call; a phone replay will be available for 30 days by dialing 416-621-4642 or toll-free 800-585-8367 (access code: 11202711).

## Overview of Valener

Valener Inc. is a widely held public company that serves as the investment vehicle in Gaz Métro. Through its investment in Gaz Métro, Valener offers its shareholders a solid investment in a diversified and largely regulated energy portfolio in Quebec and Vermont. As a strategic partner, Valener, on the one hand, contributes to Gaz Métro's growth and, on the other, invests in wind power production in Quebec alongside Gaz Métro. Valener favours energy sources and uses that are innovative, clean, competitive and profitable. Valener's common and preferred shares are listed on the Toronto Stock Exchange under the "VNR" symbol for common shares and the "VNR.PR.A" symbol for Series A preferred shares. www.valener.com

## Overview of Gaz Métro

With nearly $7 billion in assets, Gaz Métro is a leading energy provider. It is the largest natural gas distribution company in Quebec, where its network of over 10,000 km of underground pipelines serves more than 300 municipalities and over 195,000 customers. Gaz Métro is also present in Vermont, producing and transporting electricity and distributing electricity and natural gas to meet the needs of more than 310,000 customers. Gaz Métro is actively involved in the development and operation of innovative, promising energy projects, including natural gas as fuel and liquefied natural gas as a replacement for higher emission-producing energies, the production of wind power, and the development of biomethane. Gaz Métro is a major energy sector player that takes the lead in responding to the needs of its customers, regions and municipalities, local organizations and communities while also satisfying the expectations of its Partners (Gaz Métro inc. and Valener) and employees. www.gazmetro.com

## Cautionary note regarding forward-looking statements

*This press release may contain forward-looking information within the meaning of applicable securities laws. Such forward-looking information reflects the intentions, plans, expectations and opinions of the management of Gaz Métro inc. (GMi), in its capacity as General Partner of Gaz Métro, acting as manager of Valener (the management of the manager), and is based on information currently available to the management of the manager and assumptions about future events. Forward-looking statements can often be identified by words such as "plans," "expects," "estimates," "seeks," "targets," "forecasts," "intends," "anticipates" or "believes" or similar expressions, including the negative and conjugated forms of these words. Forward-looking statements involve known and unknown risks and uncertainties and other factors beyond the control of the management of the manager. A number of factors could cause the actual results of Valener or of Gaz Métro to differ significantly from historical results or current expectations, as described in the forward-looking statements, including but not limited to the general nature of the aforementioned: terms of decisions rendered by regulatory agencies, uncertainty that approvals will be obtained by Gaz Métro from regulatory agencies and interested parties to carry out all of its activities and the socio-economic risks associated with such activities, the competitiveness of natural gas in relation to other energy sources in the context of falling global oil prices, the reliability or costs of natural gas supply and electricity supply, the integrity of the natural gas and electricity distribution systems, the evolution and profitability of Seigneurie de Beaupré Wind Farms 2 and 3 General Partnership (Wind Farms 2 and 3) and Seigneurie de Beaupré Wind Farm 4 GP (Wind Farm 4) and other development projects, Valener's ability to generate sufficient cash to support its anticipated target annual dividend growth rate on its common shares, the ability to complete attractive acquisitions and the related financing and integration aspects, the ability to complete new development projects, the ability to secure future financing, general economic conditions, exchange rate and interest rate fluctuations, weather conditions and other factors described in section E) Risk Factors Relating to Valener and in section R) Risk Factors Relating to Gaz Métro of Valener's MD&A for the fiscal year ended September 30, 2015 and in the MD&A for the quarter ended December 31, 2015 and in subsequent Valener quarterly MD&As that might address changes to these risks. Although the forward-looking statements contained herein are based on what the management of the manager believes to be reasonable assumptions, in particular assumptions that no unforeseen changes in the legislative and regulatory framework of energy markets in Quebec and in the New England states will occur; that the applications filed with various regulatory agencies will be approved as submitted; that natural gas prices will remain competitive; that the supply of natural gas and electricity will be maintained or will be available at competitive costs; that no significant event will occur outside the ordinary course of business, such as a natural disaster or other calamity, or threat to cybersecurity (or cyberattack); that Gaz Métro can continue to distribute substantially all of its net income (excluding non-recurring items); that Wind Farms 2 and 3 and Wind Farm 4 will be able to make distribution payments to their partners; that Valener will be able to generate sufficient cash to support its anticipated target annual dividend growth rate on its common shares; that Green Mountain Power Corporation will be able to continue achieving efficiency gains and synergies from the merger with Central Vermont Public Service Corporation; that the Company and Gaz Métro will be able to present their information in accordance with U.S. GAAP beyond 2018 or, after 2018, will adopt IFRS that permit the recognition of regulatory assets and liabilities; that liquidity needs for Gaz Métro's development projects will be obtained through a combination of operating cash flows, borrowings on credit facilities, capital injections from partners, and issuances of debt securities; and that the subsidiaries will obtain the required authorizations and funds needed to finance their development projects; in addition to the other assumptions described in the Valener Management Discussion and Analysis for the quarter ended December 31, 2015, the management of the manager cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of this date, and the management of the manager assumes no obligation to update or revise them to reflect new events or* *circumstances, except as required pursuant to applicable securities laws. These statements do not reflect the potential impact of any unusual item or any business combination or other transaction that may be announced or that may occur after the date hereof. Readers are cautioned to not place undue reliance on these forward-looking statements.*

**For additional information:**


Investors and Analysts
**Mariem Elsayed**
Investor Relations
514-598-3253
www.valener.com

Media
**Marie-Christine Demers**
Public Affairs and Communications
514-598-3449
www.twitter.com/gazmetro
www.gazmetro.com/salledepresse


**Photos, videos (b-roll) and logos are available in Gaz Métro's Multimedia library.**