



THE QUARTERLY
Third Quarter 2019

MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

\$205
million

Net income for the quarter
was \$205 million.

94%

Hydro-Québec's public
satisfaction index was 94%
on September 30, 2019.

For the three months ended September 30, 2019, Hydro-Québec recorded net income of \$205 million, compared to \$309 million for the same period of 2018. On markets outside Québec, Hydro-Québec Production's net electricity export volume remained strong, totaling 10.1 TWh. However, earnings from net exports were down compared to the third quarter of 2018, mainly because of market conditions, which were marked by low prices partly attributable to the fact that temperatures were not as hot as last year. On the Québec market, electricity demand was higher than anticipated in most customer segments, but to a lesser extent than in the corresponding period of 2018. The recent windstorm that swept across the province put our crews to the test. At the height of the storm, over 8,000 outages were reported, leaving close to one million customers without electricity—the biggest power failure since the 1998 ice storm. Over 1,400 committed employees worked round the clock to restore service as quickly as possible. This exceptional, province-wide effort saw our various teams collaborate closely under extremely challenging conditions. Throughout the event, safeguarding the health and safety of our employees was a primary concern. We are incredibly proud of the sheer grit they showed in accomplishing this colossal task. My heartfelt thanks go out to all our workers.

Late September, we marked the 50th anniversary of the Daniel-Johnson dam—the world's highest multiple-arch-and-butress dam—with a special tribute to the Québec premier after whom the impressive structure is named. The anniversary also gave us a chance to celebrate the facility's construction, a turning point in Hydro-Québec's history. In addition to symbolizing Québec's entry into the modern era, the dam is a global icon of our hydropower. We can be proud that, 50 years later, Daniel-Johnson dam and Manic-5 generating stations continue to supply clean energy to Québec and northeastern North America.

We invested \$85 million in TM4 (now Dana TM4) to secure the growth of this company in which we hold a 45% interest. With sales up 40% over last year, Dana TM4 is a leader in the electric powertrain sector. Our goal



Eric Martel, President and CEO, at the event to mark the 50th anniversary of Daniel-Johnson dam.

continues to be to create wealth in Québec while promoting our expertise in transportation electrification globally, and thus contributing to the energy transition.

The 735-kV power line commissioned in July as part of the Chamouchouane-Bout-de-l'Île project will help us meet the growing demand in southern Québec while ensuring the reliability of the entire grid. As the largest 735-kV line project to be undertaken in the north-south axis in 25 years, the massive jobsite brought together over 1,250 workers to build some 1,000 towers. The \$1.3-billion investment has resulted in over \$1.1 billion of economic spinoffs in Québec, particularly in specialized services and goods-and-materials purchases.

COVER

Daniel-Johnson dam is the world's highest multiple-arch-and-butress dam. The Olympic Stadium's tower or Place Ville-Marie could fit within its main arch.

HIGHLIGHTS

This summer, Hydro-Québec invested \$85 million in **TM4** (now **Dana TM4**) to secure its growth and ensure its leadership in the electric powertrain sector. Through this investment, Hydro-Québec maintains its 45% interest in the company, and Dana TM4 can offer electric powertrain systems for all types of land vehicles, including light vehicles (cars and pickups), commercial vehicles (buses and trucks), and off-highway vehicles (construction, mining and lift trucks). One year after it was formed, the strategic partnership between Dana and Hydro-Québec has generated many economic benefits for Québec, particularly with regard to job creation. Some 30 new high-quality jobs have been created in Boucherville, with a similar number to be added over the coming months. Sales at Dana TM4 have also risen 40% compared with last year due to the global presence of Dana's sales and service network.



The 735-kV power line inaugurated in July as part of the **Chamouchouane–Bout-de-l'Île** project will help us meet the growing demand in southern Québec while ensuring the reliability of the entire grid, thus benefiting all of our customers. Since 2016, the project has brought together a workforce of over 1,250 to build the roughly 1,000 towers that lie along the 420-km line route—a massive undertaking that represents the largest 735-kV line project launched in the north-south axis in 25 years. To date, the work has generated

over \$1.1 billion of economic spinoffs in Québec, particularly in specialized services and goods-and-materials purchases. The project also involved building Judith-Jasmin substation in Terrebonne and connecting it to the new high-voltage line. The substation will meet the needs of the 735-kV main transmission system as well as regional and local demand. In September, Hydro-Québec marked the 50th anniversary of opening **Daniel-Johnson dam**, the highest multiple-arch-and-buttress dam in the world. The jobsite and its numerous technical achievements put Québec engineering on the international map. During construction, the dam represented the largest worksite in North America, with a total of 12,900 employees. As part of the project, Manicouagan reservoir was created, covering 1,950 km² and containing 142 km³ of water—a volume roughly on par with that of the Dead Sea (147 km³).

In August, Desjardins Group and Hydro-Québec officially launched the Electric Circuit's very **first urban vehicle-charging superstation**. Located at Complexe Desjardins in downtown Montréal, the superstation consists of four 400-V, 50-kW fast-charge stations. These are part of the plan to install 200 charging stations at caisses Desjardins throughout Québec and eastern Ontario by 2021 under the agreement between Desjardins, Hydro-Québec and the Electric Circuit. The new stations will expand the Electric Circuit's existing network and encourage Quebecers to more quickly adopt electric modes of transportation.

Led by Hydro-Québec and backed by a \$3.4-million investment from Natural Resources Canada, the **Lac-Mégantic microgrid** will improve the city's power systems and overall environmental performance. Besides providing a chance to test technologies related to energy distribution such as batteries, solar panels, EV charging stations and smart home systems under normal operating conditions, the microgrid will also promote the active involvement of residents and other end users.

CHANGES IN THE PRICES OF CONSUMER PRODUCTS OVER THE PAST 20 YEARS



Source: Statistics Canada

In the last two decades, electricity prices in Québec have increased more slowly than the prices of many consumer products, including food, gas and home insurance.

FINANCIAL HIGHLIGHTS (\$M)

	Quarter ended March 31	Quarter ended June 30	Quarter ended September 30
Revenue	4,640	2,932	2,765
Electricity sales in Québec	4,069	2,624	2,378
Electricity sales outside Québec	554	277	374
Other	17	31	13
Expenditure	2,204	2,003	1,898
Financial expenses	662	665	662
Net income	1,774	264	205
Investments	566	947	945



DETAILED QUARTERLY FINANCIAL RESULTS AVAILABLE ON OUR WEBSITE

