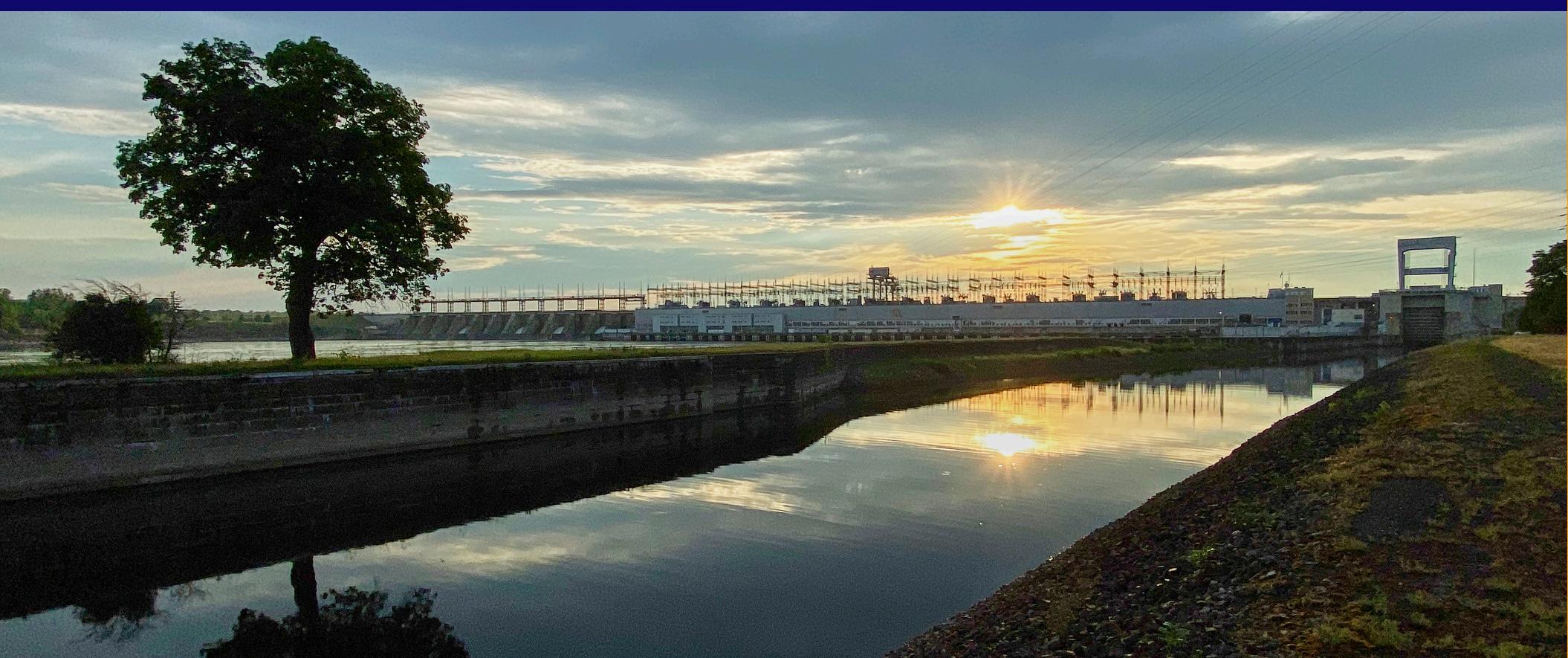


QUARTERLY NEWSLETTER
Second Quarter 2020



MORE RESOLVED THAN EVER

The Québec economy slowly picked up this summer, with varying results from one sector to the next. It needs steadfast support so it can get its second wind.

For Hydro-Québec, providing support means helping fellow Quebecers get back on their feet. We've introduced unprecedented relief measures for our residential and business customers, as well as tailored measures for large industrial customers according to their reality.

With our eyes on the horizon, we plan to take concrete steps to contribute to Québec's economic recovery.

For instance, we've introduced a low rate for greenhouse growers as a way of supporting an industry that is capable of ensuring not only food autonomy, but also sustainable regional economic activity.

We are deeply committed to the development of new energy renewables, which will complement Québec's vast hydropower capabilities. One example is our first solar farm, under construction at La Prairie. It will have a capacity of 10 megawatts.

We are making headway with our power export projects, which aim to generate value from our energy while helping neighboring markets achieve their own GHG emissions targets. In this connection, we recently reached a power purchase agreement with the state of Maine. Deliveries will begin as soon as the transmission line to Massachusetts is brought into service.

Our new subsidiary, Hilo, which offers connected devices and home automation services, is proposing a new energy development approach that we hope will lead more and more customers to control and optimize their energy use.

The men and women of Hydro-Québec are working in countless ways to speed up Québec's economic recovery. However, the virus that has disrupted our lives is still with us. We are sparing no effort to protect our



Sophie Brochu
President and Chief Executive Officer

employees' health, while remaining attentive to our customers' needs. Our customers can count on us to help them get through this pandemic and succeed in their future projects.

DECISIVE INITIATIVES AND STRONG COMMITMENTS

A responsible corporate citizen

In Corporate Knights' 2020 ranking of **Canada's best corporate citizens**, released in June, Hydro-Québec earned fifth place overall and first place among Québec-based companies. Each year, the magazine ranks Canadian companies with an annual revenue of over \$1 billion on 21 indicators, including governance, employee management, financial management and supplier sustainability.



An optimal energy supply solution

In 2018, Hydro-Québec determined that **connecting the Îles-de-la-Madeleine** to the grid by means of undersea cables was the best way to meet the islands' future energy needs. Although the company still views this as the optimal solution, it must now update the underlying studies, because recent analyses show that the seabed and currents have changed considerably over the years and bank erosion has accelerated. Such factors have an impact on the technical and financial aspects of the project and could raise its cost significantly.

Help for industrial customers

To optimize **energy use** in the industrial sector, Hydro-Québec is offering the Electricity Management Systems (EMS) Program, aimed at improving the energy performance of customers whose electricity bill for the last 12 months exceeded \$750,000. With an EMS, customers can track the real-time consumption of their main processes, systems and equipment, decide what measures would make each one more energy-efficient, and calculate the potential savings with a view to improving competitiveness. Financial assistance can be as much as 50% of eligible costs, up to \$175,000.



Leading the energy transition

The deployment of the **Lac-Mégantic microgrid**—the first in Québec—is a milestone in the technology and energy transition led by Hydro-Québec. By incorporating some of the most advanced technologies in solar power, energy storage and load management, the company aims to expand its expertise in distributed energy resources. Construction of the microgrid's distribution substation is already under way (see photo). Soon the 25-kilovolt distribution system will be extended and 2,184 solar panels (783 kilowatts) will be installed on a number of rooftops, along with batteries to store the energy produced.

Support for natural areas

Under Hydro-Québec's new **program for the enhancement of natural areas**, managed by the **Fondation de la faune du Québec**, ten projects in eight regions of the province will receive financial support totaling about \$500,000. The projects selected include enhancement of river and forest ecosystems, building infrastructure to improve public access to and awareness of natural areas with high ecological value, and protecting the habitats of vulnerable or threatened plant and animal species.



Ensuring residents' safety

In 2019, spring flooding dramatically increased the flow in the Rivière Rouge, on which **Chute-Bell generating station** is built. Because the river was nearly at its maximum level, Hydro-Québec had to ask the Minister of Public Safety to evacuate 70 residents of Grenville-sur-la-Rouge in late April as a preventive measure. Since then, the company has completed modifications enabling the generating station to discharge any surplus water. It also reinforced the western part of the weir and excavated a diversion channel. As a result, Chute-Bell can now handle historic flood levels without requiring people to leave their homes.

Working with the community

In July, storms damaged equipment on the **La Vérendrye–Parent transmission line**, causing 14- to 19-hour power outages in Parent, a forested sector of the city of La Tuque. To take stock of the problem and find solutions satisfactory to all, Hydro-Québec met with city authorities. These meetings led the company to review its project planning on a provincial scale and to call in crews from other regions to help out in Haute-Mauricie. From mid-August to mid-September, Hydro-Québec crews will conduct a blitz to replace insulators and crossarms on about 40 power poles. In the longer term (2021–2022), 95 of the line's 283 wooden poles will be replaced by new steel structures.



A leg up for salmon

This summer, Hydro-Québec installed a new system for capturing **salmon** below Mitis-2 generating station so that they can get upstream. The system, consisting of a cage and a fish ladder (a series of cascading pools that direct the fish into the cage), will help ensure the continued survival of the salmon population in the Rivière Mitis. It will also promote sports fishing, which generates economic spinoffs beneficial to regional development.

IMPACT OF THE PANDEMIC ON OUR FINANCIAL RESULTS

For the second quarter of 2020, Hydro-Québec posted net income of \$80 million, a \$184-million decrease compared to \$264 million a year earlier. The global COVID-19 pandemic has significantly affected the company's financial and business performance in recent months. Impacts include a decline in electricity sales both in and outside Québec, as well as the postponement of several capital projects. It is certain that the repercussions of the pandemic on Hydro-Québec's operations will continue to be felt in the coming quarters. Management is currently assessing the longer-term extent of these impacts.

Financial highlights (\$M)

	Quarter ended March 31	Quarter ended June 30	Quarter ended September 30
REVENUE	4,371	2,816	
Electricity sales in Québec	3,826	2,534	
Electricity sales outside Québec	427	249	
Other	118	33	
EXPENDITURE	2,175	2,085	
FINANCIAL EXPENSES	671	651	
NET INCOME	1,525	80	
INVESTMENTS	738	650	



[Detailed quarterly financial results available on our website](#)