

BORALEX



WE CREATE ENERGY

2017
ANNUAL REPORT



OUR INNER STRENGTHS IN ACTION

At Boralex, renewable energy production remains our primary focus. Day after day, our employees leverage their expertise to optimize the results of our four operating segments and ensure that we continue to grow. Their strong expertise developed through our expansion across Canada, the United States, France and the United Kingdom has been our true trademark and the foundation of our success for more than 25 years.



1,237 MW



156 MW



47 MW



16 MW

Total: 1,456 MW

INSTALLED CAPACITY BY SECTOR

2017 KEY ACHIEVEMENTS

Commissioning of **five wind farms in France**

for an additional installed capacity of

91 MW

To find out more:
page 20

Addition of **six wind power projects to our growth path** for a total of

142 MW

To find out more:
page 21

Signing of a 50-50 partnership agreement with UK-based Infinergy

aimed at carrying out **wind power projects** in the United Kingdom with an installed capacity of about

325 MW

To find out more:
page 22

Acquisition of the

230 MW NIAGARA REGION WIND FARM,

Boralex's largest ever acquisition

To find out more:
page 20

By becoming Boralex's **main shareholder** in 2017, the **Caisse de dépôt et placement du Québec** demonstrated its confidence in the Corporation's business model and expertise.

WE STAY FOCUSED ON GROWTH

We maintained our growth strategy in fiscal 2017 with energy production up 28% (24% under proportionate consolidation) compared to the previous fiscal year, mainly by wind farms acquired and commissioned since the beginning of 2016, for an additional installed capacity of 321 MW.

	IFRS ⁽¹⁾		Proportionate Consolidation	
In millions of Canadian dollars, unless otherwise specified	2017	2016	2017	2016
Revenue from energy sales	414	299	473	354
EBITDA(A) ⁽²⁾	276	189	319	231
Net cash flows related to operating activities	145	148	162	162
Net earnings ⁽²⁾	195	128	210	144
Total equity				
December 31, 2017: \$729M				
December 31, 2016: \$514M				

Christophe Rusiecki,
Maintenance Technician, France

TO FIND OUT MORE

For market data and detailed financial results from the last three fiscal years, please consult the *Analysis of Results and Financial Position* section on page 30 of this report.

¹ The results of the Seigneurie de Beauré Wind Farms, 50% owned by Boralex, were proportionately consolidated instead of being accounted for using the equity method as required by IFRS. Please refer to the *Introductory comments* section of *Management's Discussion and Analysis* on page 16.

² EBITDA(A) and cash flows from operations are not recognized measures under IFRS. Please refer to the *Non-IFRS measures* section of *Management's Discussion and Analysis* on page 55.

Message from the
Chairman of the Board

AGILITY AND CUTTING-EDGE EXPERTISE MAKE THE DIFFERENCE

In 2017, Boralex proved once again that its expansion strategy is on the right track. The Caisse de dépôt et placement du Québec becoming its main shareholder is great news: it's not just a vote of confidence in its business model and quality management—it paves the way for new partnership opportunities on larger-scale projects. Now more than ever, Boralex is becoming a renewable energy leader in North America and Europe.

An increasingly competitive market

Renewable energy has seen rapid development in recent years. Today, most observers agree on the benefits of moving to responsible energy consumption, especially with technological advances resulting in significantly lower production costs, particularly for wind and solar energy. Not surprisingly, more and more investors are paying close attention to this market with the promise of stable and predictable cash flows.

A strong team

Yet seasoned incumbents command a competitive edge over new entrants. This is the case for Boralex, which has aptly leveraged the creativity and expertise of its employees to carve out a strong position among leading industry players and stand out from the competition. This was clearly reflected by the high profile distinctions won by Boralex President and CEO Patrick Lemaire, who was named one of the **Top 100 Power People** by UK magazine **A Word About Wind** and CEO of the Year (SME category) by French-language business weekly **Les Affaires**. As Patrick himself says, this recognition reflects the unfailing effort by every member of the team to take the business to new heights.

A key team strength is its ability to forge strong partnerships with local communities and with energy distributor clients and suppliers to drive development.

Supporting management

At the Board level, we are in the process of updating corporate governance to better reflect the changing business environment. Over the past year, we have set important milestones in this direction, including a performance bonus clawback policy for senior management. Furthermore, Board renewal will now be governed by the Director Tenure Policy. In addition to these rule updates, we strive to ensure the Board comprises the right expertise. The appointment, for the first time, of an independent director as Chairman of the Board is a good example of the change process that has begun. The arrival last year of director Marie Giguère also enhances Board diversity in terms of gender and expertise. Boralex stands to benefit from the vast experience of Board members in range of areas as it pursues its objectives.

At this time, Boralex has what it takes to move forward, meet its growth challenges and continue creating shareholder value as it has done to date. My fellow directors and I believe that with the agility and cutting-edge expertise coded in its DNA, backed by strong financial position, Boralex stands to strengthen its market position, as it furthers sustainable development.

Alain Rhéaume



Providing for a sustainable future

Boralex constantly strives to strengthen its position as a leading renewable energy producer. With a strong base in Canada, the U.S. and France, the Corporation is making every effort to expand its presence and tap into new growth markets. In a nutshell, Boralex draws on proven expertise to fully capitalize on development opportunities arising from a worldwide energy transition. And that means developing the assets to drive sustainable development forward.



Alain Rhéaume ⁽¹⁾ ⁽⁴⁾

Chairman of the Board
Boralex Inc.



Patrick Lemaire

President and Chief Executive Officer
Boralex Inc.



Alain Ducharme ⁽²⁾ ⁽⁴⁾

Consultant



Edward H. Kernaghan ⁽³⁾

Senior Investment Advisor
Kernaghan & Partners Ltd

President
Principia Research Inc.
and Kernwood Ltd



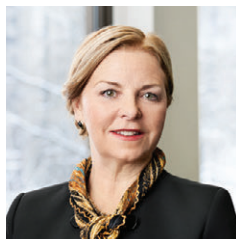
Richard Lemaire ⁽²⁾

President
Séchoirs Kingsey Falls Inc. and R.S.P. Énergie Inc.



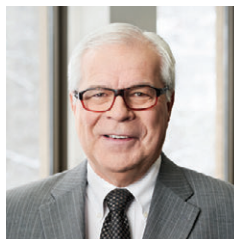
Yves Rheault ⁽²⁾ ⁽⁴⁾

Corporate Director and Consultant



Michelle Samson-Doel ⁽¹⁾ ⁽³⁾ ⁽⁴⁾

President
Samson-Doel Group Limited
Corporate Director



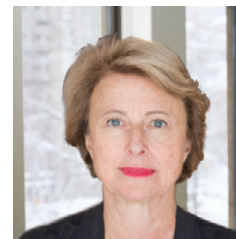
Pierre Seccareccia ⁽¹⁾

Corporate Director



Dany St-Pierre ⁽²⁾ ⁽³⁾

President
Cleantech Expansion LLC



Marie Giguère ⁽²⁾ ⁽³⁾

Corporate Director

⁽¹⁾ Member of the Audit Committee

⁽²⁾ Member of the Environmental, Health and Safety Committee

⁽³⁾ Member of the Nominating and Corporate Governance Committee

⁽⁴⁾ Member of the Human Resources Committee

“A key team strength is its ability to forge strong partnerships with local communities and with energy distributor clients and suppliers to drive development.”

— Alain Rhéaume

PRODUCING EVER MORE ENERGY

Fiscal 2017 has been one of Boralex's busiest years ever. To grow installed capacity by 321 MW, strike new partnerships to fill the project pipeline, lay the groundwork to secure the green light and keep tabs on the market to seize opportunities, it takes constant focus and tireless dedication.

Generating energy is core to our business. In spite of weather conditions that were not favourable all year long, our operating results were sharply higher than last year: production volume up 28% (24% under proportionate consolidation), revenues up 38% (33% under proportionate consolidation) and EBITDA(A) up 46% (38% under proportionate consolidation) compared with 2016.

A winning strategy

The results speak for themselves—our constant, unwavering discipline stands us in great stead. We enjoy an outstanding financial position, owing in particular to predictable and stable cash flows under indexed, fixed-price energy sales contracts.

Once again this year, our results have shown we made the right bet to focus on segment and geographical diversification. In the fourth quarter, all our segments fared well, which offset a more difficult start to the year for the wind power segment in France.

Horizon 2020: A host of advantages in our favour

We ended the year with an installed capacity of 1,456 MW and Growth path projects for the addition of 233 MW by the end of 2019. At that point, we'll be a mere 310 MW from our goal of 2,000 MW in 2020 and we are confident to achieve this target.

A large number of projects from our European portfolio are expected to enter the Growth path as soon as all administrative requirements have been met. Once all authorizations are received, the project to increase capacity at our Buckingham power station in Québec will also be accounted for.

In spite of these plans, we know we need to look outside our traditional markets if we're to meet our annual target of 10% growth in installed capacity.

And that's where our experience in partnership development will come into play. Our 50/50 partnership with UK company Infinergy and our partnership with Alberta Wind Energy Corporation (AWEC) will open up a range of new opportunities. With the Caisse de dépôt et placement du Québec now as our main shareholder, we can target larger-scale development projects in the future.

Never at the expense of sustainability

In spite of ambitious goals to protect Boralex's position as an industry leader, we never pursue projects at the expense of sustainability and social acceptability. Our field teams continuously strive to maintain smooth relationships with local communities.

Our renewed employer brand

As I've said on many occasions: if Boralex is where it is today, it's thanks to the dedication and hard work of our teams. We took great inspiration from them in developing a strong and unique employer brand to support our growth by attracting top talent. With our slogan, "Your strength is limitless," we're taking the necessary steps to offer an attractive, stimulating and flexible environment.

With the full support of the Board and these competitive advantages, we are poised to build momentum and take energy and value creation to new heights.

Patrick Lemaire



“I’m really proud of what we’ve accomplished to date. It’s the hard work of all our employees that has made Boralex what it is today. And they are the driving force behind our future development.”

— Patrick Lemaire



Guy D'Aoust

Vice President,
Finance

Pierre Trahan

IT Director

Marie-Josée Arsenault

Corporate
Director,
Human
Resources

Patrick Decostre

Vice President and
General Manager,
Boralex Europe

Denis Aubut

General
Manager,
Operations

Gabriel Ouellet

Director,
Biomass

Patrick Lemaire

President and
Chief Executive
Officer

Sylvain Aird

Vice President,
Europe Business
Development

Julie Cusson

Director, Public
Affairs and
Communications

Pascal Hurtubise

Vice President,
Chief Legal
Officer and
Corporate
Secretary

Hugues Girardin

Vice President,
Development

Jean-François Thibodeau

Vice President
and Chief Financial
Officer

Our core values

Every day, our employees join forces and prove that teamwork leads to higher standards of excellence. They also make a special effort to maintain constructive dialogue with all our stakeholders. And when the hands-on phase begins, respect for their surroundings and sustainability is paramount. They take driving long-term business success personally. With agile, proactive and ingenious solutions, they set their sights ever higher.

OPERATIONAL REVIEW

Record increase in installed capacity

In 2017, Boralex made significant strides toward achieving its growth objectives in order to strengthen its position as a leading player in the renewable energy sector, adding about 321 MW to its installed capacity—a record for a single year.

The key milestone of 2017, the acquisition of the 230 MW Niagara Region Wind Farm (“NRWF”) in Ontario accounted for 72% of this increase, demonstrating the Corporation’s ability to forge smooth relations with Canada’s First Nations in general and the Six Nations of the Grand River in particular.

Boralex commissioned five other wind farms for an additional 91 MW of installed capacity: Plateau de Savernat II (4 MW) in March, Voie de Monts (10 MW) in July, Mont de Bagny (24 MW) in August, Artois (23 MW) in November and Chemin de Grès (30 MW) in December. These facilities, all of which are located in France, confirm Boralex’s position as the country’s largest onshore wind power producer.

The acquisition and commissioning of these wind farms increased the weight of the wind power segment in relation to Boralex’s overall facilities to 85% of installed capacity at December 31, 2017.

OUR PRESENCE IN THE WORLD



1,237 MW



156 MW



16 MW



47 MW

Total : 1,456 MW

- In operation
- ◆ In construction/
development

Sustained growth in production volumes

Throughout the past year, the operations teams have been working to maximize performance at the facilities in operation, while integrating the assets acquired and commissioned. As a result, production volume was up 28% (24% under proportionate consolidation) compared with the previous year. This increase resulted primarily from the addition of 230 MW of installed capacity.

Existing facilities performed well on average, with production volume up 6% (6% under proportionate consolidation) compared with 2016. However, we note significant quarter over quarter changes, particularly given seasonal cycles that differ from segment to segment. The hydroelectric power stations maintained favourable results for the full year; the Canadian power stations fared better in the first quarter, while water flow conditions were more favourable for the U.S. power stations for the remainder of the year. While the wind farms, particularly in France, experienced below-normal wind conditions in the first half of the year, conditions recovered in second half, generating significantly higher results. Traditionally, weather conditions have been more favourable in the first and fourth quarters for the wind power segment and in the second and fourth quarters for the hydroelectric power segment.

Christophe Rusiecki, Maintenance Technician, France
Julien Salami, Operation Leader, France

Production volume by segment	IFRS		Proportionate Consolidation	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
In millions of Canadian dollars, unless otherwise specified				
Power Production (GWh)				
Wind power stations	2,204	1,624	2,750	2,136
Hydroelectric power stations	729	632	729	632
Thermal power stations	173	163	173	163
Solar power stations	23	22	23	22
Total	3,129	2,441	3,675	2,953



"It's really exciting to work in such a rapidly expanding industry. Renewable energy is just one piece of the puzzle to fight climate change, but it's an important piece."

Michael Gaudet,
Wind Site Technician

Niagara Region and Port Ryerse wind farms



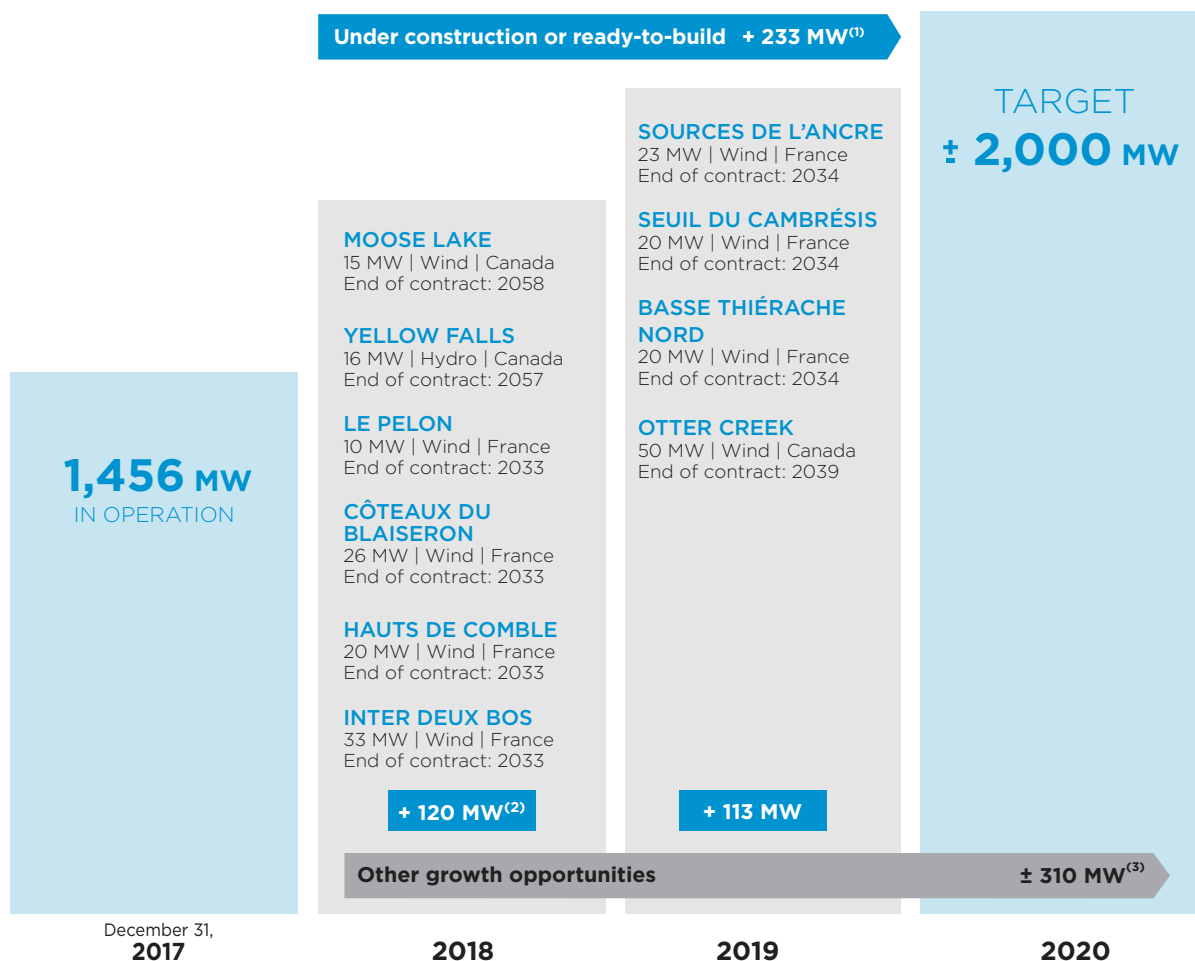
A tightly focused team effort to drive growth

While the operations teams make sure operations are running smoothly, others are working hard to drive growth. The roles are many and varied: monitoring markets, preparing RFP bids, forging partnerships, negotiating energy sales and other major contracts, developing projects, handling administrative procedures to secure the required authorizations, dialoguing with stakeholders, preparing construction specifications, performing project management, and so on. And all these people are working together to achieve a common goal of 2,000 MW of installed capacity by the end of fiscal 2020.

Over the past year, six wind projects were added to the Growth path, which will result in 142 MW of additional installed capacity. Other projects are at different stages of development and it is expected that some of them will enter the Growth path once all the administrative procedures have been completed.

The agreement entered into with the UK-based company Infinergy in October 2017 was also a highlight for our teams. The partnership agreement already includes a portfolio of ten projects ranging in size from 4 MW to 80 MW. Some of these projects are at different stages of development, some at the prospecting stage, with others moving into the final assessment phases, potentially leading to full approval.

At the same time, our specialists keep close track of market developments in some of the countries we operate in and others embarking on the transition to renewable energies.



⁽¹⁾ France 152 MW | Canada 81 MW

⁽²⁾ Hydro 16 MW | Wind 104 MW

⁽³⁾ Including the Moulins du Lohan project (51 MW, wind, France). For more information on Moulins du Lohan project, see note section III - Other elements, Commitments and contingencies of the Annual report 2017.



Patrice Vincent,
Operator Stationary Engineman,
Kingsey Falls

A strategy squarely focused on sustainable development

By choosing to operate solely in renewable energy, Boralex is truly committed to a sustainable future. From our vision to our strategy and actions, we ensure everything we do is consistent with the principles of sustainable development.

Boralex relies on a set of parameters that reflect the scope of our actions. Most of these are Global Reporting Initiative (GRI) indicators due to their relevance to our industry.

GRI standard	Indicator	Reference
Environment		
EU1	Renewable energy produced	Our presence in the world (p. 6)
EU2	Net energy produced	Power production (p. 7)
307-1	Regulatory compliance	Compliance with laws and regulations (p. 10)
304-3	Impact prevention, biodiversity	Protection of natural habitats and biodiversity and the partnership with WWF France (p. 10)
Economic development		
201-1	Direct economic contribution Donations and sponsorships	Donations and sponsorships (p. 11)
03-2 et 204-1	Indirect economic contribution	
203-1	Infrastructure	New assets (p. 11)
Workforce		
N.A.	Corporate culture	A stimulating work environment (p. 12)
403-2	Health, safety and wellness	Occupational health and safety (p. 12)
LA-1	Job creation	A growing workforce (p. 12)
Local communities		
N.A.	Dialogue with stakeholders	Our communities (p. 13)
413-2	Collaboration with local communities, consultation and involvement in projects	Meetings focused on open dialogue, achievement award won by a Boralex employee and support for community relief efforts (p. 13)



"Working closely with local communities is really motivating. Our projects have positive environmental and community impacts and are beneficial to the vigor of local economies."

Alexandra Agagnier,
Project Manager,
Development and
Community Relations
Kingsey Falls, Québec

ENVIRONMENT

At all times, Boralex promotes the adoption of best practices in environmental protection, from protecting biodiversity and conserving natural habitats to managing residual materials and reducing the air emissions of its operations.

Compliance with laws and regulations

Its environmental mission is clear: at all times, Boralex demonstrates the necessary discipline to comply with the laws and regulations in effect and make the necessary changes. In 2017, Boralex filed a remedial action plan with the *Quebec's ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques* (MDDELCC) as soon as it received notice that it exceeded the authorized limits for the bark storage area of the Senneterre thermal power station. This was the only notice of non-compliance received in 2017 for any of its facilities and resulted in no fines or penalties.

Protecting natural habitats and biodiversity

In Canada, Boralex is involved in various programs to protect habitats and biodiversity. As a result, it supports the establishment of a protected area near the Seigneurie de Beaupré Wind Farms in order to preserve the wildlife habitat of the Bicknell's thrush, a small bird of the same family as the American blackbird, considered at risk. In addition, during the construction of the Moose Lake, British Columbia and Port Ryerse, Ontario wind farms, it ensured that the land was revegetated and reclaimed to allow agricultural activities to resume.

For its hydroelectric power stations on the Rimouski and Jacques-Cartier rivers in Québec, Boralex is implementing measures for the conservation of aquatic wildlife, in particular passes to allow smolts to safely descend the river.

Our partnership with WWF France

On May 31, 2017, Boralex renewed its partnership with World Wildlife Fund (WWF) France, extending its 2011 agreement to 2020. Under the terms of this agreement, WWF France and Boralex are collaborating to protect species and their habitats in connection with the wind power segment development.

ECONOMIC DEVELOPMENT

While ensuring its facilities run smoothly, Boralex also makes sure that communities benefit from the economic returns of its operations. In addition to the construction and operations jobs its facilities create, Boralex makes a point of sourcing goods and services from local suppliers, while implementing tools and initiatives to maximize local economic benefits. Another example is the development of projects in partnership with local communities, including First Nations, such as the Six Nations of the Grand River Band in connection with the Niagara Region Wind Farm, Ontario. And for a number of its facilities, it also pays royalties to the host communities.

New assets and acquisition of the Niagara Region Wind Farm

In 2017, to support its growth strategy, Boralex invested \$231 million (\$231 million under proportionate consolidation) in new assets, including \$184 million (\$184 million under proportionate consolidation), substantially all of which was invested in the construction of wind farms in France and Canada, and \$40 million (\$40 million under proportionate consolidation) mainly for the development of hydroelectric power stations in Canada. In addition, in January 2017, Boralex completed the acquisition of the Niagara Region Wind Farm for an aggregate cash consideration of \$233 million, plus the assumption of \$779 million in related debt, for a total enterprise value of over \$1 billion.

Donations and sponsorships

Boralex attaches great importance to its social involvement and supports various not-for-profit organizations and charitable events each year to contribute to the vitality of its host communities.

In keeping with its values and objectives, Boralex focuses its commitment in four key areas: community, environment, education and employee volunteerism. In 2017, Boralex supported a large number of organizations for a total contribution of **\$583,000** (\$620,000 under proportionate consolidation), up nearly 23% (20% under proportionate consolidation) from \$474,000 (\$517,000 under proportionate consolidation) in fiscal 2016.



Inauguration of the
Niagara Region Wind Farm



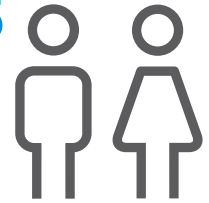
“Our photovoltaic projects are an increasingly competitive source of energy, while driving value creation locally. With innovation and future access to storage assets, this technology will become a staple of the renewable energy industry.”

Benjamin Huriet,
Head of New Markets and
Innovation, France



Recruitment of

75



EMPLOYEES

The driving force of Boralex's success as a renewable energy leader is its employees. As emphasized by our new employer brand launched in October, it is our impressive team of men and women and their unflagging energy that continually take us to the next level.

A growing workforce

To support continued growth, Boralex makes every effort to recruit and retain talent with the desired expertise. With this goal in mind, we revamped our employer brand to showcase what sets us apart in our various operating sectors. This is essential in a high-growth environment. Over the past year, we made 75 new hires, growing our workforce to 335 employees at December 31, 2017.

A stimulating work environment

Boralex is also committed to providing attractive work conditions to retain talent vital to its success. To accomplish this, our corporate culture encourages all employees to work independently, assume accountability and actively participate in operations. We also offer programs to promote continuous development and career advancement for everyone. This includes full support for government employment equity and diversity initiatives.

Occupational health and safety (OHS)

Providing its employees, partners and suppliers with a safe working environment is also one of Boralex's top priorities. Every year, we ensure we implement the necessary measures to continue improving our OHS practices. Every new project for the construction of an energy production facility includes a component to ensure worker safety during the construction period and throughout commercial operations. Our OHS programs also include initiatives to train and educate employees on adopting appropriate workplace behaviours.

Our OHS efforts are paying off, as our workplace injury rate remains well below the industry average. In 2017, out of more than 680,000 hours worked, we recorded only one (non-fatal) workplace accident resulting in a workplace injury rate of **0.3** (the number of accidents for every 200,000 hours worked). Given the significant increase in the number of employees, this is a significant improvement from 2016, when we recorded two accidents for almost 539,000 hours worked, for a workplace injury rate of 1.0.

In 2017, Boralex conducted its **first employee engagement survey**, with an outstanding 99% participation rate. The survey placed the level of employee engagement at 58% and identified key areas for further development. Going forward, the employee engagement rate at Boralex will be an essential performance indicator (KPI) alongside our financial and health and safety KPIs.

Outstanding
99 %
participation rate

Employee
engagement at
58 %



Erik Bergman,
Operations Manager

South Glens Falls,
New York

"Boralex is operating legacy Projects that have been environmentally friendly while also developing cutting edge technologies for state-of-the-art clean power generation. This multi-faceted approach means that my skills are challenged every day and that makes it exciting to go to work. Boralex generates not only electricity but a sense of working for a better world."

OUR COMMUNITIES

Building harmonious relationships with local stakeholders is an integral part of Boralex's sustainable development approach. In fact, for all our facilities in operation and projects under development, we deploy the necessary means to promote social acceptability by the local population and stakeholders.

Our teams have a sustained presence in the field, using communication methods that are best adapted to the context and stakeholders. Each facility has its own section on the Boralex website, where interested parties can find continually updated and useful information. For projects under construction, we set up mechanisms to provide the public with progress updates on our work, record their concerns and answer their questions. These actions most commonly include holding public information sessions, sending out our Construction Info / Info-travaux newsletter, and setting up project-specific telephone lines and email addresses. In several cases, we also set up a Monitoring or Liaison Committee composed of local community and Boralex representatives.

All these actions are implemented together with the project teams to ensure that all dimensions of a project are taken into account, with full attention to stakeholder concerns and suggestions.

Meetings focused on open dialogue

In November 2017, the Boralex Meetings were held in Avignonet-Lauragais, Blendecques and Verrières (France) with elected officials from the municipalities hosting and adjacent to our wind farms, along with representatives of our partners, including WWF France. Our objective was to maintain a constructive dialogue between the various stakeholders in the region's ongoing energy transition process. We covered a range of operational, regulatory and fiscal issues, among others, so that we all have a common vision of what harnessing wind power as an energy source really means. This second session of meetings was greatly appreciated by participants and helped strengthen ties for better dialogue on future actions.

Achievement award won by a Boralex employee

In April 2017, Adam Rosso, Director of Project Development in Ontario, received the Matt Holder Community Connection Award from the Canadian Wind Energy Association (CanWEA). This award recognizes the efforts an employee of an Association member who works hard to forge meaningful, mutually beneficial relationships with local communities in Canada.

Support for community relief efforts

In the spring of 2017, more than 2,500 families in nearly 150 municipalities in Québec and Ontario experienced the largest floods in 50 years. To support the disaster relief effort, Boralex made a donation of \$5,000 to the Canadian Red Cross, which set up a special fund to provide essential services and care to those affected. At the same time, Boralex encouraged employees to join in the spirit of solidarity.



"The adventure began with a vision, and a lot of perseverance, creativity, teamwork and commitment. Today, Boralex leverages the incredible strengths of its employees to meet the challenges of renewable energy and sustainable development. Working for Boralex means working for the planet, and that's a great source of pride and motivation!"

Mario Geoffrey, Plant Manager

Senneterre, Québec



From left to right : **Ava Hill**, Chief of the Six Nations of the Grand River, **Matt Jamieson**, CEO and President of the Six Nations of the Grand River Development Corporation, **Adam Rosso**, Director of Project Development in Ontario at Boralex, **Michael Weidemann**, Executive Vice President of ENERCON Canada, and **Patrick Lemaire**, President and Chief Executive Officer of Boralex.

General Information

HEAD OFFICE

Boralex Inc.
36 Lajeunesse Street
Kingsey Falls (Québec)
Canada J0A 1B0
Telephone: 819-363-6363
Fax: 819-363-6399
info@boralex.com

WEBSITE

www.boralex.com



@BoralexInc

BUSINESS OFFICES

CANADA

772 Sherbrooke Street West
Suite 200
Montréal, Québec
Canada H3A 1G1

From May, 2018

900 de Maisonneuve Boulevard West
24th floor
Montréal, Québec
Canada H3A 0A8

Telephone: 514-284-9890
Fax: 514-284-9895

606-1155 Robson Street
Vancouver, British Columbia
Canada V6E 1B5
Telephone: 1-855-604-6403

201-174 Mill Street
Milton, Ontario
Canada L9T 1S2
Telephone:
819-363-6430 | 1-844-363-6430

FRANCE

71, rue Jean-Jaurès
62 575 **Blendecques**
France
Telephone: 33 (0)3 21 88 07 27
Fax: 33 (0)3 21 88 93 92

8, rue Anatole France
59 000 **Lille**
France
Telephone: 33 (0)3 28 36 54 95
Fax: 33 (0)3 28 36 54 96

21, avenue Georges Pompidou
Le Danica – Bâtiment B
69 486 **Lyon** Cedex 03
France
Telephone: 33 (0)4 78 92 68 70
Fax: 33 (0)4 78 42 03 44

99, La Canebière
CS 60526
13 205 **Marseille** Cedex 01
France
Telephone: 33 (0)4 91 01 64 40
Fax: 33 (0)4 91 01 64 46

ADDITIONAL INFORMATION MAY BE OBTAINED FROM:

Public Affairs and Communications Department
Boralex Inc.

Telephone: 514-985-1353
Fax: 514-284-9895
info@boralex.com

TRANSFERT AGENT AND REGISTRAR

Computershare Investor Services Inc.
1500 Robert-Bourassa Boulevard, 7th floor
Montréal (Québec)
Canada H3A 3S8
Telephone: 514-982-7555 | 1-800-564-6253
www.centredesinvestisseurs.com/service

SHAREHOLDER INFORMATION

The **Shareholders' Annual and Special Meeting** of Shareholders will be held on Thursday, May 9, 2018, at 11 a.m., at the following address:

Maison Manuvie
900 de Maisonneuve Boulevard West, 8th floor
Montréal, Québec
Canada H3A 0A8
Téléphone : 514-875-3040

Additional copies of the following documents and other information can also be obtained at the above address or on Boralex's and SEDAR's websites:

- » Annual Report
- » Interim Reports
- » Annual Information Form
- » Management Proxy Circular

Profile

Boralex develops, builds and operates renewable energy power facilities in Canada, France, the United Kingdom and the United States. A leader in the Canadian market and France's largest independent producer of onshore wind power, the Corporation is recognized for its solid experience in optimizing its asset base in four power generation types – wind, hydroelectric, thermal and solar. Boralex has ensured sustained growth by leveraging the expertise and diversification developed for more than 25 years.

Boralex's shares and convertible debentures are listed on the Toronto Stock Exchange under the ticker symbols BLX and BLX.DB.A. As at December 31, 2017, the Caisse de dépôt et placement du Québec, one of Canada's largest institutional investors, held 19.9% of Boralex's outstanding shares.

Highlights

For the three-month periods ended December 31

(in millions of Canadian dollars, unless otherwise specified)	IFRS		Proportionate consolidation ⁽¹⁾	
	2017	2016	2017	2016
Power production (GWh)	871	596	1,042	730
Revenues from energy sales	129	74	147	89
EBITDA(A) ⁽²⁾	93	47	104	57
EBITDA(A) margin	72%	63%	70%	64%
Net earnings (loss)	28	(4)	28	2
Net earnings (loss) attributable to shareholders of Boralex	26	(5)	26	1
Per share – basic	\$0.34	(\$0.07)	\$0.34	\$0.02
Per share – diluted	\$0.32	(\$0.07)	\$0.32	\$0.02
Net cash flows related to operating activities	19	29	27	34
Cash flows from operations ⁽²⁾	69	28	79	36

For the year ended December 31

(in millions of Canadian dollars, unless otherwise specified)	IFRS		Proportionate consolidation ⁽¹⁾	
	2017	2016	2017	2016
Power production (GWh)	3,129	2,441	3,675	2,953
Revenues from energy sales	414	299	473	354
EBITDA(A) ⁽²⁾	276	189	319	231
EBITDA(A) margin	67%	63%	67%	65%
Net earnings	10	2	10	2
Net earnings (loss) attributable to shareholders of Boralex	22	(2)	22	(2)
Per share – basic and diluted	\$0.29	(\$0.03)	\$0.29	(\$0.03)
Net cash flows related to operating activities	145	148	162	162
Cash flows from operations ⁽²⁾⁽³⁾	195	128	210	144

⁽¹⁾ These amounts are adjusted on a proportionate consolidation basis; a non-IFRS Measure. See the *Reconciliations between IFRS and Proportionate Consolidation and Non-IFRS measures* sections.

⁽²⁾ See the *Non-IFRS Measures* section.

⁽³⁾ Under IFRS, includes \$17 million in distributions received from the Joint Ventures for the year ended December 31, 2017 (\$15 million for the year ended December 31, 2016).

Management's Discussion and Analysis

For the year ended December 31, 2017

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Introductory comments

General

This Management's Discussion and Analysis ("MD&A") reviews the operating results for the three-month period and fiscal year ended December 31, 2017, compared with the corresponding periods of 2016, the cash flows for the year ended December 31, 2017 compared with the year ended December 31, 2016, as well as the Corporation's financial position as at December 31, 2017 compared with December 31, 2016. This report should be read in conjunction with the audited consolidated financial statements and related notes found in this Annual Report for the fiscal year ended December 31, 2017.

Additional information about the Corporation, including the annual information form, previous annual reports, MD&As and audited consolidated financial statements, as well as press releases, is published separately and is available on the Boralex (www.boralex.com) and SEDAR (www.sedar.com) websites.

In this MD&A, Boralex or the Corporation means, as applicable, either Boralex and its subsidiaries and divisions or Boralex or one of its subsidiaries or divisions. The information contained in this MD&A reflects all material events up to March 1, 2018, the date on which the Board of Directors approved this annual MD&A and the consolidated financial statements. Unless otherwise indicated, the financial information presented in this MD&A, including tabular amounts, is prepared in accordance with International Financial Reporting Standards ("IFRS") which constitute Canadian generally accepted accounting principles ("GAAP") under Part I of the *CPA Canada Handbook*. The financial statements included in this annual MD&A have been prepared according to IFRS applicable to the preparation of financial statements, IAS 1, *Presentation of Financial Statements*, and contain comparative figures for 2016.

As discussed under *Non-IFRS Measures*, this MD&A also contains information consisting of non-IFRS measures. The Corporation uses "EBITDA", "EBITDA(A)", "cash flows from operations," "ratio of net debt," "discretionary cash flows," "payout ratio" and "dividends paid per common share" to assess the operating performance of its facilities. These terms are defined in the *Non-IFRS Measures* section.

All financial information presented in this MD&A, as well as tabular information, is in Canadian dollars.

This MD&A includes a section, *Proportionate Consolidation*, in which the results of Seigneurie de Beaupré Wind Farms 2 and 3 ("Joint Venture Phase I") and Seigneurie de Beaupré Wind Farm 4 ("Joint Venture Phase II") General Partnerships (collectively, "the Joint Ventures" and "Joint Ventures Phases I and II") 50% owned by Boralex, were proportionately consolidated instead of being accounted for using the equity method as required by IFRS. Under proportionate consolidation, which is not permitted in accordance with IFRS, *Interests in the Joint Ventures and Share in earnings (losses) of the Joint Ventures* items have been eliminated and replaced by Boralex's share (50%) in all of the financial statement items (revenues, expenses, assets and liabilities). Since the information that Boralex uses to perform internal analyses and make strategic and operating decisions is compiled on a proportionate consolidation basis, management considers it relevant to integrate this *Proportionate consolidation* section into the MD&A to help investors understand the concrete impacts of decisions made by the Corporation. Moreover, tables reconciling IFRS data with data presented on a proportionate consolidation basis are included in the MD&A.

Notice concerning forward-looking statements

The purpose of this MD&A is to help the reader understand the nature and importance of changes and trends as well as the risks and uncertainties that may affect Boralex's operating results and financial position. Accordingly, some of the statements contained in this analysis, including those regarding future results and performance, are forward-looking statements based on current expectations, within the meaning of securities legislation. Positive or negative verbs such as "will," "would," "forecast," "anticipate," "expect," "plan," "project," "continue," "intend," "assess," "estimate" or "believe," or expressions such as "toward," "about," "approximately," "to be of the opinion," "potential" or similar words or the negative thereof or other comparable terminology, are used to identify such statements. They are based on Boralex management's expectations, estimates and assumptions as at March 1, 2018.

This forward-looking information includes statements about the Corporation's business model and growth strategy, wind power and other renewable energy production projects in the pipeline and their expected performance, EBITDA(A), EBITDA(A) margins and discretionary cash flow targets of Boralex or those expected to be generated in the future, the Corporation's forecasted financial results, future financial position, installed capacity or megawatt growth objectives or targets, including those set in connection with the Corporation's *Growth path*, growth outlook, business strategies and plans and objectives of or relating to the Corporation, the expected timing of project commissioning, planned production, capital expenditure and investment programs, access to credit facilities and financing, capital tax, income tax, risk profile, cash flows and earnings and their components, the amount of distributions and dividends to be paid to securityholders, the anticipated distribution ratio, the dividend policy and the timing of such distributions and dividends. Actual events or results may differ materially from those expressed in such forward-looking statements.

Forward-looking information is based on significant assumptions, including assumptions about the performance of the Corporation's projects based on management estimates and expectations with respect to wind and other factors, assumptions about general industry and economic conditions and assumptions about EBITDA(A) margins. While the Corporation considers these factors and assumptions to be reasonable based on information currently available, they may prove to be incorrect.

Boralex wishes to point out that, by their very nature, forward-looking statements involve risks and uncertainties such that its results or the measures it adopts could differ materially from those indicated by or underlying these statements, or could have an impact on the degree of realization of a particular projection. The main factors that could lead to a material difference between the Corporation's actual results and the forward-looking financial information or expectations set forth in the forward-looking statements include, but are not limited to, the general impact of economic conditions, currency fluctuations, volatility in energy selling prices, the Corporation's financing capacity, competition, changes in general market conditions, the regulations governing the industry and raw material price increases and availability, regulatory disputes and other issues related to projects in operation or under development, as well as other factors described later in *Outlook and development objectives* and *Risk factors and uncertainties* in this MD&A.

Unless otherwise specified by the Corporation, the forward-looking statements do not take into account the possible impact on its activities, transactions, non-recurring items or other exceptional items announced or occurring after the statements are made. There can be no assurance as to the materialization of the results, performance or achievements as expressed or implied by forward-looking statements. The reader is cautioned not to place undue reliance on such forward-looking statements. Unless required to do so under applicable securities legislation, Boralex management does not assume any obligation to update or revise forward-looking statements to reflect new information, future events or other changes.

Description of business

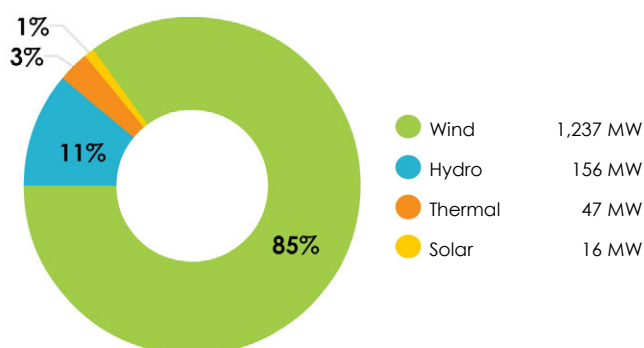
Boralex inc. ("Boralex" or the "Corporation") is a Canadian corporation operating in the renewable energy segment. It draws on a workforce of over 335 people to develop, build and operate power generating facilities. As at December 31, 2017, its asset base of installed capacity under its control comprised 1,456 megawatts ("MW")⁽¹⁾. Projects in progress to develop new facilities represent an additional 233 MW, to be operational by the end of 2019. The following charts⁽¹⁾ provide information about the makeup of the Corporation's energy portfolio in operation, according to installed capacity as at December 31, 2017.

Segment breakdown

The **wind** power segment accounts for a large majority (85%) of installed capacity. Projects under development and under construction will add 217 MW by the end of 2019.

The Corporation's 15 **hydroelectric** power stations make up 11% of installed capacity. A 16th power station (16 MW) will be commissioned in 2018 in Ontario.

Two **thermal** power stations (3%) and three **solar** energy facilities (1%) complete the Corporation's portfolio.

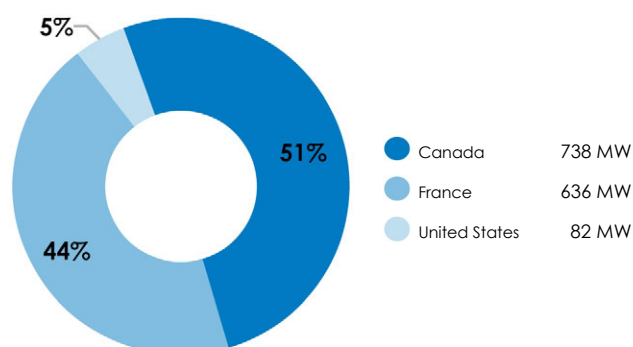


Geographic breakdown

In **Canada**, Boralex is active in four power generation segments: wind, hydroelectric, thermal and solar. Wind power accounts for the largest percentage of production with an installed capacity under its control of 628 MW and 65 MW under development.

In **France**, a large portion of Boralex's installed capacity originates from wind farms (609 MW), making it France's largest independent producer of onshore wind power. The wind farms are complemented by a natural gas cogeneration power station and two solar energy facilities. Projects under development total 152 MW.

In the **United States**, the Corporation operates seven hydroelectric power stations in the Northeast.

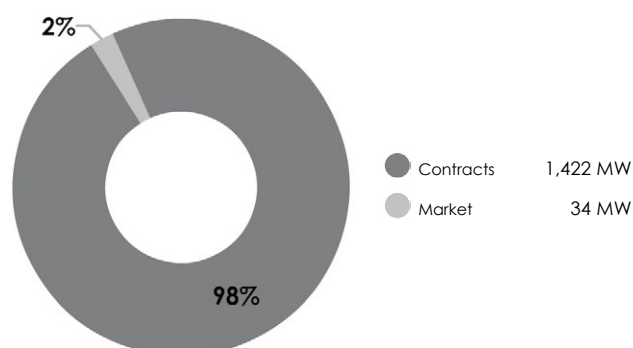


Breakdown of sources of revenues from energy sales

Substantially all (98%) of Boralex's assets are covered by long-term indexed, fixed-price energy sales contracts.

The Corporation estimates that 95 MW (7% of installed capacity) covered by contracts expiring within five years will then be sold on the French market.

These contracts have a weighted average remaining contractual term of 14 years.



⁽¹⁾ These data, and all of the data contained in this MD&A, reflect 100% of Boralex's subsidiaries in which Boralex is the controlling shareholder. The data also accounts for Boralex's share (170 MW) in the Joint Ventures operating the Seigneurie de Beaupré Wind Farms in Québec, representing 50% of total installed capacity of 340 MW.

Growth strategy and key developments in the past three fiscal years

Growth strategy

Boralex has adopted a strategy to drive above-average, balanced and sustainable financial growth. It entails developing its assets and generating higher revenue streams and cash flows, while mitigating its business risks.

This three-pronged strategy is as follows:

- **Acquisition, development and operation of renewable energy assets covered by long-term indexed, fixed-price energy sales contracts.**

Substantially all of Boralex's assets are covered by such contracts. With a weighted average remaining term to maturity of 14 years, the Corporation has relatively predictable long-term cash inflows, excluding changes in weather conditions and other factors beyond its control.

- **Financial discipline to provide long-term returns exceeding the Corporation's cost of capital, particularly in its traditional areas of expertise – wind, hydroelectric and solar power.**

The deployment of this strategy has resulted in a significant increase in the wind power segment's relative weight compared with other segments. As at December 31, 2017, this segment accounted for 85% of Boralex's installed capacity. Given the pipeline of potential projects in North America, France and the United Kingdom, the important role played by this segment will continue to grow over the medium to long term. In addition, the Corporation will strengthen its position in the hydroelectric power segment with the upcoming commissioning of a first power station in Ontario. In addition, the Corporation has three solar power facilities in its portfolio (two in France and one in Canada); based on the experience acquired in this segment, Boralex continues to keep an eye on the development opportunities in this area. In contrast, over the years, the Corporation has disposed of thermal power stations, which, in light of the variability of selling prices in the open market and the cost of raw materials, generated extremely volatile cash flows. Following the sale of the Corporation's assets in that segment and given the use of financial leverage, the capital was therefore deployed to the wind farms to optimize shareholder returns. Over the past decade, the relative weight of the wind, hydroelectric and solar power segments has doubled, accounting for 97% of Boralex's total installed capacity as at December 31, 2017.

- **Focus of development initiatives mainly in North America and Europe.**

With its initiatives of the past few years, the Corporation has expanded its presence in Canada and France, which account for 51% and 44% of installed capacity, respectively. With the partnership entered into in October 2017 with the UK company Infinergy, Boralex will also strengthen its European presence through expansion in the United Kingdom, particularly in Scotland, which boasts favourable weather conditions for wind power and aggressive renewable energy development targets. This partnership is a boon to geographic diversification.

In addition, in an increasingly competitive environment in France, where we are witnessing a transition from long-term, fixed-price contracts to a tendering system, Boralex's development team leveraged nearly twenty years of hands-on experience ensuring it could proactively identify and secure excellent locations for wind power development, representing a major competitive edge today.

The Corporation sees the following key financial benefits of its development strategy:

- Higher operating margins for the Corporation in light of the higher weights of more profitable segments in its energy portfolio;
- Greater stability in operating results and cash flows from operations due to long-term sales contracts, matching the borrowing maturities for its various production facilities to their energy sales contract expiry dates and greater geographic diversification of the Corporation's assets;
- Maintaining a solid cash position and reasonable debt levels through significant and steadier cash flows from operations and a series of financial transactions providing the Corporation with greater financial flexibility and strength;
- The introduction of a dividend in 2014, which it has since increased twice, reflecting the Corporation's solid growth in recent years and confidence in its development prospects.

With the dividend, shareholder return on equity (assuming dividends are reinvested) since the beginning of 2013 stands at about 194%, which, together with issuance of new shares, helped increase the Corporation's market capitalization to \$1.8 billion as at December 31, 2017.

Key developments in the past three fiscal years

Acquisitions and commissioning

The table below shows all of the acquisitions and commissioning completed by the Corporation over the past three fiscal years, for an installed capacity of 1,456 MW as at December 31, 2017, up 55% from the beginning of fiscal 2015. Substantially all of this increase was driven by the acquisition and commissioning of wind farms totalling 508 MW.

Last year's key milestone was the acquisition of the 230 MW **Niagara Region Wind Farm ("NRWF")** on January 18, 2017. This Ontario facility was developed by Enercon and Boralex in conjunction with the Six Nations of the Grand River (the "Six Nations"). This acquisition is expected to result in an estimated annualized EBITDA contribution of \$84 million. However, in fiscal 2017, given the acquisition date (January 18, 2017), the project's recent commissioning, the power limitation imposed and not reimbursed by the grid manager during the first two quarters of 2017 and less favourable wind conditions in the third quarter, NRWF's contribution to EBITDA amounted to approximately \$69 million. In addition, Boralex will receive substantially all of the cash flows generated by this wind farm, net of a distribution paid to the Six Nations.

Lastly, on February 7, 2017, the Corporation acquired the 25% share held by UDI Renewables Corporation in the Port Ryerse wind farm, which is now solely owned by Boralex.

Commissioning overview for the past three years

	Project name	Date	Net capacity (MW)	Country	Segment	Energy contract term ⁽¹⁾	Ownership (%)
2015	Saint-François	Mar 9 and Apr 13	23	France	Wind	15 years/EDF	100
	Comes de l'Arce	Apr 13	10	France	Wind	15 years/EDF	100
	Les Cigarettes	Oct 2	10	France	Solar	20 years/EDF	100
	Vaughan	Oct 16	1	Canada	Solar	20 years/IESO	100
	Témiscouata II	Nov 11	52	Canada	Wind	20 years/HQ	100
	Côte-de-Beaupré	Nov 19	24	Canada	Wind	20 years/HQ	51
	Calmont	Dec 6	14	France	Wind	15 years/EDF	100
	Frampton	Dec 15	24	Canada	Wind	20 years/HQ	67
+ 158 MW							
2016	Touvent	Aug 1	14	France	Wind	15 years/EDF	100
	Port Ryerse	Dec 9	10	Canada	Wind	20 years/IESO	100
	Oldman	Dec 15 ⁽²⁾	4	Canada	Wind	Market	52
	Plateau de Savernat	Dec 23	12	France	Wind	15 years/EDF	100
+ 40 MW							
2017	NRWF	Jan 18 ⁽²⁾	230	Canada	Wind	20 years/IESO	Note ⁽³⁾
	Plateau de Savernat II	Mar 21	4	France	Wind	15 years/EDF	100
	Voie des Monts ⁽⁴⁾	Jul 10	10	France	Wind	15 years/EDF	100
	Mont de Bagny ⁽⁴⁾	Aug 1	24	France	Wind	15 years/EDF	100
	Artois ⁽⁴⁾	Nov 21	23	France	Wind	15 years/EDF	100
	Chemin de Grès ⁽⁴⁾	Dec 6	30	France	Wind	15 years/EDF	100
+ 321 MW							

⁽¹⁾ EDF: Électricité de France; IESO: Independent Electricity System Operator; HQ: Hydro-Québec.

⁽²⁾ Date of acquisition by Boralex.

⁽³⁾ See the *Business combinations* note to the consolidated financial statements in the 2017 Annual Report for more information on this Boralex subsidiary.

⁽⁴⁾ Ecotera wind power project portfolio.

Other developments

2015

Acquisition of a European project portfolio of nearly 350 MW

On December 28, 2015, Boralex Inc. acquired the Ecotera wind power portfolio consisting exclusively of projects in Northern France totalling nearly 350 MW. Four of these projects were commissioned in 2017 for a total of 87 MW. Two additional projects are slated for commissioning in 2018, adding 53 MW to installed capacity, with three additional sites totalling 63 MW scheduled for 2019.

2016

Addition of 400 MW to the project pipeline

On September 8, 2016, the Corporation entered into a partnership agreement in Canada for the construction of the 200 MW **Apuiat** wind farm in Port-Cartier, Québec, together with the Innu Nation and Renewable Energy Systems Canada Inc.

On September 16, 2016, Boralex announced the acquisition for a net cash consideration of €70 million (\$104 million) of a portfolio of wind farm construction projects and land in France and the United Kingdom (Scotland) for an installed capacity of around 200 MW. With this acquisition, the Corporation will make further inroads in France and secure a development base in Scotland, a region particularly favourable to the development of renewable energies, offering excellent wind potential.

In addition, another agreement was entered into on December 15, 2016 to create Alberta Renewable Power Limited Partnership, 52% owned by Boralex and 48% owned by Alberta Wind Energy Corporation ("AWEC"). With this partnership, Boralex joins forces with a local partner to become a renewable energy development player in Alberta, which is targeting the development of projects totalling 5,000 MW by 2030 as part of its transition from fossil fuels to green energy. With such bold targets, Alberta is the most promising market in Canada in terms of short- and medium-term growth potential.

2017

Addition of 142 MW to the Growth path

During the year, a range of initiatives were pursued to flesh out our *Growth path* with new projects. One notable example was the increase in Boralex's interest in the 50 MW **Offer Creek** wind power project in Ontario, Canada from 38.5% to 64%, resulting in the acquisition of control over this project to be commissioned in 2019.

Boralex's Board of Directors green-lighted six ready-to-build projects in 2017 totalling 142 MW to be commissioned by late 2019, namely **Côteaux du Blaiseron** (26 MW), a project from the 2014 Boralex Énergie Verte acquisition, as well as **Hauts de Comble** (20 MW) and **Inter Deux Bos** (33 MW), **Sources de l'Ancre** (23 MW), **Seuil du Cambrésis** (20 MW) and **Basse Thiérache Nord** (20 MW), all five of which were acquired from Ecotera in 2015. Note that the **Basse Thiérache Nord** project increased by 8 MW effective September 30, 2017 to 20 MW upon approval of an amended licence. Note also that other ready-to-build projects in the French project portfolio should be included in Boralex's *Growth path* in the future, either in connection with future RFPs or the feed-in premium scheme.

On July 7, 2017, the Administrative Tribunal of Rennes cancelled the construction permits for the **Moulins du Lohan** (51 MW) project based on its subjective risk assessment of landscape damage to the Lanouée forest. As a result of these proceedings, construction of the project has halted. The Corporation appealed the decision and given the circumstances, legal precedents and the grounds stated by the Tribunal, the Corporation believes it to be more likely than not that its permits will be reinstated. For greater detail, see *Commitments and contingencies* in section III - Other elements of this MD&A and the *Commitments and contingencies* note to the consolidated financial statements for the year ended December 31, 2017.

On July 27, 2017, Energir (formerly Gaz Métro) and Boralex announced that they submitted three proposals under a request for proposals launched on March 31, 2017 by the State of Massachusetts for the supply of renewable energy. The proposed project, **SBx**, called for the construction of a 300 MW wind farm located on the private land of the Seigneurie de Beupré in the Capitale-Nationale region of Québec. This project would have represented the fourth phase of the Seigneurie de Beupré Wind Farms. The proposals submitted comprised the **SBx** wind farm, whose production would have been balanced with hydroelectric energy from the Hydro-Québec generating fleet. This complementary mix of hydro and wind power would have provided the State of Massachusetts with clean, stable and sustainable energy to meet its long-term supply needs. Although Energir and Boralex's proposal was not accepted when the RFP results were announced in January 2018, the experience gained during the bidding process and the exceptional wind potential of the Seigneurie de Beupré site stand the consortium in excellent stead for future RFPs planned in the Northeastern United States.

On October 17, 2017, Boralex and UK-based Infinergy entered into a 50/50 partnership agreement aimed at developing a pipeline of onshore wind power projects with an estimated installed capacity of 325 MW. The pipeline consists of 10 projects ranging from 4 MW to 80 MW. Primarily located in Scotland, these projects are at different stages of development with some in the prospecting phase, while others are in the final evaluation phases potentially leading to their full authorization. To complete the development phase of the projects, Boralex and Infinergy have committed to invest a total amount of £7 million (\$11 million) up to the end of 2019. Boralex's share of the investment is £6 million (\$9 million), including an amount of £1 million (\$2 million) invested in 2017 and an additional £3 million (\$5 million) scheduled in 2018. Boralex is deemed to have control over these new entities since it holds a casting vote over major decisions.

Significant financial transactions

2017

In December 2016, in anticipation of the **NRWF** acquisition, Boralex completed a public offering of 10,361,500 subscription receipts through a syndicate of underwriters at a price of \$16.65 per subscription receipt, for gross proceeds of \$173 million (including the underwriters' over-allotment option exercised in full) and proceeds of \$170 million net of issuance costs. The subscription receipts were exchanged in full for an equal number of common shares of Boralex upon the closing of the acquisition of Enercon's interest on January 18, 2017. The net proceeds from the issue, coupled with available cash and drawdowns under the Corporation's existing revolving credit facility were used to fund the cash consideration totalling \$231 million.

Furthermore, on July 27, 2017, the Caisse de dépôt et placement du Québec ("Caisse") became Boralex's largest shareholder by acquiring all of the Boralex Class A common shares held by Cascades Inc., representing 17.3% of outstanding shares. As at December 31, 2017, the Caisse's share was 19.9%. Under this transaction, Boralex agreed, in particular, to explore partnership opportunities with the Caisse for investments to be developed by Boralex, in line with its growth strategy.

During fiscal 2017, Boralex completed the following financing and refinancing:

- On January 18, 2017, at the same time as the **NRWF** acquisition closing, and with a view to maintaining the strength of its statement of financial position, Boralex obtained a \$100 million increase in its revolving **credit facility** for a total authorized amount of \$460 million. With this transaction, the Corporation maintains significant flexibility to finance new projects in line with its growth strategy and demonstrates its credibility in capital markets.
- On February 22, 2017, Boralex announced the closing of the \$33 million financing for the 10 MW **Port Ryerse** wind farm in Ontario, Canada.
- On July 31, 2017, the Corporation announced the closing of long-term financing for the 30 MW **Chemin de Grès** wind farm in France for a total of €46 million (\$68 million).
- On November 24, 2017, Boralex announced the closing of \$53 million in financing for the 15 MW **Moose Lake** wind power project in British Columbia.
- On December 22, 2017, the Corporation announced the closing of a credit facility covering the **Inter Deux Bos, Côteaux du Blaiseron, Hauts de Comble, Sources de l'Ancre** and **Le Pelon** wind power projects amounting to €156 million (\$235 million).

Dividend increase of over 15%

Since the implementation of a dividend in 2014, the Company has twice announced an increase in the dividend paid to shareholders. For the first time, on February 24, 2016, the Corporation increased the annual dividend by 7.7%, to \$0.56 per share (\$0.14 per share on a quarterly basis) as of the second quarter of 2016. This decision was prompted by steady growth in the Corporation's results since the first dividend payout in 2014 and the confidence of management and the Board of Directors in future prospects.

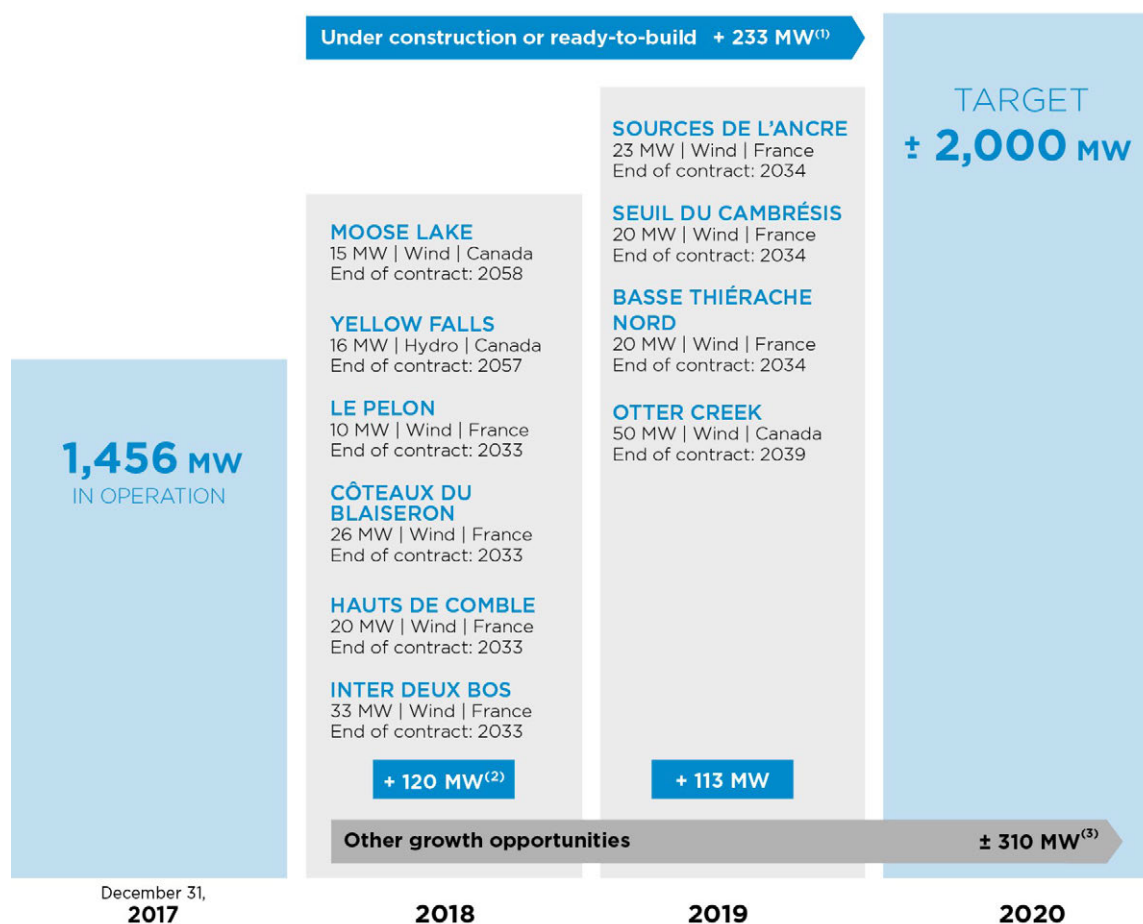
A second increase was announced on February 1, 2017, in conjunction with the closing of the **NRWF** acquisition. At that time, it was a 7.1% increase, effective in the first quarter of 2017. Accordingly, the annual dividend has been \$0.60 per share (\$0.15 per share per quarter) since the first quarter of 2017.

On March 14, 2017, the Corporation announced the addition of its stock to the S&P/TSX Composite Index, a leading benchmark index in the Canadian equities market.

As a result, Boralex maintains its objective of paying an annual ordinary dividend equivalent to a dividend payout ratio of between 40% and 60% of discretionary cash flows, which are defined in section II C - *Analysis of results and financial position – Non-IFRS measures*. As at December 31, 2017, discretionary cash flows totalled \$72 million and the payout ratio stood at 63%.

Outlook and development objectives

Growth path



⁽¹⁾ France 152 MW | Canada 81 MW

⁽²⁾ Hydro 16 MW | Wind 104 MW

⁽³⁾ Including the 51 MW Moulins du Lohan wind power project in France. For greater detail on the Moulins du Lohan project, see *Commitments and contingencies* in section III - Other elements of this 2017 Annual Report.

Projects in development stage

Boralex continues to implement its growth strategy focusing on the outlook for each of its operating segments.

Wind

The wind power segment accounts for 85% of Boralex's installed capacity. As shown in the *Growth path* above, the segment remains the Corporation's main growth driver. Boralex has grown its wind power segment operating asset base more than fourfold since the beginning of 2013, adding on average nearly 200 MW a year through asset acquisitions or newly commissioned facilities, but also by acquiring an extensive portfolio of projects.

A key factor in Boralex's success is the expertise and skill of its team in identifying, developing, financing, building and operating superior quality wind farms, including some very large scale operations.

Boralex also has a unique development strategy based on two geographic areas: Europe and North America. This strategy affords geographic and climate diversification that could have a smoothing effect on its results, but also provides access to a wider range of growth opportunities and the latitude to adjust to its differently evolving target markets.

Fiscal 2018

The Corporation's wind power segment enters fiscal 2018 with 321 MW in additional installed capacity compared with the previous fiscal year due to the commissioning and acquisitions completed in 2017. The added capacity will contribute to the Corporation's operating and financial performance throughout fiscal 2018.

In addition, Boralex continues to pursue its wind power segment development strategy in France and Canada. As indicated in the *Growth Path*, the wind power project pipeline includes the commissioning of five wind farms in 2018, all of which are covered by long-term indexed, fixed-price energy sales contracts, and will contribute to the Corporation's results as they are commissioned (see the *Summary of projects in development stage table*).

It is worth noting that the **Moose Lake** wind farm, to be commissioned in the second half of 2018, is the Corporation's first foray into the wind power sector in British Columbia.

Medium- and long-term outlook

Wind power sector developments

Technological advances in recent years have led to significant performance improvements for wind power equipment. Wind energy has thus joined the ranks of the other large-scale power generation alternatives-coal, hydroelectricity, natural gas and nuclear power-offering comparable operating costs. In fact, according to *The Wind Vision Report* from the U.S. Department of Energy, production costs have fallen by more than one-third over the past decade. The same report forecasts steady growth in the share of the wind power sector as an energy source in the United States, from about 6% today to 20% in 2030.

There is another factor that will drive wind power sector development. The development of technologies to efficiently store the energy produced will eliminate the problem of changing weather conditions to provide stable and reliable supply.

In addition, climate change issues are resulting in growing public support for a shift to clean energy and responsible consumption. This is one of the factors contributing to the growing popularity of electric vehicles as a form of transportation. As a result, governments are more likely to adopt measures to support or even accelerate the energy transition. In these circumstances, wind energy is becoming the cost-effective, environmentally friendly solution of choice.

However, as technology breakthroughs fuel greater accessibility, the wind power sector is maturing and offers a lower level of risk. As a result, investors are increasingly keen to capitalize on its financial benefits, including steady, predictable cash flows. The result is more and more intense competition. Governments are sensitive to this situation and are adopting the tendering approach for energy procurement, which has broadened the field of bidders.

In spite of a fiercely competitive environment, management believes Boralex is well placed to seize growth opportunities in the wind power sector. The Corporation intends to continue building on its recognized expertise and solid reputation as an effective developer and operator in key markets, including Canada and France, to drive future growth.

Trends in Boralex's key markets

North America

In **Canada**, provincial governments are generally supportive of wind power development, although the nature and the terms of their commitment are different. Using competitive RFPs to award energy contracts helps create a highly competitive environment. Canadian market conditions most often require developers to partner with local communities or First Nations to move ahead with their wind power projects.

Over the years, Boralex has responsively developed the Canadian market, building an operating base of 738 MW, or 628 MW in the wind power segment alone, to become Canada's fourth largest renewable energy producer. As a project developer, the Corporation has pioneered partnering with local communities in Québec and First Nations in Ontario.

In **Québec**, the government unveiled the highlights of its new energy policy in early 2016, reiterating a clear commitment to replacing hydrocarbons with a view to adopting and exporting renewable energies. The Province is also a Canadian leader with its commitment to promoting and investing in the electrification of public transportation and motor vehicles. This trend has great potential to drive demand for renewable energy and help reverse the current power surplus.

Boralex is currently pursuing a number of wind power development avenues in Québec, including the 200 MW Apuiat project on the Côte-Nord, for which it has been chosen as a partner by the Innu Nation. Project development is underway with commissioning expected before the end of fiscal 2020.

In **Ontario**, Boralex is participating in developing the 50 MW Otter Creek project, with commissioning scheduled in 2019. In March 2017, Boralex increased its interest in this project to 64%, becoming the controlling shareholder. Note that in 2016, due to public pressure resulting from high electricity prices, the Ontario government cancelled the LRP II tendering process to procure 930 MW of renewable energy. However, in December 2017, after several months of consultation to revamp the province's energy policy, the Ontario Energy Minister announced a major overhaul of the Ontario Energy Board and a Non-Emitting Resources Request for Information (NER RFI) process to meet future electricity needs for, among other things, the closure of the Pickering Nuclear Generating Station scheduled in 2024. While this announcement does not specify what type of energy will be preferred or even how much will be required, it does encourage the Corporation to keep the Ontario market on its radar for future project development.

In **Alberta**, the government has initiated an energy diversification strategy aimed at reducing its dependence on oil sands development and ending coal power generation by 2030. This is the Alberta Electricity System Operator's ("AESO") Renewable Electricity Program ("REP"), which anticipates investments of more than \$10 billion for the development of 5,000 MW in installed capacity of renewable energy by 2030. As a result, in Alberta, Boralex partnered with developer AWEC to enter the wind power market in the province. The Corporation submitted a proposal for two wind farms under the request for qualifications from the AESO in June 2017. However, neither of these two projects were selected under the RFPs launched in September, but Boralex intends to take part in upcoming RFPs. Moreover, the AESO recently announced that REP program rounds 2 and 3 are to be held in 2018, for a total of 700 MW. Boralex also responded to the July 2017 request for qualifications for solar energy projects with Integrated Solar Energy ("ISE") which was cancelled in February 2018.

In the **United States**, Boralex keeps a close eye on opportunities for an initial breakthrough. Boralex is also exploring potential acquisitions or partnerships with local developers to get there faster. It is worth noting that the United States is the world's second largest producer of renewable energy after China. Energy policies are typically set by each state rather than the federal government. With this in mind, Boralex's management is focusing on the New England and East Coast states, which are populous and open to renewable energies.

Europe

Boralex draws on its solid experience as a wind asset developer and operator and the proven expertise of its team to expand its presence in Europe.

For over a decade, **France** has been fertile ground for Boralex with well-targeted acquisitions of wind farms in operation or under development. Although the regulatory environment for awarding electricity contracts has recently changed, management believes that the country continues to offer attractive growth opportunities, due to its commitment to increase the share of renewable energy in national power generation to 26% by 2020 and 32% by 2030. In light of its experience in this market, the Corporation has competitive strengths to make further inroads, particularly given its well-established relationships with financial institutions, elected officials, suppliers and other partners.

New rules have been introduced whereby the rates set out in future contracts will be set according to electricity market prices, plus a feed-in premium. That being said, under transition rules, applications filed before the end of 2016 that are approved will benefit from a rate that is equivalent to the rate that was applicable for fixed-rate power purchase agreements prior to this rule change. Based on current assumptions, particularly with regard to interest rates, Boralex anticipates that all the projects to be completed in France will generate returns over the coming years that are consistent with its energy portfolio average.

For rate applications made after December 31, 2016, the feed-in premium scheme is in place. In conjunction with the change to the support scheme, France has adopted a tendering system. Boralex will assess the possibilities offered by the new rules as they continue to be refined and will continue leveraging the organization's agility, discipline and creativity to adapt to and capitalize on the new laws in the French market. The Corporation is also studying certain positioning options that could be contemplated following expiry of its sales contracts with EDF, barring their renewal, including opportunities in the open market.

In the **United Kingdom**, with the acquisition of a 150 MW project pipeline in September 2016, coupled with the 325 MW 50/50 partnership with Infinergy in October 2017 controlled by the Corporation, and its 50% interest in entities jointly held with Infinergy, Boralex now holds the rights to a large project pipeline in Scotland totalling 475 MW giving it a potential point of entry into the wind power market. Boralex continues to develop these projects with a view to capitalizing on new opportunities that meet its economic criteria.

Denmark remains an attractive and favourable market for wind power development. In July 2014, Boralex joined forces with a Danish entrepreneur in a 50/50 joint venture. The joint venture is already prequalified for a 240 MW wind power generation program. However, the two partners will not move forward until all the conditions are in place to ensure that performance meets objectives.

Competitive advantages

According to Boralex's management, a number of intrinsic factors make the wind power segment's development prospects attractive for corporate growth. These factors include:

- A solid financial position with the flexibility to take action;
- Geographical diversification on two continents;
- The scope and quality of its facilities in operation and its projects under development, the lion's share of which are covered by long-term energy sales contracts;
- A significant pipeline of potential projects;
- A seasoned, multidisciplinary, entrepreneurial-minded team with the capacity to quickly adapt to changing market conditions, while keeping an eye out for the best development opportunities;
- Proven expertise in wind farm project development, finance structuring, construction and operation;
- A well-established reputation in international financial markets;
- Strong credibility with local communities and First Nations as a responsible partner.

Hydroelectric

Boralex earned its stripes as a renewable energy producer in the hydroelectric power industry some 25 years ago, first in Québec, then in the Northeastern United States and British Columbia.

In the second half of 2018, the Corporation will commission **Yellow Falls**, its first hydroelectric power station in Ontario, which will generate approximately \$7 million in annual EBITDA(A), increasing the hydroelectric power segment's installed capacity to 172 MW. The power generated will be sold under a sales contract over a total term of 40 years.

A project is underway to increase the **Buckingham** hydroelectric power station's current capacity of 10 MW. The project consists in replacing some turbines to reach 20 MW. It will require minor changes to the structure and will have no impact on water levels upstream or downstream. The public information session held as part of the process established by the Bureau d'audience publique sur l'environnement ("BAPE") took place in June 2017. In light of the typical waiting time for obtaining the order in council and required authorizations, work is scheduled to begin in 2018, at which time the project will be added to the *Growth path*. If the project proceeds, the plant is also expected to operate in the first two quarters of 2018 only to allow for major work to be done to increase the power output.

The Corporation continues to explore business opportunities, including acquiring facilities to drive hydroelectric power segment growth in its existing markets to leverage operational synergies. The Corporation brings its skilled team and lengthy hydroelectric experience to bear in pursuit of this goal. It should also be noted that its high-quality, geographically diversified hydroelectric facilities generate solid profit margins and significant cash flows, owing in particular to a balanced profile that mitigates the impact of certain variables, such as weather conditions, water flow, U.S. open selling sales prices and exchange rates for the U.S. and Canadian currencies.

Thermal

While thermal power is not a preferred development target under Boralex's growth strategy, the Corporation is keeping a watch for business opportunities that could arise in the sector, provided the assets are covered by long-term energy sales and raw material supply contracts, and are in line with Boralex's market position and performance objectives.

The Corporation is interested, in particular, in new green and renewable energy production technologies based on forest biomass. For example, in 2014, the Corporation acquired an interest in Cellufuel in Nova Scotia, Canada, which is developing a technology to produce renewable synthetic diesel fuel from wood fibre.

In April 2017, further to the energy policy launched in 2016, the Government of Québec announced several measures in its action plan specifically aimed at renewable fuel and biofuel production within the province. In response, Cellufuel, an equity investee of Boralex, recently opted to repatriate its operations to Québec to take advantage of its conducive conditions, while moving closer to the locations where the raw material is located (forest and sawmill residues) as well as the expertise of the Université de Sherbrooke's Industrial Research Chair in Cellulosic Ethanol and Biocommodities.

Under an agreement with Hydro-Québec, renewed until 2027, the **Senneterre** power station in Québec generates electricity eight months of the year (December to March, then June to September). This agreement provides for financial compensation to maintain profitability akin to prior-year performance.

Solar

The solar power industry has experienced remarkable technological advances in recent years, which has resulted in significantly more attractive productivity and profitability, potentially leading to greater use of this clean and abundant source of energy. This is why Boralex continues to deploy the necessary resources to capitalize on this industry's growth potential, particularly in France where the Corporation holds the rights to a number of development projects.

The Corporation is leveraging its existing facilities to strengthen its expertise in this area. Its three solar energy facilities – two in France, known as **Avignonet-Lauragais** (5 MW) and **Les Cigarettes** (10 MW), and one in Ontario, namely **Vaughan** (under 1 MW), continue to generate results consistent with expectations.

Summary of projects in development stage

Within the extensive pipeline of projects recently acquired or launched by the Corporation, primarily in the wind power segment, the projects listed below are in the advanced development stage and are to be commissioning by the end of 2019. As discussed in *Commitments and contingencies* in section III - Other elements of this MD&A and the *Commitments and contingencies* note to the consolidated financial statements, the commissioning of the 51 MW **Moulins du Lohan** wind project has been postponed and will be revisited when the appeal decision of the judgment that cancelled the permits is rendered.

Project name	Net capacity (MW)	Segment/country	Energy contract term/client	Ownership (%)	Commissioning	Total project investment ⁽¹⁾⁽³⁾	Estimated annual EBITDA ⁽³⁾
Moose Lake	15	Wind/Canada	40 years/BC Hydro	70	2 nd half of 2018	\$61 million	\$5 million
Yellow Falls	16	Hydro/Canada	40 years/IESO ⁽²⁾	100	2 nd half of 2018	\$96 million	\$7 million
Le Pelon	10	Wind/France	15 years/EDF	100	2 nd half of 2018	\$24 million	\$3 million
Hauts de Comble	20	Wind/France	15 years/EDF	100	2 nd half of 2018	\$51 million	\$7 million
Inter Deux Bos	33	Wind/France	15 years/EDF	100	2 nd half of 2018	\$77 million	\$9 million
Côteaux du Blaiseron	26	Wind/France	15 years/EDF	100	2 nd half of 2018	\$47 million	\$5 million
Sources de l'Ancre	23	Wind/France	15 years/EDF	100	1 st half of 2019	\$52 million	\$6 million
Seuil du Cambrésis	20	Wind/France	15 years/EDF	100	2 nd half of 2019	\$53 million	\$6 million
Basse Thiérache Nord	20	Wind/France	15 years/EDF	100	2 nd half of 2019	\$46 million	\$5 million
Otter Creek	50	Wind/Canada	20 years/IESO	64	2 nd half of 2019	\$148 million	\$14 million

⁽¹⁾ These amounts are estimated as of the date of this MD&A. However, actual results may differ from these estimates.

⁽²⁾ The total 40-year contract includes four renewal options, each for a five-year period, at Boralex's discretion.

⁽³⁾ See *Notice concerning forward-looking statements*.

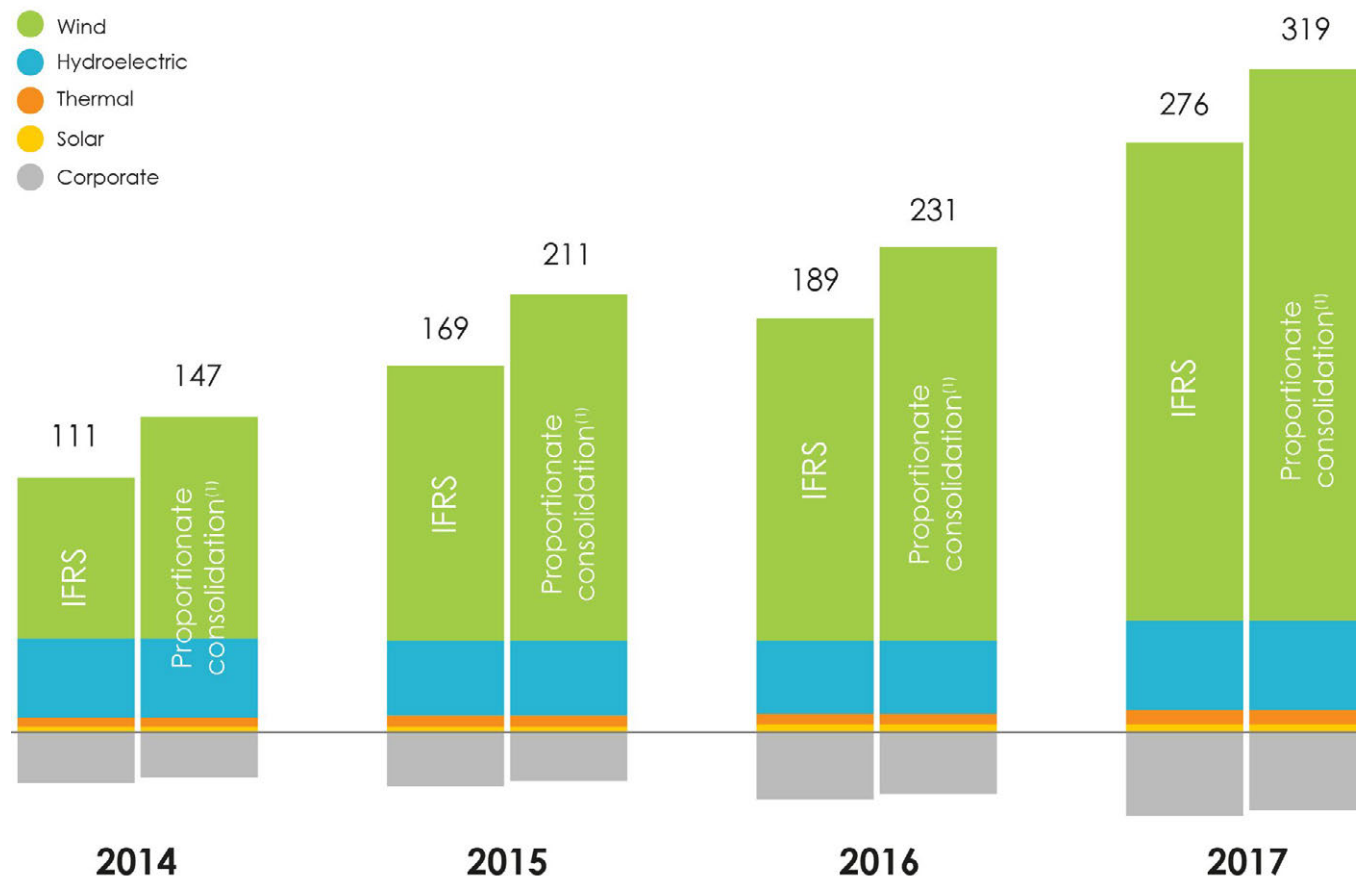
Overall, planned residual investments ranging from \$460 million to \$470 million.

Growth outlook

As shown in the *Growth path* chart above and the following *Historical data* chart, Boralex's outlook is closely linked to prospects in the wind power segment, given its dominant position in the Corporation's current energy portfolio and the strong growth potential of its project pipeline. Since the beginning of 2014, the Corporation has generated sustained and strong EBITDA(A) growth, driven essentially by the significant development of its wind power assets, and supported by its healthy and flexible financial position and the expertise of its teams. Following the **NRWF** acquisition, Boralex management raised its growth targets for fiscal 2017 to 2020, including its objective for total installed capacity, now set at **2,000 MW** by the end of 2020.

Historical data

BAIIA(A) (in millions of Canadian dollars)



⁽¹⁾ See Reconciliations between IFRS and proportionate consolidation in the 2017 and previous Annual Reports.

Target run rate

As mentioned in the previous quarters, the \$375 million target run rate for 2017 represented the estimated EBITDA(A) amount that would be generated by all of its operating facilities for the year and does not reflect EBITDA for 2017. Assumptions used to estimate the target run rate were: (a) the facilities have been operating on an annualized basis, and (b) production and operating expenses are in line with long-term expectations. In determining the run rate, which is an indicator of operating results forecasts over a given period, management does not take into account actual commissioning dates, changes in production or non-recurring items that occurred during the benchmark year. Apart from the difference resulting from the use of a twelve-month pro-forma for sites commissioned during the year, achievement of the target run rate is subject to all risk and uncertainty factors listed in section III - Other elements of this MD&A as well as in Boralex's most recent Annual Report. See also section Notice concerning forward-looking statements for more information on the assumptions, risks and uncertainties related to this target run rate. Actual performance for the year may not necessarily be comparable with the target for all of the previously described items.

2018-2019 Outlook: Disciplined and profitable growth

During the 2017 fiscal year, with the acquisition of **NRWF** and the commissioning of the **Plateau de Savernat II, Voie des Monts, Mont de Bagny, Artois** and **Chemin de Grès** wind farms in France, Boralex's installed capacity grew by 321 MW, resulting in a significant increase in operating results. Taking into account the assets to be commissioned in 2018 and 2019, for a total of 233 MW, the Corporation will need 310 MW to meet its target of 2,000 MW set for 2020, which represents 37% growth in its current installed capacity. To close this 310 MW gap, the Corporation has several growth options, such as a portfolio of projects in France, some of which are at an advanced stage of development, combined with and actions taken by Boralex and opportunities that can materialize at any time.

In light of facilities to be commissioned in 2018 and 2019, for a total of 233 MW, management has set the following annual EBITDA target ("target run rate") ranging from \$405 million to \$425 million under proportionate consolidation (\$360 million to \$380 million under IFRS).

This target run rate takes into account the previous target forecasted at the end of 2017, namely \$375 million on an annualized basis in which all assets are in operation at fiscal year-end.

The target run rate also takes into account forecasts regarding development costs, administrative expenses and the business environment the Corporation is exposed to.

To support execution of its various projects and drive shareholder value, Boralex enjoys a solid financial position strengthened by:

- Refinancing and increasing of the revolving credit facility to \$460 million;
- Significant cash flows generated by operations;
- Protection against interest rate fluctuations as a result of the use of interest rate swaps or fixed-rate debt instruments, combined with effective matching of debt terms and energy sales contracts.

Priority objective: Creating value

Boralex's ultimate goal is to create growing and sustainable economic value for its shareholders as well as for other stakeholders including its employees, partners and the communities in which it operates. Boralex will continue to create value by providing the strategic, operating and financial conditions for growth in cash flows per share. This will enable it to ensure the Corporation's sustainability and development, continue expansion, support its dividend policy, promote share price growth and ensure permanent access to the capital markets under the most favourable conditions possible.

In line with these objectives, the Corporation prioritizes the addition of facilities in operation or projects covered by long-term energy sales contracts to secure significant and more stable cash flows, primarily in the wind, solar and hydroelectric power segments, while keeping an eye out for new technologies.

Seasonal factors

(in millions of Canadian dollars, unless otherwise specified)	Three-month periods ended				Year ended
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	December 31, 2017
POWER PRODUCTION (GWh)					
Wind power stations	655	488	385	676	2,204
Hydroelectric power stations	173	231	166	159	729
Thermal power stations	77	18	47	31	173
Solar power stations	4	7	7	5	23
	909	744	605	871	3,129
REVENUES FROM ENERGY SALES					
Wind power stations	88	68	52	107	315
Hydroelectric power stations	17	19	15	14	65
Thermal power stations	13	3	5	7	28
Solar power stations	1	2	2	1	6
	119	92	74	129	414
EBITDA(A)					
Wind power stations	77	53	36	95	261
Hydroelectric power stations	13	15	11	10	49
Thermal power stations	6	(1)	1	2	8
Solar power stations	1	1	1	1	4
	97	68	49	108	322
Corporate and eliminations	(10)	(11)	(10)	(15)	(46)
	87	57	39	93	276
NET EARNINGS (LOSS)	15	(7)	(26)	28	10
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX	15	(2)	(17)	26	22
NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – BASIC	\$0.21	(\$0.03)	(\$0.23)	\$0.34	\$0.29
NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – DILUTED	\$0.21	(\$0.03)	(\$0.23)	\$0.32	\$0.29
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES	54	38	36	19	145
CASH FLOWS FROM OPERATIONS⁽¹⁾	58	44	24	69	195
Weighted average number of shares outstanding – basic	74,025,928	75,874,562	75,991,810	76,174,741	75,436,036

⁽¹⁾ See the *Non-IFRS measures* section.

Seasonal factors

(in millions of Canadian dollars, unless otherwise specified)	Three-month periods ended				Year ended
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	December 31, 2016
POWER PRODUCTION (GWh)					
Wind power stations	581	356	269	418	1,624
Hydroelectric power stations	171	191	130	140	632
Thermal power stations	65	12	52	34	163
Solar power stations	4	7	7	4	22
	821	566	458	596	2,441
REVENUES FROM ENERGY SALES					
Wind power stations	78	46	35	54	212
Hydroelectric power stations	17	15	12	12	57
Thermal power stations	10	2	5	7	25
Solar power stations	1	2	2	1	5
	106	65	54	74	299
EBITDA(A)					
Wind power stations	71	35	24	46	176
Hydroelectric power stations	13	11	8	9	40
Thermal power stations	4	(1)	1	1	6
Solar power stations	1	1	1	1	4
	89	46	34	57	226
Corporate and eliminations	(9)	(8)	(9)	(10)	(37)
	80	38	25	47	189
NET EARNINGS (LOSS)	23	(7)	(10)	(4)	2
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX	21	(7)	(10)	(5)	(2)
NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – BASIC	\$0.32	(\$0.11)	(\$0.16)	(\$0.07)	(\$0.03)
NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – DILUTED	\$0.30	(\$0.11)	(\$0.16)	(\$0.07)	(\$0.03)
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES	76	29	12	29	148
CASH FLOWS FROM OPERATIONS⁽¹⁾	60	27	13	28	128
Weighted average number of shares outstanding – basic	65,032,645	65,200,423	65,263,335	65,297,899	65,199,024

⁽¹⁾ See the Non-IFRS measures section.

The Corporation's operations and results are partly subject to seasonal cycles and other cyclical factors that vary by segment. Since nearly all of Boralex facilities have long-term indexed fixed-price energy sales contracts, seasonal cycles mainly affect the total volume of power generated by the Corporation.

Operating volumes at Boralex facilities are influenced by the following seasonal factors, depending on their specific power generation method.

Wind

For the wind power assets in operation in which Boralex's share totalled 1,237 MW, wind conditions both in France and Canada are usually more favourable in the winter, which falls during Boralex's first and fourth quarters. However, in winter there is a greater risk of lower production caused by weather conditions, such as icing. In general, management estimates the breakdown of wind power segment production at approximately 60% for the first and fourth quarters and 40% for the second and third quarters.

With the wind farms slated for commissioning on the *Growth path* by the end of 2019, adding 217 MW to the wind power segment's installed capacity, it is expected that a growing portion of the Corporation's revenues will be generated in the first and fourth quarters of the coming years.

Hydroelectric

Boralex's hydroelectric assets will total 172 MW of installed capacity with the commissioning of the Yellow Falls project expected in the second half of 2018. The amount of power generated depends on water flow, which in Canada and the Northeastern United States is typically at a maximum in spring and high in the fall, corresponding to Boralex's second and fourth quarters. Historically, water flow tends to decrease in winter and summer. However, over a long-term horizon, there may be variations from year to year due to short-term weather conditions. In general, management estimates the breakdown of annual hydroelectric power generated at approximately 60% for the second and fourth quarters and 40% for the first and third quarters. Note that apart from four hydroelectric power stations whose water flow is regulated upstream and is not under the Corporation's control, Boralex's other hydroelectric facilities do not have reservoirs that would permit water flow regulation during the year.

Thermal

Boralex operates two thermal power stations with an aggregate 47 MW of installed capacity. The Senneterre power station in Québec, Canada is fuelled by wood residue and is covered by an energy sales contract with Hydro-Québec expiring in 2027. The Corporation has entered into an agreement with Hydro-Québec which stipulates that until contract expiry, the Senneterre power station is limited to producing electricity eight months per year, from December to March and from June to September. During the term of this agreement, the Senneterre power station will receive financial compensation from Hydro-Québec, allowing Boralex to expect relatively stable profitability from year to year.

Boralex also operates a natural gas power station in Blendecques, France. For the past several years, due to specific market conditions, this cogeneration plant produces electricity five months of the year, from November to March, which represents all of Boralex's first quarter and part of its fourth quarter. During the electricity production shutdown period, steam intended for an industrial client is produced using an auxiliary boiler. Given that electricity selling prices are tied to natural gas prices, they are also exposed to some volatility. However, any change in natural gas prices impacts the cost of this raw material which in turn offsets to a large extent the volatility of results.

Solar

The solar power facilities representing an installed capacity of 16 MW are all covered by long-term energy sales contracts. They benefit from sunlight conditions that are typically more favourable in the spring and summer, which occur in Boralex's second and third quarters. In view of these weather conditions, management estimates that approximately 65% of the annual solar power production will be generated in the second and third quarters.

Selected annual information

Operating results data

(in millions of Canadian dollars, unless otherwise specified)	Years ended December 31,		
	2017	2016	2015
POWER PRODUCTION (GWh)	3,129	2,441	2,186
REVENUES FROM ENERGY SALES	414	299	266
EBITDA(A)	276	189	169
NET EARNINGS (LOSS)	10	2	(8)
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX	22	(2)	(11)
NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – BASIC AND DILUTED	\$0.29	(\$0.03)	(\$0.21)
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES	145	148	114
CASH FLOWS FROM OPERATIONS⁽¹⁾	195	128	128
DIVIDENDS PAID ON COMMON SHARES	46	36	27
DIVIDENDS PAID PER COMMON SHARE⁽¹⁾	\$0.60	\$0.55	\$0.52
Weighted average number of shares outstanding – basic	75,436,036	65,199,024	52,364,710

Statement of financial position data

(in millions of Canadian dollars, unless otherwise specified)	As at December 31, 2017	As at December 31, 2016	As at December 31, 2015
	2017	2016	2015
Total cash, including restricted cash	150	293	103
Property, plant and equipment	2,621	1,668	1,556
Total assets	3,926	2,702	2,449
Subscription receipts	—	173	—
Debt, including non-current debt and current portion of debt	2,642	1,540	1,421
Liability component of convertible debentures	137	135	133
Total liabilities	3,197	2,188	1,890
Total equity	729	514	559
Net debt to market capitalization ratio ⁽¹⁾ (%)	56	50	55

⁽¹⁾ See the *Non-IFRS measures* section.

Financial highlights

(in millions of Canadian dollars, unless otherwise specified)	Three-month periods ended December 31		Years ended December 31	
	2017	2016	2017	2016
POWER PRODUCTION (GWh)				
Wind power stations	676	418	2,204	1,624
Hydroelectric power stations	159	140	729	632
Thermal power stations	31	34	173	163
Solar power stations	5	4	23	22
	871	596	3,129	2,441
REVENUES FROM ENERGY SALES				
Wind power stations	107	54	315	212
Hydroelectric power stations	14	12	65	57
Thermal power stations	7	7	28	25
Solar power stations	1	1	6	5
	129	74	414	299
EBITDA(A)				
Wind power stations	95	46	261	176
Hydroelectric power stations	10	9	49	40
Thermal power stations	2	1	8	6
Solar power stations	1	1	4	4
	108	57	322	226
Corporate and eliminations	(15)	(10)	(46)	(37)
	93	47	276	189
NET EARNINGS (LOSS)	28	(4)	10	2
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX	26	(5)	22	(2)
NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – BASIC	\$0.34	(\$0.07)	\$0.29	(\$0.03)
NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – DILUTED	\$0.32	(\$0.07)	\$0.29	(\$0.03)
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES	19	29	145	148
CASH FLOWS FROM OPERATIONS⁽¹⁾	69	28	195	128
DIVIDENDS PAID ON COMMON SHARES	11	9	46	36
DIVIDENDS PAID PER COMMON SHARE⁽¹⁾	\$0.15	\$0.14	\$0.60	\$0.55
Weighted average number of shares outstanding – basic	76,174,741	65,297,899	75,436,036	65,199,024

⁽¹⁾ See the *Non-IFRS measures* section.

Analysis of consolidated operating results for the three-month period ended December 31, 2017

A 46% increase in power generation compared with the fourth quarter of 2016, mainly due to contributions from assets acquired and commissioned over the past year, as well as improved performance at hydroelectric power stations in the US and wind farms in France and Canada.

Main differences in revenues from energy sales and EBITDA(A)

(in millions of Canadian dollars)	Revenues from energy sales	EBITDA(A)
THREE-MONTH PERIOD ENDED DECEMBER 31, 2016	74	47
Acquisitions/commissioning ⁽¹⁾	37	33
Volume	16	16
Foreign exchange effect	1	1
Development	—	(3)
Share of the Joint Ventures	—	3
Other	1	(4)
Change	55	46
THREE-MONTH PERIOD ENDED DECEMBER 31, 2017	129	93

⁽¹⁾ Addition of 347 MW in 2016 and 2017. For greater detail, see the Commissioning overview for the past three years table in section I - Growth strategy of this MD&A.

Revenues from energy sales

For the three-month period ended December 31, 2017, revenues from energy sales totalled \$129 million, up \$55 million or 73% compared with the results of the corresponding quarter of 2016. The increase resulted primarily from expansion of Boralex's operating base through the acquisition and commissioning of wind farms. This \$37 million increase resulted in large part from the \$32 million contribution from NRW in Ontario. There was also a \$16 million favourable volume difference compared with the fourth quarter of 2016, reflecting improved wind conditions for existing wind farms in France and Canada, as well as higher water flow conditions for the hydroelectric power stations in the Northeastern United States.

The **wind** power segment remains the Corporation's main growth driver, with revenues up 98% due to contributions from assets acquired and commissioned over the past year and the positive performance of existing wind farms in France and Canada. It should be kept in mind that the weather conditions in France were rather difficult in the fourth quarter of 2016. Overall, the wind power segment accounted for 83% of consolidated revenues in the fourth quarter of 2017.

The other three segments also posted revenue growth. Compared with the fourth quarter of 2016:

- **Hydroelectric** power segment revenues rose 11% to \$14 million, representing 11% of consolidated revenues for the last quarter. This increase was fueled by a 32% increase in production at the U.S. power stations, while Canadian power stations recorded a slight decline.
- **Thermal** power segment revenues grew 2% to \$7 million for the fourth quarter of 2017, representing 5% of consolidated revenues.
- **Solar** power segment revenues totalled \$1 million, up 3%.

In all, Boralex produced 871 GWh of electricity in the fourth quarter of 2017 (excluding its share of the production of the Joint Ventures), up 46% compared with the same period of 2016. Excluding contributions from the assets acquired or commissioned in fiscal 2017 and 2016, production at existing facilities was up 20%. This improvement was driven by wind farms in Canada and France, all of which experienced better conditions in the last quarter, and to a lesser extent, by hydroelectric power stations in the United States.

EBITDA(A) and EBITDA(A) margin

Consolidated EBITDA(A) for the fourth quarter of 2017 totalled \$93 million, up \$46 million or 100% compared with the same quarter of 2017 and 2016. This increase was primarily due to the same factors that favourably impacted revenues. A further boost stemmed from a \$3 million increase in Boralex's share in the results of Joint Ventures. These improvements were partially offset by a \$3 million increase in development and prospecting costs, primarily in France and the United Kingdom, and by a \$4 million increase in miscellaneous expenses, such as professional fees and an increase in administrative payroll as a result of the Corporation's growth.

The **wind** power segment accounted for 89% of consolidated EBITDA(A) in the fourth quarter of 2017 (before the corporate segment and eliminations). Segment EBITDA(A) rose 111%, contributing \$49 million more to consolidated EBITDA(A) than in the fourth quarter of 2016.

The Corporation's three other segments also posted EBITDA(A) growth. Compared with the fourth quarter of 2016:

- **Hydroelectric** power segment EBITDA(A) grew 14% to \$10 million, due mainly to positive performance at the U.S. power stations.
- The **thermal** power stations recorded EBITDA(A) of \$2 million, up 27%.
- **Solar** power segment EBITDA(A) grew 2% to \$1 million.

With these results, EBITDA(A) margin as a percentage of revenues improved significantly to 72% in the fourth quarter of 2017 from 63% a year earlier.

Main changes in net earnings (loss) attributable to shareholders of Boralex

(in millions of Canadian dollars)

THREE-MONTH PERIOD ENDED DECEMBER 31, 2016	(5)
EBITDA(A)	46
Excess of distributions received over the share in net earnings of the Joint Ventures in 2016	9
Amortization	(17)
Financing costs	(5)
Foreign exchange losses and gains	(1)
Financial instruments	(1)
Income taxes	(1)
Non-controlling shareholders	(1)
Other gains and losses	2
Change	31
THREE-MONTH PERIOD ENDED DECEMBER 31, 2017	26

Excess distributions received

A \$9 million favourable difference resulted from the reversal of an excess of distributions received over the share in net earnings of the Joint Ventures recognized in the fourth quarter of 2016. Note that, under IFRS, if Boralex's interest in a joint venture becomes negative following the payment of distributions, the carrying amount of such interest is reduced to zero and the adjustment is recorded under *Excess of distributions received over the share in net earnings*. Subsequently, if the carrying amount of the interest becomes positive again, the adjustment then has to be reversed up to the cumulative amount previously recorded as an excess amount, which is what happened in the last two quarters of 2016.

Amortization

Amortization expense for the fourth quarter of 2017 was up \$17 million to \$46 million, owing to assets acquired and commissioned since the end of the year. The acquisition of the NRWF facility in Ontario early in the fiscal year accounted for most of this increase.

Financing costs

Financing costs for the fourth quarter of 2017 rose \$5 million to \$27 million, owing primarily to the financing arrangements made and the debts assumed by the Corporation to acquire and commission assets over the past year, such as NRWF in January 2017.

Net earnings (loss)

For the three-month period ended December 31, 2017, Boralex recorded net earnings of \$28 million compared with a net loss of \$4 million for the same period of 2016, resulting in net earnings attributable to shareholders of Boralex of \$26 million or \$0.34 per share (basic) or \$0.32 per share (diluted), compared with a net loss of \$5 million or \$0.07 per share (basic and diluted) a year earlier. The \$2 million difference between net earnings and net earnings attributable to shareholders of Boralex resulted from the earnings attributable to all non-controlling shareholders.

The \$31 million or \$0.41 per share (basic) or \$0.39 (diluted) improvement in net earnings attributable to shareholders of Boralex compared with the fourth quarter of 2016 resulted from the items discussed above and is summarized in the table above.

The \$46 million increase in EBITDA(A) was partially offset by a \$22 million increase in amortization expense and financial costs owing to expansion in the Corporation's operating base over the past year. It is also worth noting that the Corporation recorded a total gain of \$12 million related to income tax changes in the U.S. (\$10 million), following a reduction in the tax rate from 35% to 21% between 2017 and 2018, and in France (\$2 million) following the reduction in the tax rate from 28% to 26,5% for 2021 and 25% for 2022.

Analysis of consolidated operating results for the year ended December 31, 2017

A 28% increase in energy production compared with fiscal 2016, largely driven by contributions from assets acquired and commissioned since 2016.

Main differences in revenues from energy sales and EBITDA(A)

(in millions of Canadian dollars)	Revenues from energy sales	EBITDA(A)
YEAR ENDED DECEMBER 31, 2016	299	189
Acquisitions/commissioning ⁽¹⁾	98	81
Pricing	2	2
Volume	16	16
Raw material costs	—	(1)
Foreign exchange effect	(3)	(2)
Share of the Joint Ventures	—	2
Temporary halt – Moulins du Lohan	—	(1)
Development	—	(3)
Other	2	(7)
Change	115	87
YEAR ENDED DECEMBER 31, 2017	414	276

⁽¹⁾ Addition of 361 MW in 2016 and 2017. For greater detail, see the Commissioning overview for the past three years table in section I - Growth strategy of this MD&A.

Revenues from energy sales

For the year ended December 31, 2017, revenues from energy sales grew \$115 million or 38% to \$414 million, compared with the previous year. As shown in the table above, revenue growth was fuelled by an additional \$98 million in revenues resulting in large part from the NRWF acquisition (\$84 million) early in 2017, the commissioning of Port Ryerse (\$4 million) and the commissioning of wind farms in France, such as Mont de Bagny and Voie des Monts. Growth was further driven by favourable price and volume effects of \$2 million and \$16 million, respectively, related mainly to the U.S. hydroelectric power stations (\$10 million) and French and Canadian wind farms. The combined effect of these factors largely offset the \$3 million negative impact resulting primarily from the Canadian dollar's strengthening against the euro and the U.S. dollar.

In all, Boralex produced 3,129 GWh of electricity in fiscal 2017 (excluding its share of the production of the Joint Ventures), up 28% from 2,441 GWh for the previous year. Excluding contributions from assets acquired or commissioned, production at existing facilities was up 6% from last year. The positive performance of the U.S. hydroelectric power stations from the second quarter of 2017 onward, as well as favourable wind conditions for French wind farms during the second half of the year, helped offset the decline in Canadian production early in the fiscal year.

EBITDA(A) and EBITDA(A) margin

For fiscal 2017, consolidated EBITDA(A) totalled \$276 million, up \$87 million or 46% compared with the previous year, while EBITDA(A) margin as a percentage of revenues rose to 67% from 63% a year earlier.

EBITDA(A) growth was fuelled in large part by an additional \$81 million in EBITDA(A) from expansion in the operating base during the fiscal year. Favourable production volume and price effects of \$16 million and \$2 million, respectively, and a \$2 million increase in Boralex's share in the results of the Joint Ventures were additional factors.

Taken together, these increases largely offset the \$3 million increase in development costs, mainly related to projects in Europe and development in Alberta. In addition, owing to strong growth in our asset base, expenses related to various items were up \$7 million, including professional fees (\$3 million) and operating and administrative payroll (\$4 million). Also of note was the \$1 million in expenses to secure and halt work the Moulins du Lohan project construction site subsequent to the temporary halt in work, plus a \$2 million unfavourable impact of exchange rate fluctuations and a \$1 million increase in raw material costs.

Main changes in net earnings (loss) attributable to shareholders of Boralex

(in millions of Canadian dollars)

YEAR ENDED DECEMBER 31, 2016	(2)
EBITDA(A)	87
Amortization	(56)
Financing costs	(28)
Foreign exchange gains and losses	(1)
Financial instruments	3
Income taxes	1
Non-controlling shareholders	16
Other gains	2
Change	24
YEAR ENDED DECEMBER 31, 2017	22

Amortization

During fiscal 2017, amortization expense rose \$56 million to \$172 million compared with the previous year, with substantially all this change attributable to the NRWF acquisition and the wind farms commissioned.

Financing costs and net loss on financial instruments

During fiscal 2017, financing costs increased \$28 million to \$104 million compared with the previous year. The increase resulted mainly from the new financing contracted and debt assumed by the Corporation, including the debt related to the NRWF facility.

In addition, the Corporation recorded a \$1 million net loss on financial instruments, a significant \$3 million improvement compared with a \$4 million net loss in fiscal 2016. In fiscal 2016, *Net loss on financial instruments* included amounts related to the change in fair value of certain financial instruments not designated for hedge accounting purposes and amounts related to the ineffective portion of certain designated financial instruments. This loss was associated with unrealized amounts and does not reflect a cash outlay for the Corporation during that period. Although all of the financial instruments designated as hedges by Boralex are highly effective, they include a small ineffective portion.

Net earnings (loss)

For fiscal 2017, Boralex recorded net earnings of \$10 million compared with \$2 million a year earlier. As a result, net earnings attributable to shareholders of Boralex amounted to \$22 million or \$0.29 per share (basic and diluted), compared with a net loss attributable to shareholders of Boralex of \$2 million or \$0.03 per share (basic and diluted) a year earlier. The \$12 million difference between the net earnings for fiscal 2017 and the net earnings attributable to shareholders of Boralex resulted from a net loss attributed to non-controlling shareholders.

The \$24 million or \$0.32 per share (basic and diluted) favourable difference in net earnings attributable to shareholder of Boralex compared with fiscal 2016 resulted from the items discussed above and is summarized in the table above. It should also be noted that the Corporation recorded a total gain of \$12 million related to future tax rate changes in the U.S. (\$10 million) and France (\$2 million).

Review of operating segments for the year ended December 31, 2017

Wind

The main business segment of the Corporation, wind power, accounted for 70% of energy production in fiscal 2017.

The main differences in revenues from energy sales and EBITDA(A) are as follows:

Main differences in wind power segment revenues from energy sales and EBITDA(A)

(in millions of Canadian dollars)	Revenues from energy sales	EBITDA(A)
YEAR ENDED DECEMBER 31, 2016	212	176
Acquisitions/commissioning ⁽¹⁾	98	81
Volume	6	6
Foreign exchange effect	(2)	(2)
Temporary halt – Moulins du Lohan	—	(1)
Share of the Joint Ventures	—	2
Development	—	(2)
Other	1	1
Change	103	85
YEAR ENDED DECEMBER 31, 2017	315	261

⁽¹⁾ Addition of 361 MW in 2016 and 2017. For greater detail, see the *Commissioning overview for the past three years* table in section I - Growth strategy of this MD&A.

Recent and anticipated statistical data concerning wind power segment production

Wind production (GWh)	Years ended December 31				
	Actual		Change		
	2017	2016	Anticipated production ⁽¹⁾	vs. 2016	vs. anticipated production
Canada	1,097	609	1,286	+ 80%	- 15%
France	1,107	1,015	1,239	+ 9%	- 11%
	2,204	1,624	2,525	+ 36%	- 13%

⁽¹⁾ Anticipated production is calculated using historical averages and realized wind forecasts. See *Notice concerning forward-looking statements*.

⁽²⁾ Taking into account the Joint Ventures contribution, wind power production would be 1,796 GWh in Canada, 1,239 GWh in France and 3,035 GWh overall.

Production

In fiscal 2017, wind power production totalled 2,204 GWh (excluding the contribution of the Joint Ventures), up 36% from 1,624 GWh for the previous year. This growth was driven primarily by contributions from assets acquired or commissioned in Canada and France since 2016 with a total installed capacity of 361 MW. For existing facilities, production volume growth stood at 2%, reflecting weather conditions in France and Canada, which averaged slightly better than in 2016.

Broken down geographically, changes in production were as follows:

- In France, unfavourable weather conditions prevailed throughout the first two quarters, followed by a significant improvement for the rest of the year. As a result, production volumes at existing wind farms for fiscal 2017 as a whole were slightly higher than for the previous year. However, due to the commissioning of the Touvent, Plateau de Savernat I and II, Voie des Monts, Monts de Bagny, Artois and Chemin de Grès wind farms, totalling 117 MW, wind power segment production volume in France rose 9% to 1,107 GWh in fiscal 2017, compared with last year.
- In Canada, all existing wind farms (excluding the Joint Ventures) performed better in 2017 as a whole compared with 2016, with production volume up 5%; in fact, the positive performance in the first six months and last quarter of the year was partially offset by the impact of less favourable weather conditions in the third quarter. Taking into account the assets acquired and commissioned, wind power segment production in Canada was up 80%, mainly as a result of NRWF's 73-day contribution in the first quarter and all subsequent quarters, combined with the contribution from the Port Ryerse and Oldman wind farms, which together with NRWF have an installed capacity of 244 MW. In all, production at Canadian wind farms (excluding the share of the Joint Ventures) amounted to 1,097 GWh.

Note however that the NRWF experienced a power limitation imposed by IESO during the first and second quarters, which resulted in an \$8 million shortfall for the fiscal year as a whole.

In addition, in the third and fourth quarters, capacity limitations were also imposed, but compensation was received for them. We estimate the shortfall at 89 GWh and the compensation received at \$15 million. This amount was included under *Acquisitions/commissioning* of the *Main differences* table.

Revenues from energy sales

Wind power segment revenues for fiscal 2017 totalled \$315 million, up \$103 million or 48% from fiscal 2016 (excluding the contribution of the Joint Ventures). This growth was attributable to the \$98 million contribution from assets acquired or commissioned, plus \$6 million in favourable production volume differences.

Broken down geographically, for fiscal 2017, 54% of wind power segment revenues were generated in Canada (excluding the Joint Ventures) and 46% in France, compared with 37% and 63%, respectively, in 2016. This reversal resulted primarily from the NRWF acquisition and, to a lesser extent, from less favourable weather conditions in France during the first half of 2017, coupled with an unfavourable foreign exchange effect. Excluding the foreign exchange effect, revenues at the French wind farms were up 9%, whereas in Canada, wind farm revenues more than doubled.

EBITDA(A) and EBITDA(A) margin

For fiscal 2017, wind power segment EBITDA(A) was up \$85 million or 49% to \$261 million (excluding the contribution of the Joint Ventures). This growth was mainly driven by Boralex's expansion strategy, with \$81 million in additional EBITDA(A) generated by the new wind farms, but also by a \$2 million increase in Boralex's share in the results of the Joint Ventures and \$6 million in favourable production volume differences.

Taken together, these increases largely offset the \$2 million increase in development expenses, mainly related to projects in the United Kingdom and Alberta, the \$2 million unfavourable foreign exchange effect attributable to French wind farms, and the \$1 million in expenses to secure and halt work on the Moulins du Lohan project construction site subsequent to the temporary halt in work.

Broken down geographically, EBITDA(A) at our French operations rose 10% in euros, while EBITDA(A) at Canadian operations (excluding Joint Ventures) doubled.

EBITDA(A) margin stood at 83%, which was unchanged from fiscal 2016.

Hydroelectricity

Increase of 15% in hydroelectric power production in 2017.

Main differences in hydroelectric power segment revenues from energy sales and EBITDA(A)

(in millions of Canadian dollars)	Revenues from energy sales	EBITDA(A)
YEAR ENDED DECEMBER 31, 2016	57	40
Pricing	(1)	(1)
Volume	10	10
Foreign exchange effect	(1)	—
Change	8	9
YEAR ENDED DECEMBER 31, 2017	65	49

Recent and historical statistical data concerning hydroelectric power segment production

Hydroelectric production (GWh)	Years ended December 31				
	Actual		Change		
	2017	2016	Historical average ⁽¹⁾	vs. 2016	vs. historical average
Canada	292	313	288	- 7%	+ 2%
United States	437	319	387	+ 37%	+ 13%
	729	632	675	+ 15%	+ 8%

⁽¹⁾ Historical averages are calculated using all production data available for each power station up to the end of Boralex's previous fiscal year.

Production

For fiscal 2017, hydroelectric power production was up 15% to 729 GWh, from 632 GWh a year earlier. This growth was driven by the favourable performance of the U.S. power stations, where production was up 37% owing to better water flow conditions than the previous year, whereas production at the Canadian power stations was down 7%.

Hydroelectric power segment production for fiscal 2017 as a whole was 54 GWh or 8% higher than the historical average of 675 GWh.

Revenues from energy sales

During the past year, the hydroelectric power segment generated revenues of \$65 million, up \$8 million or 15% from the previous year. This growth was fuelled mainly by favourable performance at the U.S. power stations, which experienced better water flow conditions than in 2016. More specifically, revenues at the U.S. power stations were up 31%, largely offsetting the 2% decrease at the Canadian power stations. However, the favourable volume effect was partially offset by a \$1 million unfavourable price differences and a \$1 million unfavourable foreign exchange effect due to the strengthening of the Canadian dollar against the U.S. dollar.

EBITDA(A) and EBITDA(A) margin

Accordingly, hydroelectric power segment EBITDA(A) rose 21% to \$49 million for fiscal 2017 as a whole, compared with \$40 million for the previous fiscal year. This increase was fuelled by the same factors that favourably impacted revenues. EBITDA(A) at the U.S. power stations was up 47% while Canadian power stations recorded a 3% decline.

Hydroelectric power segment EBITDA(A) margin for fiscal 2017 stood at 75%, compared with 71% a year earlier.

Thermal and solar

Management remains satisfied with the performance of its thermal and solar segments. For fiscal 2017, the thermal and solar power segments posted slightly higher revenues from energy sales and EBITDA(A) than last year, except for solar power segment EBITDA(A), which remained stable. For both segments, these results point to higher energy production in 2017 than in 2016. The thermal power sector posted a significant increase in profitability as a result of tight cost control throughout the past year.

Cash flows

The change in financial position during fiscal 2017 largely reflects the NRW acquisition and Boralex's growth, which increased funds used for investing activities to \$345 million from \$258 million for the previous year.

(in millions of Canadian dollars)	Years ended December 31	
	2017	2016
Cash flows from operations ⁽¹⁾	195	128
Change in non-cash items related to operating activities	(50)	20
Net cash flows related to operating activities	145	148
Net cash flows related to investing activities	(345)	(258)
Net cash flows related to financing activities	214	114
Translation adjustment on cash and cash equivalents	1	(4)
NET CHANGE IN CASH AND CASH EQUIVALENTS	15	—
CASH AND CASH EQUIVALENTS – END OF YEAR	115	100

⁽¹⁾ See the *Non-IFRS Measures* section.

Operating activities

For fiscal 2017, cash flows from operations at Boralex rose \$67 million to \$195 million from \$128 million for fiscal 2016. Excluding non-cash items from net earnings for both periods, this increase resulted largely from \$87 million in EBITDA(A) growth as discussed previously, combined with a \$6 million decline in income taxes paid a \$2 million increase in distributions received from the Joint Ventures, partly offset by a \$26 million increase in interest paid.

The change in non-cash items related to operating activities reflected cash used in the amount of \$50 million during fiscal 2017 compared with \$20 million in cash generated a year earlier. The use of funds in fiscal 2017 resulted primarily from a \$41 million increase in *Trade and other receivables* related to favourable wind conditions, taxes receivable related to assets under construction, as well as a \$17 million increase in *Other current assets* related to deposits on equipment for assets under construction. In addition, an administrative delay this year caused the Corporation's main client in France to issue payments on January 2, 2018 instead of December 29, 2017. As a result, there were two months of sales in the French receivables in 2017 compared with the normal level of one month. These increases were partially offset by an \$8 million increase in *Trade and other payables* related to assets under construction or recently commissioned.

In light of the foregoing, operating activities generated net cash flows totalling \$145 million for fiscal 2017, which was almost unchanged from the previous year.

Investing activities

During fiscal 2017, investing activities used \$345 million in cash, compared with \$258 million in 2016.

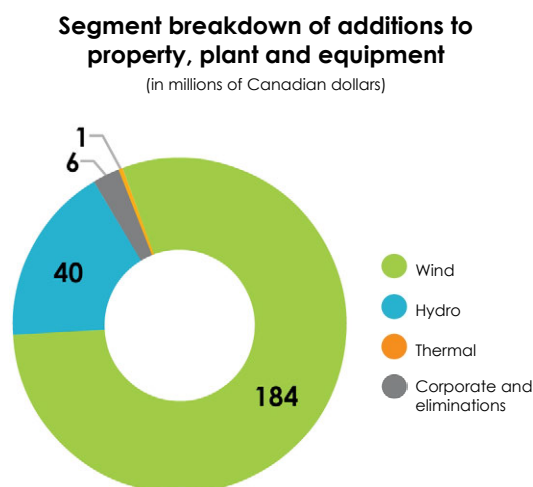
The key investment transaction for the fiscal year was the January 18, 2017 acquisition of all of Enercon's economic interest in the 230 MW NRW facility in Ontario, Canada. The transaction was entered into for a cash consideration, net of cash acquired, amounting to \$231 million. In addition, Boralex assumed \$779 million in debt related to this asset.

Note that to fund a portion of the cash consideration for the transaction, Boralex completed an offering of subscription receipts amounting to \$173 million on December 23, 2016, with the proceeds of \$170 million, net of transaction costs, set aside as restricted cash in 2016 in anticipation of the closing of the acquisition, which was used as expected on January 18, 2017, thus explaining the lion's share of the \$175 million change in restricted cash.

In addition to this acquisition, Boralex paid out \$40 million in contingent consideration in connection with Ecotera projects. The amounts paid related mainly to the Chemin de Grès, Inter Deux Bos and Basse Thiérache Nord wind farms. Additional conditional consideration amounting to \$10 million was provided for the Source de l'Ancre and Hauts de Comble projects. These outlays were reported as business acquisitions, as both projects were accounted for using the acquisition method.

During the past year, the Corporation used \$231 million in cash for additions to property, plant and equipment, including:

- \$184 million in the wind power segment, substantially all of which was for construction of various wind farms in Europe and in Canada;
- \$40 million in the hydroelectric power segment, that is \$33 million for the construction of the Yellow Falls power station in Ontario, Canada and \$4 million for the upgrade of the Buckingham power station in Québec, Canada.



Other investing activities used \$8 million in cash, primarily to advance projects under development.

Financing activities

Financing activities for fiscal 2017 generated total net cash inflows of \$214 million.

New financing arrangements and repayments on existing debt

During fiscal 2017, new non-current debt contracted by Boralex totalled \$415 million (net of \$6 million in financing costs), as follows:

- \$167 million drawn down from Boralex's revolving credit facility, mainly to finance the cash consideration required for the NRW acquisition and construction of projects whose financing is still pending;
- \$40 million for the Port Ryerse wind farm (\$31 million) and NRW (\$9 million) in Canada (100% of these facilities were drawn down as at June 30, 2017);
- \$26 million for the Moose Lake wind power project in Canada;
- \$27 million drawn down to advance the development of the Yellow Falls hydroelectric power station;
- \$161 million from financing in place for the Plateau de Savernat I and II, Mont de Bagny, Artois, Voie des Monts, Touvent and Chemin de Grès wind farms in France.

Conversely, the Corporation repaid a total of \$149 million in debt related to various assets in operation.

Refinancing of the revolving credit facility

On January 18, 2017, after announcing its acquisition of Enercon's interest in NRW, as discussed in *Significant financial transactions* in section I - *Growth strategy*, Boralex obtained a \$100 million increase in its revolving credit facility, resulting in an authorized amount of \$460 million. During the year, an amount of \$167 million was drawn down from the revolving facility, bringing the total drawn down amount to \$265 million as at December 31, 2017.

Dividends

During the year ended December 31, 2017, the Corporation paid dividends to shareholders totalling \$46 million (\$0.15 per share and per quarter) compared with \$36 million in 2016 (the equivalent of \$0.13 per share in the first quarter and \$0.14 per share in the remaining quarters).

The Corporation also paid \$8 million to non-controlling shareholders in the Côte-de-Beaupré (\$3 million), Témiscouata I (\$2 million) and Frampton (\$3 million) wind farms in operation.

Lastly, the Corporation received \$6 million on the exercise of stock options by management.

Net change in cash and cash equivalents

Total cash movements for fiscal 2017 as a whole resulted in a \$15 million increase in cash and cash equivalents to \$115 million as at December 31, 2017 from \$100 million a year earlier.

Financial position

The various long- and short-term changes in line items comprising Boralex's financial position between December 31, 2016 and 2017 resulted in large part from the NRWF acquisition on January 18, 2017.

Overview of the consolidated condensed statements of financial position

(in millions of Canadian dollars)	As at December 31, 2017			As at December 31, 2016
	IFRS	NRWF	Excluding NRWF	
ASSETS				
Cash and cash equivalents	115	5	110	100
Restricted cash	35	7	28	193
Other current assets	175	29	146	96
CURRENT ASSETS	325	41	284	389
Property, plant and equipment	2,621	766	1,855	1,668
Intangible assets	655	198	457	426
Goodwill	182	52	130	124
Interests in the Joint Ventures	24	—	24	22
Other non-current assets	119	41	78	73
NON-CURRENT ASSETS	3,601	1,057	2,544	2,313
TOTAL ASSETS	3,926	1,098	2,828	2,702
LIABILITIES				
CURRENT LIABILITIES	429	45	384	452
Non-current debt	2,418	778	1,640	1,439
Convertible debentures	137	—	137	135
Other non-current liabilities	213	53	160	162
NON-CURRENT LIABILITIES	2,768	831	1,937	1,736
TOTAL LIABILITIES	3,197	876	2,321	2,188
EQUITY				
TOTAL EQUITY	729	222	507	514
TOTAL LIABILITIES AND EQUITY	3,926	1,098	2,828	2,702

The majority of the following analyses exclude the addition of NRWF, as the changes in various financial position items resulted primarily from that event.

Assets

As at December 31, 2017, Boralex's total assets amounted to \$3,926 million, or \$2,828 million excluding NRWF, up \$126 million from total assets as at December 31, 2016, as a result of the following:

- *Current assets* decreased \$105 million owing in particular to the use of the \$170 million tranche of restricted cash earmarked for the NRWF acquisition, which closed on January 18, 2017.
- This decline was partly offset by a \$50 million increase in *Other current assets*, more specifically in *Trade and other receivables*.
- Conversely, *Non-current assets* were up \$231 million, owing primarily to:
 - A \$187 million increase in the value of property, plant and equipment (net of amortization for the period), due to construction projects, consisting primarily of Chemin de Grès, Plateau de Savernat I and II, Inter Deux Bos, Artois, Voie des Monts, Mont de Bagny and Moulins du Lohan in France, and Yellow Falls and Moose Lake in Canada.
 - A \$31 million increase in the value of intangible assets resulting primarily from the increase in the value of the energy sales contracts, owing, among other factors, to the \$40 million payment as contingent consideration in connection with the Ecotera portfolio for the Chemin de Grès, Inter Deux Bos and Basse Thiérache Nord wind farm projects.
 - An \$8 million increase in reserve funds for debt servicing in connection with the financing of Voie des Monts, Mont de Bagny, Artois and Chemin de Grès.

Current liabilities

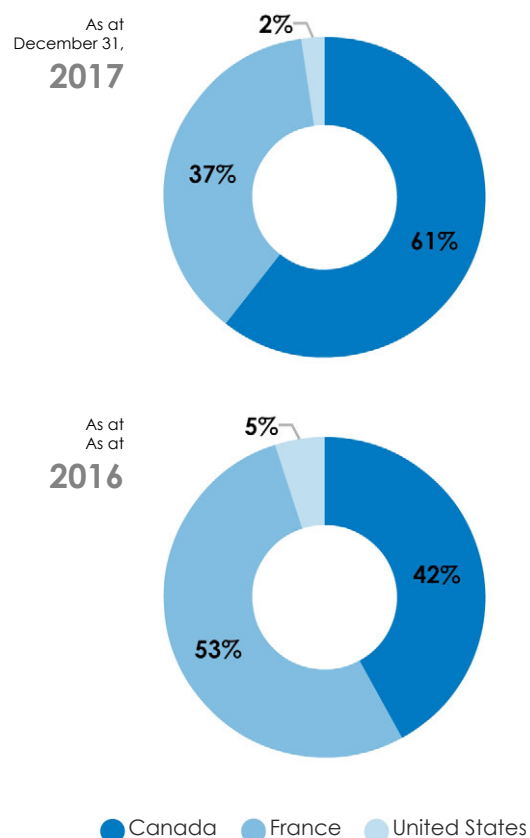
Current liabilities as at December 31, 2017 amounted to \$384 million excluding NRWF, compared with \$452 million as at December 31, 2016. The \$68 million decrease resulted from the elimination, as a liability, of the gross proceeds of \$173 million from the issuance of subscription receipts in December 2016 which were converted into capital stock on January 18, 2017. The \$90 million increase in the current portion of debt, excluding NRWF, contributed to the \$68 million change and resulted from the short-term presentation of the \$69 million France-Scotland bridge financing facility maturing in December 2018 and from new financing facilities such as for the Mont de Bagny, Voie des Monts, Artois and Chemin de Grès wind farms (\$22 million), and the increase in *Trade and other payables* resulting from sites under construction.

Non-current liabilities

Total *Non-current liabilities* grew \$201 million, owing to a \$201 million increase in *Non-current debt* (net of repayments for the period).

Also, as at December 31, 2017, Boralex had \$234 million in debt contracted but not yet drawn as well as a total amount of \$48 million under the letter of credit and revolving credit facilities.

Geographic breakdown of non-current liabilities



Equity

Total equity rose \$215 million during fiscal 2017 to \$729 million as at December 31, 2017. This increase resulted mainly from the January 18, 2017 conversion into capital stock of the \$170 million in net proceeds (net of issuance costs and taxes) from the offering of subscription receipts, as well as from Six Nations' \$47 million share of the NRW project. Equity growth also resulted from the inclusion of \$10 million in net earnings, a \$39 million gain related to other comprehensive income for fiscal 2017 as a whole, as well as dividends paid for a total amount of \$46 million to shareholders of Boralex and \$8 million in distributions to non-controlling shareholders.

Debt ratios

Net debt, as defined under *Non-IFRS measures*, amounted to \$2,519 million as at December 31, 2017 compared with \$1,442 million as at December 31, 2016.

As a result, the net debt ratio, based on market capitalization, as defined under *Non-IFRS measures*, rose to 56% as at December 31, 2017 from 50% as at December 31, 2016.

Information about the Corporation's equity

As at December 31, 2017 Boralex's capital stock consisted of 76,255,051 Class A shares issued and outstanding (65,365,911 as at December 31, 2016) owing to the following share issues:

- 10,361,500 new shares issued in connection with the public offering conducted in January 2017 in parallel with the NRW acquisition, as previously discussed;
- 527,130 shares issued on exercise of stock options held by senior executives;
- 510 new shares were issued on conversion of debentures.

There were 689,223 outstanding stock options as at December 31, 2017, of which 511,598 were exercisable.

As at December 31, 2017, Boralex had 1,437,400 issued and outstanding convertible debentures (1,437,500 as at December 31, 2016).

Between January 1 and March 1, 2018, no new shares were issued in connection with the exercise of options and 459 shares were issued following the conversion of debentures.

Related party transactions

The Corporation has entered into a management agreement with R.S.P. Énergie Inc., an entity in which Richard and Patrick Lemaire, directors of the Corporation, are two of three shareholders. For the twelve-month period ended December 31, 2017, revenues from this agreement amounted to \$1 million.

The Corporation has an office lease contract with Ivanhoé Cambridge, an entity in which the Caisse de dépôt et placement du Québec holds an interest as well. No transactions were recorded as at December 31, 2017.

Transactions with the Joint Ventures

Joint Venture Phase I

For the twelve-month period ended December 31, 2017, Joint Venture Phase I reported net earnings of \$16 million (\$13 million in 2016), with Boralex's share amounting to \$8 million (\$7 million in 2016). Amortization of the unrealized loss on financial instruments generated an expense of \$2 million (\$3 million in 2016). Accordingly, for the period, the Corporation's *Share in earnings of the Joint Venture Phase I* amounted to \$6 million (\$4 million in 2016).

Joint Venture Phase II

For the twelve-month period ended December 31, 2017, Joint Venture Phase II reported net earnings of \$3 million (\$2 million in 2016), with Boralex's share being \$1 million (approximately \$1 million in 2016).

Interest in the Joint Ventures

In June 2011 and May 2013, Boralex and its equal partner in the development of the first two 272 MW and 68 MW phases of the Seigneurie de Beaupré Wind Farms in Québec, created the Joint Ventures in which each partner has a 50% interest. Under IFRS, the Corporation's investment in the Joint Ventures is reported under *Interests in the Joint Ventures* in the Consolidated statement of financial position and the Corporation's share in results of the Joint Ventures is accounted for using the equity method and reported separately under *Share in earnings of the Joint Ventures* in Boralex's Consolidated Statement of Earnings .

Given the strategic nature and scale of these assets and the significant results that these wind farms generate, Boralex's management has considered it relevant to include a section, *Proportionate consolidation*, in this MD&A. The results of the Joint Ventures are reported in that section as if there were proportionately consolidated instead of being accounted for using the equity method as required by IFRS. Under the proportionate consolidation method, which not permitted under IFRS, the *Interests in the Joint Ventures and Share in earnings of the Joint Ventures* items are eliminated and replaced by Boralex's share (50%) in all of the financial statements (revenues, expenses, assets and liabilities). This section, which relates solely to the consolidated financial statements and the wind power segment, is added to make it easier for investors to understand the concrete impacts of strategic and operating decisions made by the Corporation. However, wind power segment operating results analysis under the proportionate consolidation method is not included in this section, as the differences identified are explained by the same items as those reported in the IFRS section.

The July 2014 acquisition of 50% of the shares held by a Danish developer in an entity also represents an interest in a joint venture. Currently, the project is under development and is reported in the Consolidated statement of financial position in *Interests in the Joint Ventures* under IFRS and in *Other non-current assets* under proportionate consolidation. In the event this project is completed, it will be included in the proportionate consolidation section if the holding percentage stays the same.

These amounts are clearly identified as "proportionate consolidation" and are reconciled in the *Non-IFRS Measures and Reconciliations between IFRS and Proportionate consolidation* sections. These financial statements have not been reviewed by the independent auditor.

Selected annual information

Operating results data

(in millions of Canadian dollars, unless otherwise specified)	Years ended December 31		
	2017	2016	2015
POWER PRODUCTION (GWh)	3,675	2,953	2,733
REVENUES FROM ENERGY SALES	473	354	324
EBITDA(A)	319	231	211
NET EARNINGS (LOSS)	10	2	(8)
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX	22	(2)	(11)
NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – BASIC AND DILUTED	\$0.29	(\$0.03)	(\$0.21)
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES	162	162	127
CASH FLOWS FROM OPERATIONS⁽¹⁾	210	144	132
DIVIDENDS PAID ON COMMON SHARES	46	36	27
DIVIDENDS PAID PER COMMON SHARE⁽¹⁾	\$0.60	\$0.55	\$0.52
Weighted average number of shares outstanding – basic	75,436,036	65,199,024	52,364,710

Statement of financial position data

(in millions of Canadian dollars, unless otherwise specified)	As at December 31, 2017	As at December 31, 2016	As at December 31, 2015
Total cash, including restricted cash	161	302	112
Property, plant and equipment	2,984	2,053	1,963
Total assets	4,288	3,084	2,807
Subscription receipts	—	173	—
Debt, including non-current debt and current portion of debt	2,954	1,865	1,719
Liability component of convertible debentures	137	135	133
Total liabilities	3,559	2,570	2,248
Total equity	729	514	559
Net debt to market capitalization ratio ⁽¹⁾ (%)	59	56	60

⁽¹⁾ See the *Non-IFRS measures* section.

Financial highlights

(in millions of Canadian dollars, unless otherwise specified)	Three-month periods ended December 31		Years ended December 31	
	2017	2016	2017	2016
POWER PRODUCTION (GWh)				
Wind power stations	847	552	2,750	2,136
Hydroelectric power stations	159	140	729	632
Thermal power stations	31	34	173	163
Solar power stations	5	4	23	22
	1,042	730	3,675	2,953
REVENUES FROM ENERGY SALES				
Wind power stations	125	69	374	267
Hydroelectric power stations	14	12	65	57
Thermal power stations	7	7	28	25
Solar power stations	1	1	6	5
	147	89	473	354
EBITDA(A)				
Wind power stations	106	55	301	215
Hydroelectric power stations	10	9	49	40
Thermal power stations	2	1	8	6
Solar power stations	1	1	4	4
	119	66	362	265
Corporate and eliminations	(15)	(9)	(43)	(34)
	104	57	319	231
NET EARNINGS	28	2	10	2
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX	26	1	22	(2)
NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – BASIC	\$0.34	\$0.02	\$0.29	(\$0.03)
NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – DILUTED	\$0.32	\$0.02	\$0.29	(\$0.03)
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES	27	34	162	162
CASH FLOWS FROM OPERATIONS⁽¹⁾	79	36	210	144
DIVIDENDS PAID ON COMMON SHARES	11	9	46	36
DIVIDENDS PAID PER COMMON SHARE⁽¹⁾	\$0.15	\$0.14	\$0.60	\$0.55
Weighted average number of shares outstanding – basic	76,174,741	65,297,899	75,436,036	65,199,024

⁽¹⁾ See the *Non-IFRS measures* section.

Analysis of consolidated operating results for the three-month period ended December 31, 2017

Production of the Joint Ventures up 27% compared with the fourth quarter of 2016 owing to more favourable weather conditions.

Main differences in revenues from energy sales and EBITDA(A)

(in millions of Canadian dollars)	Revenues from energy sales	EBITDA(A)
THREE-MONTH PERIOD ENDED DECEMBER 31, 2016	89	57
Acquisitions/commissioning ⁽¹⁾	37	33
Volume	20	20
Foreign exchange effect	1	1
Development	—	(3)
Other	—	(4)
Change	58	47
THREE-MONTH PERIOD ENDED DECEMBER 31, 2017	147	104

⁽¹⁾ Addition of 347 MW in 2016 and 2017. For further details, see the Commissioning overview for the past three years table in section I - Growth strategy of this MD&A.

Production

In the fourth quarter of 2017, Joint Ventures Phases I and II benefited from much more favourable wind conditions than a year ago while maintaining excellent equipment availability rates. Accordingly, production of the Joint Ventures attributable to Boralex totalled 171 GWh in the fourth quarter of 2017, up 27% from 134 GWh for the same quarter of 2016.

During the fourth quarter of 2017, proportionate consolidation of the production of the Joint Ventures represented an increase of 20% compared with Boralex's total quarterly production based on the equity method under IFRS.

Revenues from energy sales

As shown in the above table, Boralex's revenues were up \$58 million or 66% to \$147 million under proportionate consolidation (up 73% under IFRS) from the fourth quarter of 2016. As discussed in the main section of this MD&A, the increase in Boralex's consolidated revenues in the fourth quarter compared with the same period of the previous year was driven mainly by the addition of another 347 MW to the Corporation's operating asset base, as well as better performance at the hydroelectric power stations in the U.S. and existing wind farms both in France and Canada.

Revenues of the Joint Ventures attributable to Boralex amounted to \$18 million for the fourth quarter of 2017 compared with \$15 million for the same period of 2016. Proportionately consolidating revenues from the Joint Ventures for the fourth quarter of 2017 thus represented an additional 14% contribution compared with consolidated revenues reported under IFRS.

EBITDA(A)

(in millions of Canadian dollars)	Three-month periods ended December 31	
	2017	2016
EBITDA(A) (IFRS)	93	47
Share in earnings of the Joint Ventures Phases I and II	(5)	(2)
EBITDA(A) of the Joint Ventures Phases I and II	16	12
EBITDA(A) (proportionate consolidation)	104	57

In the fourth quarter of 2017, Boralex's share in EBITDA(A) of the Joint Ventures amounted to \$16 million under proportionate consolidation compared with \$12 million a year earlier.

Under proportionate consolidation, as shown in the first table in this section, Boralex's EBITDA(A) totalled \$104 million, up \$47 million or 81% (up 100% under IFRS) from the fourth quarter of 2016. Accordingly, consolidated EBITDA(A) margin increased to 70% in 2017 from 64% in 2016 (compared with 72% and 63%, respectively under IFRS). Consistent with the key factors set out in the table and commented in detail under *Analysis of operating results for the three-month period ended December 31, 2017* in the IFRS section of this MD&A, the increase in EBITDA(A) was driven in large part by contributions from the newly acquired or commissioned assets and from better performance at the hydroelectric power stations in the U.S. and existing wind farms both in France and Canada in the fourth quarter of 2017 compared with a year earlier.

Net earnings

The proportionate consolidation of the results of the Joint Ventures had no effect on net earnings and net earnings per share for the fourth quarter of 2017. Accordingly, under both proportionate consolidation and IFRS, Boralex reported net earnings attributable to shareholders of \$26 million or \$0.34 per share (basic) and \$0.32 per share (diluted) for the three-month period ended December 31, 2017.

That being said, the proportionate consolidation of the 2016 fourth quarter took into account the reversal of a \$6 million excess of distributions received over the share in net earnings of the Joint Ventures (net of related taxes) recognized under IFRS in the third quarter as *Excess of distributions received over the share in net earnings of the Joint Ventures*. Accordingly, under proportionate consolidation, Boralex reported net earnings attributable to shareholders amounting to \$1 million or \$0.02 per share (basic and diluted) for the fourth quarter of 2016, compared with a net loss attributable to shareholders of \$5 million or \$0.07 per share (basic and diluted) under IFRS.

Analysis of consolidated operating results for the year ended December 31, 2017

Slight increase in the Joint Ventures' contribution to revenues from energy sales and EBITDA(A) compared with fiscal 2016.

Main differences in revenues from energy sales and EBITDA(A)

(in millions of Canadian dollars)	Revenues from energy sales	EBITDA(A)
YEAR ENDED DECEMBER 31, 2016	354	231
Acquisitions/commissioning ⁽¹⁾	98	81
Pricing	2	2
Volume	20	20
Raw material costs	—	(1)
Foreign exchange effect	(3)	(2)
Temporary halt – Moulins du Lohan	—	(1)
Development	—	(3)
Other	2	(8)
Change	119	88
YEAR ENDED DECEMBER 31, 2017	473	319

⁽¹⁾ Addition of 361 MW in 2016 and 2017. For further details, see the Commissioning overview for the past three years table in section I - Growth strategy of this MD&A.

Production

During fiscal 2017, Boralex's 50% share in the production of the Joint Ventures amounted to 546 GWh, up 7% from 512 GWh in fiscal 2016. This performance resulted from average weather conditions that were slightly above normal for 2017 as a whole while the Joint Ventures' facilities continued to report excellent equipment availability rates.

For fiscal 2017, proportionately consolidating the production of the Joint Ventures added 17% to production reported under IFRS.

Revenues from energy sales

Boralex's share in the revenues of the Joint Ventures amounted to \$59 million for fiscal 2017 as a whole, slightly exceeding the \$55 million reported for fiscal 2016. Accordingly, these two facilities continue to generate revenues in line with management's expectations.

As shown in the table above, Boralex's revenues for fiscal 2017 amounted to \$473 million under proportionate consolidation, up \$119 million or 33% (up 38% under IFRS) from fiscal 2016. This growth was driven primarily from contributions of the newly acquired or commissioned assets, favourable differences in pricing and production volumes compared with fiscal 2016, and miscellaneous items. These items largely offset the unfavourable foreign exchange effect.

Proportionately consolidating revenues from the Joint Ventures for fiscal 2017 contributed an additional 14% compared to revenues reported under IFRS.

EBITDA(A)

(in millions of Canadian dollars)	Years ended December 31	
	2017	2016
EBITDA(A) (IFRS)	276	189
Share in earnings of the Joint Ventures Phases I and II	(7)	(5)
EBITDA(A) of the Joint Ventures Phases I and II	50	47
EBITDA(A) (proportionate consolidation)	319	231

For fiscal 2017, Boralex's share in EBITDA(A) of the Joint Ventures under proportionate consolidation rose to \$50 million, slightly more than the \$47 million reported a year earlier, owing primarily to more favourable weather conditions.

For fiscal 2017, Boralex's EBITDA(A) under proportionate consolidation stood at \$319 million, up 38% from fiscal 2016 (up 46% under IFRS).

EBITDA(A) margin increased slightly to 67% for 2017 from 65% for 2016 (increased to 67% from 63% under IFRS).

As shown in the table at the beginning of this section and explained previously under *Analysis of operating results for the year ended December 31, 2017* in the IFRS section, EBITDA(A) growth was driven in large part by contributions from the newly acquired or commissioned assets and favourable changes resulting from higher prices and higher production at existing sites. These items largely offset the unfavourable impacts of the foreign exchange effect, expenses to secure and halt work on the Moulins du Lohan project construction site subsequent to the temporary halt and other miscellaneous items including increases in development costs, particularly in the United Kingdom, and payroll and administrative expenses resulting from the Corporation's growth.

Moreover, as shown in the table above, proportionate consolidation had a net favourable effect of \$43 million or 15% on consolidated EBITDA(A) for fiscal 2017 compared with reporting under IFRS. Apart from the addition of EBITDA(A) from the Joint Ventures, this difference resulted from eliminating the *Share in earnings of Joint Ventures Phases I and II*, which included costs not related to EBITDA(A) of the Joint Ventures.

Net earnings

For fiscal 2017 as a whole, the proportionate consolidation of the results of Joint Ventures had no effect on net earnings and net earnings per share (basic and diluted) compared with the equity method under IFRS. As a result, Boralex reported net earnings attributable to shareholders of \$22 million or \$0.29 per share (basic and diluted), compared with a net loss attributable to shareholders of \$2 million or \$0.03 per share (basic and diluted) for fiscal 2016.

Cash flows

Under proportionate consolidation, cash generated by operating activities for fiscal 2017 was higher than under IFRS by a net total of \$17 million, primarily as a result of reflecting EBITDA(A) from the Joint Ventures, net of distributions received from the Joint Ventures and payments related to financing costs.

Cash flows related to investing activities under proportionate consolidation and IFRS are the same.

Net cash flows generated from financing activities were \$15 million lower under proportionate consolidation than under IFRS, owing to non-current debt repayments made by the Joint Ventures.

In light of the foregoing, the change in cash and cash equivalents between December 31, 2016 and December 31, 2017 reflected a \$17 million increase under proportionate consolidation compared with a \$15 million increase under IFRS.

Financial position

The main changes in the statement of financial position owing to differences between proportionate consolidation and IFRS are as follows:

- An \$18 million increase in total *Current assets*, including \$11 million in *Cash and cash equivalents* and \$7 million in *Trade and other receivables*;
- A \$344 million increase in total *Non-current assets*, owing primarily to a \$363 million increase in the total net value of *Property, plant and equipment*, partly offset by the elimination of *Interests in the Joint Ventures*, in the amount of \$24 million;
- A \$27 million increase in total *Current liabilities*, including a \$16 million increase in the *Current portion of non-current debt* and a \$11 million increase in *Trade and other payables*;
- A \$335 million increase in total *Non-current liabilities*, consisting mainly of a \$296 million increase in *Non-current debt*, a \$26 million increase in *Other non-current liabilities* and the addition of \$12 million to *Other non-current financial liabilities*.

Accordingly, *Cash and cash equivalents* and *Restricted cash* as at December 31, 2017 totalled \$161 million under proportionate consolidation (compared with \$150 million under IFRS).

Segment and geographic breakdown of results for the years ended December 31, 2017 and 2016

Segment breakdown

The following is a discussion of changes in segment breakdown of revenues and EBITDA(A) for the year ended December 31, 2017 compared with fiscal 2016 under proportionate consolidation (see the *Non-IFRS Measures and Reconciliations between IFRS and Proportionate Consolidation* sections).

Wind

For fiscal 2017, wind power segment revenues grew 40% from the same period of 2016 and represented 79% of consolidated revenues, compared with 76% in fiscal 2016. This growth was driven primarily by the addition of 361 MW to the segment's installed capacity since 2016. The existing sites also contributed to the improved results for the year with their solid performance in the fourth quarter, offsetting the decline in production in France during the first and second quarters of 2017, and in Canada during the third quarter of 2017, due to less favourable wind conditions than in 2016.

Wind power segment EBITDA(A) for 2017 rose 40% compared with fiscal 2016, representing 83% of consolidated EBITDA(A) (before the corporate segment and eliminations), slightly exceeding the prior year result of 81%. Not only is the wind power segment Boralex's most significant driver of EBITDA(A), but its EBITDA(A) margin is also higher than the average for Boralex's energy asset portfolio, i.e. 81% in 2017 and 81% in 2016.

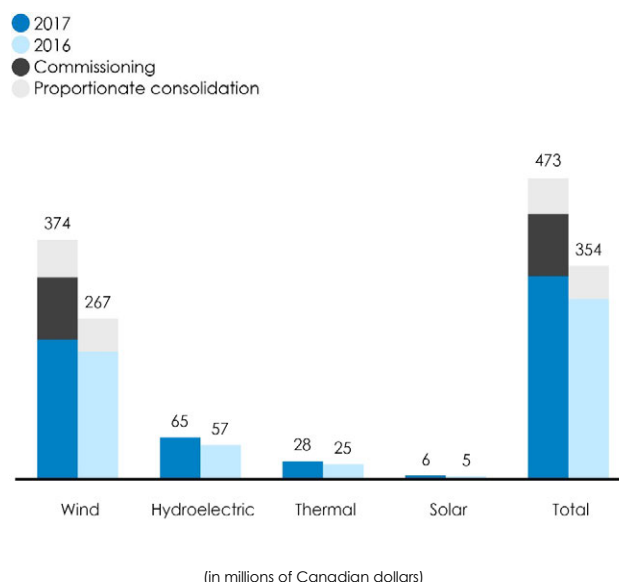
Boralex's management had forecast its wind power segment to grow significantly in 2017 given the acquisition, in January that year, of the 230 MW NRWF facility in Ontario, Canada, full-year contributions from the wind farms commissioned and acquired in 2016 representing 40 MW, and the commissioning of 91 MW in new assets throughout fiscal 2017.

Given the wind power projects under construction or ready-to-build in France and Canada to be commissioned in 2018 and 2019, representing an additional capacity of 217 MW, and the large pipeline of potential wind power projects at Boralex's disposal, the segment's contribution to the Corporation's operating profitability is poised to grow in the coming quarters and years, enabling Boralex to maintain a solid average profit margin.

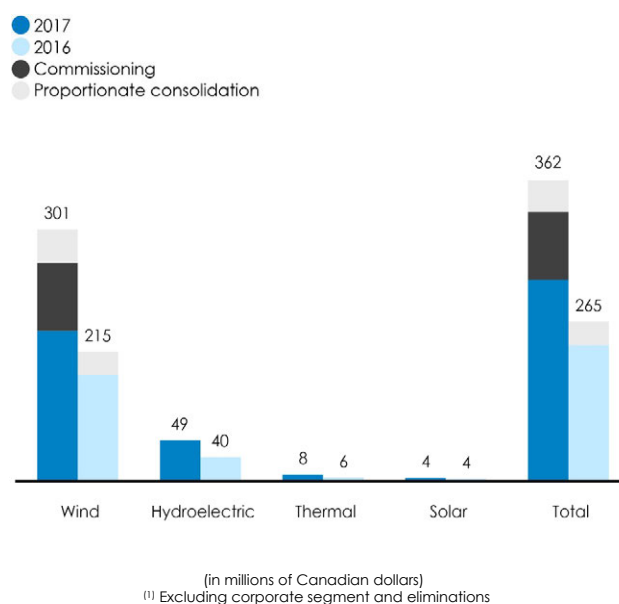
Hydroelectric

Hydroelectric power segment revenues and EBITDA(A) rose 15% and 21%, respectively, compared with fiscal 2016 owing to the favourable performance of the U.S. power stations during the last three quarters of 2017. Given the growth in the wind power segment, the hydroelectric power segment's contribution to the Corporation's consolidated revenues eased to 14% in 2017 from 16 % in 2016, while its contribution to EBITDA(A) (before the corporate segment and eliminations) declined to 14% from 15%. EBITDA(A) margin for this segment, as a percentage of revenues, grew to 75% in 2017 from 71% in 2016.

Revenues from energy sales



EBITDA(A)⁽¹⁾



Thermal

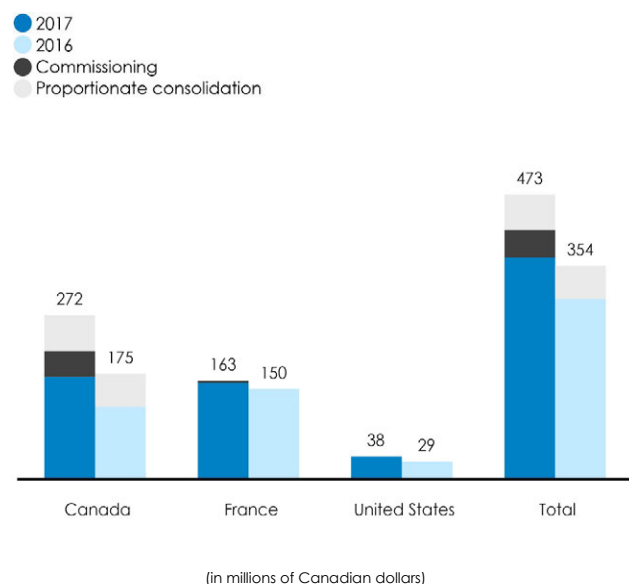
Thermal power segment revenues grew 13% in fiscal 2017, owing mainly to solid productivity at both power stations in operation. The segment accounted for 6% of consolidated revenues in fiscal 2017, compared with 7% in 2016. Note also that thermal power segment EBITDA(A) rose 36%. Therefore, the segment's share of consolidated EBITDA(A) (before the corporate segment and eliminations) stood at 2% for 2017, the same as in 2016. Thermal power segment EBITDA(A) margin rose to 29% in 2017 from 24% in 2016.

Solar

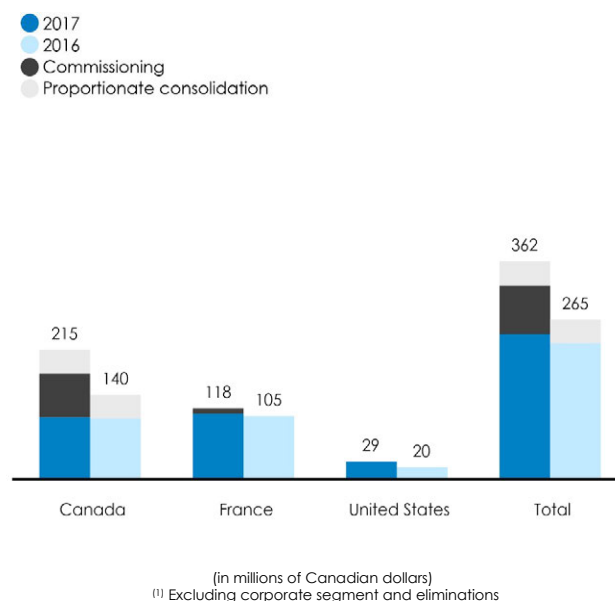
During fiscal 2017, the solar power segment generated EBITDA(A) of \$4 million on revenues of \$6 million, results similar to fiscal 2016, while the EBITDA(A) margin decreased to 81% in 2017 from 85% in 2016. The solar power segment for the time being accounts for only a marginal share of Boralex's asset portfolio.

Geographic breakdown

Revenues from energy sales



EBITDA(A)⁽¹⁾



For the year ended December 31, 2017, the geographic breakdown of revenues from energy sales was as follows:

- 58% in Canada compared with 50% in 2016;
- 34% in France, compared with 42% in 2016;
- 8% in the United States compared with 8% in 2016.

The increase in relative Canadian market share results primarily from the acquisition of the 230 MW NRWF.

Non-IFRS measures

In order to assess the performance of its assets and reporting segments, Boralex uses EBITDA(A), cash flows from operations, the ratio of net debt, discretionary cash flows and the payout ratio as performance measures under IFRS and proportionate consolidation. Management believes that these measures are widely accepted financial indicators used by investors to assess the operational performance of a company and its ability to generate cash through operations. The non-IFRS measures also provide investors with insight into the Corporation's decision making as the Corporation uses these non-IFRS measures to make financial, strategic and operating decisions.

These non-IFRS measures are derived primarily from the audited consolidated financial statements, but do not have a standardized meaning under IFRS; accordingly, they may not be comparable to similarly named measures used by other companies. Non-IFRS measures are not audited. These non-IFRS measures have important limitations as analytical tools and investors are cautioned not to consider them in isolation or place undue reliance on ratios or percentages calculated using these non-IFRS measures.

This section also shows these measures under proportionate consolidation, where the results of the Joint Ventures Phases I and II are proportionately consolidated instead of being accounted for using the equity method as required by IFRS. Since the information that Boralex uses to perform internal analyses and make strategic and operating decisions is prepared on a proportionate consolidation basis, management has considered relevant to include these amounts to help investors understand the concrete impacts of decisions made by the Corporation. Tables reconciling IFRS data with data presented on a proportionate consolidation basis are included in section V – *Reconciliations between IFRS and proportionate consolidation*.

EBITDA(A)

EBITDA(A) represents earnings before interest, taxes, depreciation and amortization, adjusted to include other items such as the net loss on financial instruments, the foreign exchange gain, certain other losses (gains) and the reversal of the excess of distributions received over the share in net earnings of the Joint Ventures. EBITDA(A) does not have a standardized meaning under IFRS; accordingly, it may not be comparable to similarly named measures used by other companies. Investors should not view EBITDA(A) as an alternative measure to, for example, net earnings (loss), or as a measure of operating results, which are IFRS measures.

EBITDA and EBITDA(A) are reconciled to the most comparable IFRS measure, namely, net earnings (loss), in the following table:

IFRS	Three-month periods ended December 31		Years ended December 31	
	2017	2016	2017	2016
(in millions of Canadian dollars)				
Net earnings (loss)	28	(4)	10	2
Income tax recovery	(9)	(10)	(10)	(9)
Financing costs	27	22	104	76
Amortization	46	29	172	116
EBITDA	92	37	276	185
Adjustments:				
Net loss on financial instruments	1	—	1	4
Foreign exchange gain	—	(1)	—	(1)
Other losses (gains)	—	2	(1)	1
Excess of distributions received over the share in net earnings from the Joint Ventures	—	9	—	—
EBITDA(A)	93	47	276	189

Proportionate consolidation

(in millions of Canadian dollars)	Three-month periods ended December 31		Years ended December 31	
	2017	2016	2017	2016
Net earnings	28	2	10	2
Income tax recovery	(9)	(7)	(10)	(9)
Financing costs	33	27	127	99
Amortization	51	35	194	138
EBITDA	103	57	321	230
Adjustments:				
Net loss on financial instruments	1	—	1	3
Foreign exchange gain	—	(1)	—	(1)
Other losses (gains)	—	1	(3)	(1)
EBITDA(A)	104	57	319	231

Reconciliation between IFRS and proportionate consolidation

(in millions of Canadian dollars)	Three-month periods ended December 31		Years ended December 31	
	2017	2016	2017	2016
EBITDA(A) (IFRS)	93	47	276	189
Share in earnings of Joint Ventures Phases I and II	(5)	(2)	(7)	(5)
EBITDA(A) of the Joint Ventures Phases I and II	16	12	50	47
EBITDA(A) (proportionate consolidation)	104	57	319	231

Cash flows from operations

Cash flows from operations under IFRS and proportionate consolidation are equal to net cash flows related to operating activities before change in non-cash items. Management uses this measure to assess cash flows generated by the Corporation's operations and its capacity to finance its expansion through those funds. In light of the seasonal nature of the Corporation's operations and development activities, changes in non-cash items can vary considerably. In addition, development activities result in significant changes in *Trade and other payables* during the construction period, as well as an initial injection of working capital at project start-up. Accordingly, the Corporation considers it more representative not to integrate changes in non-cash items into this performance measure.

Investors should not consider cash flows from operations as an alternative measure to cash flows related to operating activities, which is an IFRS measure.

Cash flows from operations are reconciled to the most comparable IFRS measure, namely net cash flows related to operating activities, in the following table:

(in millions of Canadian dollars)	Three-month periods ended December 31		Years ended December 31	
	2017	2016	2017	2016
Net cash flows related to operating activities	19	29	145	148
Change in non-cash items related to operating activities	50	(1)	50	(20)
CASH FLOWS FROM OPERATIONS	69	28	195	128

Proportionate consolidation

(in millions of Canadian dollars)	Three-month periods ended December 31		Years ended December 31	
	2017	2016	2017	2016
Net cash flows related to operating activities	27	34	162	162
Change in non-cash items related to operating activities	52	2	48	(18)
CASH FLOWS FROM OPERATIONS	79	36	210	144

Net debt ratio

"Net debt ratio" represents the ratio of "net debt" over "total market capitalization", each calculated as described below.

The Corporation defines net debt as follows:

(in millions of Canadian dollars)	IFRS		Proportionate consolidation	
	As at December 31, 2017	As at December 31, 2016	As at December 31, 2017	As at December 31, 2016
Non-current debt	2,418	1,439	2,714	1,749
Current portion of debt	224	101	240	116
Borrowing costs, net of accumulated amortization	27	25	44	44
Less:				
Cash and cash equivalents	115	100	126	109
Restricted cash ⁽¹⁾	35	23	35	23
Net debt⁽²⁾	2,519	1,442	2,837	1,777
Net debt excluding non-current debt drawn down under financing for projects under construction	2,394	1,365	2,712	1,700

⁽¹⁾ Excluding restricted cash of \$170 million related to subscription receipt issuance, as at December 31, 2016.

⁽²⁾ Excluding cash from subscription receipts as at December 31, 2016.

The Corporation defines total market capitalization as follows:

(in millions of Canadian dollars, unless otherwise specified)	IFRS		Proportionate consolidation	
	As at December 31, 2017	As at December 31, 2016	As at December 31, 2017	As at December 31, 2016
Number of outstanding shares (in thousands)	76,255	65,366	76,255	65,366
Share market price (in \$ per share)	23.50	19.15	23.50	19.15
Market value of equity attributable to shareholders	1,792	1,252	1,792	1,252
Non-controlling shareholders	44	18	44	18
Net debt	2,519	1,442	2,837	1,777
Convertible debentures (nominal value)	144	144	144	144
Total market capitalization	4,499	2,856	4,817	3,191

The Corporation computes the net debt ratio as follows:

(in millions of Canadian dollars)	IFRS		Proportionate consolidation	
	As at December 31, 2017	As at December 31, 2016	As at December 31, 2017	As at December 31, 2016
Net debt	2,519	1,442	2,837	1,777
Total market capitalization	4,499	2,856	4,817	3,191
NET DEBT RATIO (market capitalization)	56%	50%	59%	56%
NET DEBT RATIO (market capitalization, excluding non-current debt drawn for projects under construction)⁽¹⁾	53%	49%	56%	55%

⁽¹⁾ Given the growth in recent years with the addition of long-term contracted capacity and fixed-rate debt, the portion of non-current debt drawn for projects under development was excluded.

Discretionary cash flows (“DCFs”) and payout ratio

Discretionary cash flows

When evaluating its operating results, discretionary cash flows is a key performance indicator for the Corporation.

Discretionary cash flows represent the cash generated from operations that management believes is representative of the amount available for future development or to be paid as dividends to common shareholders while preserving the long-term value of the business.

Investors should not consider DCFs as an alternative measure to “net cash flows related to operating activities,” which is an IFRS measure. DCFs are equal to *Net cash flows related to operating activities* before the change in “non-cash items related to operating activities,” less (i) distributions paid to non-controlling shareholders, (ii) additions to property, plant and equipment (operational maintenance), and (iii) repayments on non-current debt (projects); plus (iv) development costs (from statement of earnings).

Payout ratio

The payout ratio represents the dividends paid to shareholders of Boralex divided by discretionary cash flows. Boralex believes it is a measure of its ability to sustain current dividends as well as its ability to fund its future development. For an accurate representation of current operations, this calculation is adjusted to exclude non-recurring items listed in the notes to the table below.

In the medium-term, Boralex expects to pay common share dividends on an annual basis representing a ratio of approximately 40% to 60% of its discretionary cash flows under proportionate consolidation (IFRS).

For the twelve-month period ended December 31, 2017, the dividends paid to shareholders by the Corporation corresponded to 63% of discretionary cash flows. The 2017 ratio slightly exceeded 60% maximum target. Had it not been for the capacity limitation experienced in the first and second quarters at NRWF, which reduced EBIDA(A) by \$8 million, the ratio would have been within the target range. In 2016, the ratio was mainly affected by low wind conditions in France.

Dividends per share paid to shareholders represent dividends paid to shareholders of Boralex divided by the average weighted number of outstanding shares.

The Corporation computes the discretionary cash flows and payout ratio as follows⁽¹⁾:

	As at December 31, 2017	As at December 31, 2016
(in millions of Canadian dollars, unless otherwise specified)		
Cash flows from operations	210	144
Adjustment for non-recurring items ⁽²⁾	—	6
Distributions paid to non-controlling shareholders	(8)	(7)
Additions to property, plant and equipment (maintenance of operations)	(8)	(9)
Repayments on non-current debt (projects) ⁽³⁾	(139)	(105)
Development costs (from statement of earnings)	17	13
Discretionary cash flows	72	42
Discretionary cash flows per share	\$0.95	\$0.64
Dividends paid to shareholders of Boralex	\$46	\$36
Average weighted number of outstanding shares - basic	75,436,036	65,199,024
Dividends paid to shareholders of Boralex per share	\$0.60	\$0.55
Payout ratio	63%	86%

⁽¹⁾ Under proportionate consolidation.

⁽²⁾ Adjustment of \$3 million in income taxes paid (Q3-2016) and of \$3 million in interest paid on government assistance in France (Q4-2016).

⁽³⁾ Adjustment of the March 2017 NRWF debt repayment prorated to the number of days held since the acquisition.

Financial instruments

Foreign exchange risk

The Corporation generates foreign currency liquidity through the operation of its power stations in France and the United States. First, the Corporation reduces this risk exposure, as revenues, expenses and financing are in the local currency. Accordingly, foreign exchange risk arises particularly from the residual liquidity that can be distributed to the parent company.

In France, given the above, the Corporation entered into foreign exchange forward contracts to hedge the exchange rate on a portion of the distributions it expects to repatriate from Europe up to 2025. Similar purchases will be made based on the growth in cash to be generated in France. During fiscal 2017, the Corporation also entered into cross-currency swaps. These derivatives cover the Corporation's net investment in France, as they allow financing issued in Canada for investment in France to be synthetically translated into euros. In addition to mitigating the risk related to foreign currency fluctuations, these instruments also allow Boralex to benefit in part from lower interest rates than prevailing in Europe. To measure the fair value of these instruments, the Corporation uses a technique that is a combination of the techniques used to measure interest rate swaps and foreign exchange forward contracts.

Management considers that the cash flows generated in the United States do not represent a significant risk at present. A hedging strategy could be developed in due course.

In connection with Canadian project development, certain future expenditures may be in foreign currencies. For example, certain equipment purchases in Canada are partly denominated in euros or U.S. dollars. Where applicable, the Corporation's objective is to protect its anticipated return on its investment by entering into hedging instruments to eliminate volatility in expected expenditures and, in turn, stabilize significant costs such as turbines.

Price risk

In Northeastern United States, a portion of the Corporation's power production is sold at market prices or under short-term contracts and is accordingly subject to fluctuations in energy prices. Energy prices vary according to supply, demand and certain external factors, including weather conditions, and the price of other sources of power. As a result, prices may fall too low for the power stations to yield an operating profit.

As at December 31, 2017, our power stations in France (except Avignonet I) and Canada (except Oldman in Alberta), as well as those in Hudson Falls and South Glens Falls in the United States, have long-term energy sales contracts, the vast majority of which are subject to partial or full indexation clauses tied to inflation. Consequently, only 2% of Boralex's installed capacity is exposed to price risk at present.

Interest rate risk

Under IFRS, as at December 31, 2017, approximately 61% of non-current debt issued bears interest at variable rates, excluding the revolving credit facility and the bridge financing facility. A sharp increase in interest rates in the future could affect the liquid assets available for the Corporation's development projects. However, since the Corporation uses interest rate swaps, its actual exposure to interest rate fluctuations is limited to only 9% of total debt under IFRS and proportionate consolidation.

The following table summarizes the Corporation's derivative financial instruments as at December 31, 2017:

IFRS					
As at December 31,					
2017					
(in millions of Canadian dollars)	Currency	Current notional		Fair value	
		(currency of origin)	(CAD)	(currency of origin)	(CAD)
Financial swaps – interest rates	EUR	296	446	(15)	(24)
Financial swaps – interest rates	CAD	932	932	(15)	(15)
Foreign exchange forward contracts	EUR vs. CAD	79	121	(6)	(6)
Cross-currency swaps	EUR vs. CAD	28	41	(1)	(1)
					(46)

Proportionate consolidation

As at December 31,

2017

(in millions of Canadian dollars)	Currency	Current notional		Fair value	
		(currency of origin)	(CAD)	(currency of origin)	(CAD)
Financial swaps – interest rates	EUR	296	446	(15)	(24)
Financial swaps – interest rates	CAD	1,169	1,169	(26)	(26)
Foreign exchange forward contracts	EUR vs. CAD	79	121	(6)	(6)
Cross-currency swaps	EUR vs. CAD	28	41	(1)	(1)
					(57)

The Corporation does not plan to trade these instruments, since they were entered into to reduce the Corporation's risk related to interest rate and exchange rate fluctuations, and to protect, to all extent possible, the anticipated return on its projects. As a result, the fact that fair value is unfavourable only indicates that forward interest rates or exchange rates have fallen and has no bearing on the effectiveness of the instrument as part of the Corporation's risk management strategy.

Commitments and contingencies – IFRS

(in millions of Canadian dollars)	Payments			Total
	Current portion	From 1 to 5 years	Over 5 years	
Contingent consideration	42	5	—	47
Purchase and construction contracts	201	4	—	205
Maintenance contracts	24	89	114	227
Operating lease contracts	12	43	132	187
Other	1	6	21	28
	280	147	267	694

Contingent consideration

Upon completion of certain phases in the development of projects acquired, Borealex will be required to pay these amounts to the seller.

Energy sales contracts – power stations in operation

Canada

For the Canadian power stations, the Corporation is committed to selling 100% of its power output (subject to certain minimum criteria) under long-term contracts maturing between 2018 and 2054. These contracts provide for partial annual indexation based on the CPI. In Québec, one hydroelectric power station is covered by fixed price indexation, whereas two others are indexed based on the CPI with minimum thresholds of 3% and 6%, respectively.

Following the acquisition of the interest in **NRWF**, the Corporation is committed to selling 100% of its power output under long-term contracts maturing in 2036. This contract provides for annual indexation based on the CPI.

France

For the wind power stations, excluding **Avignonet I**, thermal power station and solar power facilities in France, the Corporation is committed to selling 100% of its power output under long-term contracts maturing from 2018 to 2035. The contracts provide for annual indexation based on changes in hourly labour costs and industry activity levels.

United States

In the United States, under a long-term contract expiring in 2029, the Corporation is committed to selling 100% of the power output of its **Middle Falls** hydroelectric power station. A price equal to 90% of the market price is stipulated in the contract.

For the **South Glens Falls** and **Hudson Falls** hydroelectric power stations in the United States, the Corporation is committed to sell the electricity it generates under long-term contracts expiring in 2034 and 2035. These contracts provide for contract payment rates for most of the electricity it generates. The price structure is as follows:

	South Glens Falls US\$/MWh	Hudson Falls US\$/MWh
January 2018 – November 2024	86.65	48.27
December 2024 – November 2025	121.79 or market ⁽¹⁾	48.27
December 2025 and thereafter	121.79 or market ⁽¹⁾	56.28 or market ⁽¹⁾

⁽¹⁾ The client has the option of replacing the contract price with the market price until the contract terminates in 2025 for the South Glens Falls facility and in 2026 for the Hudson Falls facility.

Energy sales contracts – projects under development

Canada

- (a) The **Yellow Falls** hydroelectric power station is covered by an initial 20-year energy sales contract with four renewal options, each for a five-year period, at the Corporation's discretion. The contract will begin when the power station is commissioned and will be indexed annually.
- (b) The **Moose Lake** wind power project is covered by an initial 40-year energy sales contract. The contract will begin when the wind farm is commissioned and will be indexed annually.
- (c) The **Otter Creek** wind power project is covered by an initial 20-year energy sales contract. This contract will begin when the wind farm is commissioned and will be indexed annually.

France

The **Le Pelon, Côteaux du Blaiseron, Hauts de Comble, Inter Deux Bos, Sources de l'Ancre, Seuil du Cambrésis, Basse Thiérache Nord** and **Moulins du Lohan** wind power projects will be covered by 15-year energy sales contracts. These contracts will begin when the wind farms are commissioned, and the selling prices will be indexed annually.

Purchase and construction contracts – projects under development

Canada

- (a) The Corporation has a construction and turbine purchase contract for the **Moose Lake** wind power project.
- (b) The Corporation has entered into construction and turbine purchase contracts in connection with the project to increase the capacity of the **Buckingham** hydroelectric power station.

France

- (a) The Corporation has entered into a number of construction and turbine purchase contracts for the **Le Pelon, Hauts de Comble, Inter Deux Bos** and **Côteaux du Blaiseron** wind power projects.
- (b) The Corporation has entered into a number of construction contracts for the **Sources de l'Ancre** wind power project.
- (c) The Corporation has a number of construction and turbine purchase contracts for the **Moulins du Lohan** wind power project.

Maintenance contracts

Canada

- (a) The Corporation has 15-year wind turbine maintenance contracts expiring in 2029 and 2030, respectively, for the **Témiscouata I** and **Côte-de-Beaupré** wind farms. Those contracts include a cancellation option at the Corporation's discretion, exercisable after the fifth year.
- (b) The Corporation has 15-year wind turbine maintenance contracts expiring in 2030, respectively, for the **Témiscouata II** and **Frampton** wind farms. Those contracts include a cancellation option at the Corporation's discretion, and exercisable after the seventh year.
- (c) Following the acquisition of the interest in the **NRWF** facility, the Corporation has 15-year wind turbine maintenance contracts expiring in 2031.

France

The Corporation has entered into wind turbine maintenance contracts for its power stations in operation in France. The contracts have initial terms of two to 18 years.

Operating lease contracts

Canada

- (a) For the **Thames River, Témiscouata I, Témiscouata II** and **Côte-de-Beaupré** wind farms, the Corporation leases land on which wind turbines are installed under 20-year lease agreements.
- (b) The Corporation leases the sites on which the six Canadian hydroelectric power stations are located, as well as the water rights over the hydraulic power required to operate them. Under the terms of these agreements, expiring from 2019 to 2022, the Corporation's lease payments are based on power generation levels.
- (c) For the **Frampton** wind farm, the Corporation leases land on which wind turbines are installed under 22-year lease agreements.
- (d) For the **Port Ryerse** wind farm, the Corporation leases land on which wind turbines are installed under 21-year lease agreements.
- (e) Following the acquisition of the interest in **NRWF**, the Corporation leases land on which wind turbines are installed under lease agreements expiring in 2036.
- (f) In connection of the move of the Montréal corporate office, the Corporation entered into an initial 16-year lease for office premises. This lease entered into with Ivanhoé Cambridge will result in related party transactions, as the Caisse de dépôt et placement du Québec also holds interests therein.

France

The land on which the French wind power stations and the solar power facilities are located is leased under emphyteutic leases over terms ranging from 25 to 99 years. Royalties under these leases are due and indexed annually, based on the CPI and the Construction Cost Index published by the National Institute of Statistics and Economic Studies.

United States

- (a) For its **Middle Falls** power station, the Corporation leases the land on which the power station is located from the Niagara Mohawk Power Corporation ("NMPC") under a lease expiring in 2029. Lease payments are variable, totalling 30% of the power station's gross revenue.
- (b) The land on which the Corporation's U.S. **South Glens Falls** and **Hudson Falls** hydroelectric power stations are located is leased from NMPC. The leases expire at the same time as the energy sales contracts, namely in 2034 and 2035, respectively. Rental expense for non-contingent lease payments is recognized in earnings (loss) on a straight-line basis based on the average rental payment over the lease terms. Total minimum future lease payments for the South Glens Falls power station in New York State do not include contingent lease payments for years 26 through 40, inclusively, of the lease agreement given the uncertainty surrounding the amounts. Rental expense in those years is based on a percentage of gross revenues. In addition, the leases provide NMPC a right of first refusal to acquire the hydroelectric facilities at fair value at the end of the lease term. The leases also require the Corporation to convey title to the hydroelectric facilities if abandoned during the lease term and require NMPC to acquire, and the Corporation to sell, the hydroelectric facilities at the end of the lease term at the lower of fair value or US\$10 million (Hudson Falls power station) and US\$5 million (South Glens Falls power station).

Other commitments

After acquiring the interest in **NRWF**, the Corporation has royalty contracts with the First Nations totalling \$7 million and community agreements totalling \$14 million, both expiring in 2036. The community agreements include clauses relating to the preservation of the natural habitat, use of roads and the community fund.

Contingencies

Canada

Since January 2011, O'Leary Funds Management LP et al. has been suing the Corporation in the Superior Court of Québec. The suit alleges that the November 1, 2010 business combination between Boralex and Boralex Power Income Fund was illegal and, accordingly, demands payment of damages amounting to nearly \$7 million (the initial suit was for an amount of nearly \$14 million). The Corporation considers that this procedure has no basis in fact or in law and is defending itself vigorously. Therefore, the Corporation has not recorded any provision in respect of this litigation. In its defence, the Corporation has filed a counterclaim for over \$1 million.

France – Moulins du Lohan wind power project

On September 16, 2016, the Corporation completed the acquisition of a portfolio of wind power projects of about 200 MW in France and Scotland, including the 51 MW **Moulins du Lohan** project in Brittany, France. The building permits had been obtained in 2014 from the Morbihan department administrative authorities ("the Administration") and construction had already begun before the acquisition by the Corporation.

Local residents had filed an interim application against the project on April 14, 2017 seeking to halt construction pending a decision of the courts regarding the cancellation of the permits issued by the Préfet of Morbihan. An interim order was received on May 11, 2017 requiring a temporary suspension of the building permits and an immediate halt in work. At that time, a significant portion of the foundations and roads had been completed.

In a decision issued on July 7, 2017, the Administrative Tribunal of Rennes cancelled the project's building permits based on its subjective risk assessment of landscape damage to the Lanouée forest where the project was going to be developed on land owned by the Corporation. The Tribunal did not find that the administrative authorities had made any errors in law. Project construction has been halted as result of these proceedings. Accordingly, as at December 31, 2017, the Corporation recorded an amount of \$1 million under *Operating expenses* for costs incurred to secure and halt work on the site.

The Corporation considers that the decisions of the Administrative Tribunal of Rennes have no basis in fact or in law. The **Moulins du Lohan** wind power project had been green-lighted by the specialized departments of the French government and the Lanouée forest, where the **Moulins du Lohan** project is located on land belonging to the Corporation, is subject to commercial logging and is therefore not, in our opinion, a protected or exceptional territory.

Boralex appealed these decisions to the Administrative Court of Appeal of Nantes on September 11, 2017. This court will make a fresh assessment of the facts and all the evidence, which could lead to a decision contrary to that issued by the court of first instance. Administrative Court of Appeal of Nantes judgments are typically rendered in 12 to 18 months. The reasons cited by the Administrative Tribunal of Rennes that led to the cancellation of permits are not of a legal nature but rather subjective judgments. In accordance with legal advice, the Corporation is of the opinion that it is more likely than not that the outcome of the appeal of the decision will be favourable given the circumstances and legal precedents.

In the event the appeal is rejected, the Corporation could file an appeal in cassation to the Council of State. At this stage, the Council of State considers the grounds for the decision of the Administrative Court of Appeal but does not re-examine all the facts. Unless the decision contains a gross error, the chances of success at this stage are limited.

If all these procedures result in the permits being cancelled, the conclusion would be that the French government had committed an error in issuing the permits in the first place. Since the Corporation invested considerable amounts on the basis of valid permits declared invalid after the fact, Boralex would be automatically entitled to claim compensation for the prejudice suffered owing directly to a government error.

As at December 31, 2017, the costs incurred for this project amounted to €40 million (\$61 million), consisting of €18 million (\$27 million) in *Property, plant and equipment* and €22 million (\$34 million) in *Intangible assets*, following the receipt of a €6 million (\$9 million) reimbursement from the turbine supplier. This amount does not include certain contractual penalties related to the suspension of construction contracts, for which no claims have been made by the suppliers yet. The Corporation is currently implementing mitigation measures for these impacts and considers that the net impact of these penalties would be insignificant.

After the Administrative Tribunal of Rennes ordered the cancellation of permits, the Corporation assessed the need for an impairment charge on the assets related to this project. In its impairment test, management made two significant assumptions, consisting of the discount rate and the commissioning date, which was deferred from 2018 to 2020. In the event of a material change in these assumptions, management may revise its impairment test. For example, a 0.25% rise in the discount rate, assuming that all other variables remain the same, would result in an impairment loss of approximately \$2 million on assets. As described above, the French legal system is made up two totally independent levels of courts.

In our opinion, success for us in the second level is more likely than not owing to the facts set out above and the legal opinions received. As a result, management considers that the assets are not impaired, based on the facts set out above. If the appeal is rejected and given the limited chances of success of an appeal in cassation, the Corporation could be required to write down these assets in accordance with IFRS.

The Corporation would like to point out that the decision issued by the Administrative Tribunal of Rennes did not find Boralex guilty of any wrongdoing, but concluded that the Administration had made an error of assessment by ignoring the impact on the landscape of the construction of a wind farm in the forest in question. Needless to say, the Administration in question argues that it had properly assessed the impact on the landscape and has filed its own appeal against the decisions. Boralex and the Administration intend to form a common front and coordinate their efforts at the Administrative Court of Appeal of Nantes.

Canada – Construction of the Yellow Falls hydroelectric power station

On October 19, 2017, the Corporation received a \$25 million claim for compensation (excluding taxes) from Neilson, a division of Pomerleau Inc. ("Pomerleau") associated with the work performed by Pomerleau for the **Yellow Falls** facility in connection with a \$59 million procurement and construction ("EPC") contract entered into on July 22, 2015.

Pomerleau is claiming an amount over and above the amount agreed to under the EPC contract for contingencies and problems encountered during performance of the work which caused delays and led to additional costs.

The Corporation denies being responsible for the delays and additional costs incurred by Pomerleau and is contesting the validity of the claim for compensation other than an amount of \$3.5 million. The Corporation agrees that it owes Pomerleau an additional amount of \$3.5 million in connection with the work performed under the EPC contract. The Corporation has approved payment of this amount and agrees to pay it upon receipt of an invoice from Pomerleau.

On November 24, 2017, Pomerleau filed a \$37 million lien claim (including taxes) under the Construction Lien Act (Ontario). The Corporation also received a notice of arbitration from Pomerleau on January 26, 2018 in the amount of \$39 million (including taxes), also associated with the work performed by Pomerleau for the **Yellow Falls** facility.

The Corporation believes that the claim is unfounded and intends to vigorously contest it. The Corporation expects that the amount to be paid as a result of this dispute is limited to an amount of \$3.5 million. Accordingly, no additional provisions have been recorded.

Boralex's share of the commitments of Joint Ventures Phases I and II

	2017			
	Payments			
(in millions of Canadian dollars)	Current portion	From 1 to 5 years	Over 5 years	Total
Service contracts	1	2	10	13
Maintenance contracts	4	11	—	15
Land lease contracts	1	4	13	18
Total	6	17	23	46

Energy sales contracts

The Joint Ventures are committed to selling 100% of their power output (subject to certain minimum criteria) under 20-year contracts maturing in 2033 and 2034. A portion of these contracts provides for annual indexation based on the Consumer Price Index ("CPI").

Service contracts

Under the terms of service contracts entered into with Joint Ventures, Boralex will be the operator of the wind farms and will be responsible for their operation, maintenance and administration. The 21-year term contracts expire in 2033 and 2034. The amounts payable under those agreements are limited to operating and maintenance expenses and include fixed and variable management fees. Fixed management fees are indexed annually based on the CPI.

Maintenance contracts

The Joint Ventures entered into 15-year wind turbine maintenance contracts maturing in 2028 and 2029. These contracts include a cancellation option at the Joint Ventures' discretion after seven years, that is, in 2020 and 2021.

Land lease contracts

The Joint Ventures have land lease contracts maturing in 2033 and 2034, renewable each year at the lessee's option. The land on which the wind turbines are installed is leased for an annual amount of approximately \$2 million indexed annually at a rate of 1.5%.

Contingencies of Joint Ventures Phases I and II

A class action was brought for the inconvenience (in particular noise, dust, vibrations) alleged by the plaintiffs caused by the construction of the Seigneurie de Beaupré Wind Farms. On January 21, 2016, the Québec Court of Appeal allowed the plaintiffs' appeal of the Superior Court's decision dismissing their application for authorization to institute a class action against Joint Ventures Phases I and II and reviewed the definition of the class in the class action. Subsequently, the plaintiffs filed an application for an amendment to the class description to expand this class to approximately 300 affected residences. The scope of this class will be challenged at trial. Obviously, an amendment to the class would likely increase the amount the defendants could be ordered to pay.

On February 10, 2017, the class action statement of claim was filed in the Superior Court. The claim defence was filed on August 31, 2017, and the parties' examinations were completed. An application for amendment recently allowed the addition of Éoliennes Côte-de-Beaupré S.E.C. as defendant.

To date, the insurers have covered defence costs for Joint Ventures Phases I and II. We are awaiting an answer regarding the coverage of Éoliennes Côte-de-Beaupré S.E.C. Potential claims arising from an eventual judgment in favour of the plaintiffs could be paid in whole or in part by the insurers, depending on their nature and taking into account the exclusions set out in the insurance policy.

Based on this information, the Corporation assesses that the provision is not material. Accordingly, no provision has been recorded for this contingency.

Subsequent event

France – Sources de l'Ancre wind project

On January 26, 2018, for the **Sources de l'Ancre** wind power project, the Corporation entered into a turbine purchase contract. The Corporation's net commitment under this contract amounts to €16 million (\$25 million).

Risk factors

Development, construction and design

The Corporation participates in the construction and development of new power generating facilities. Delays and cost overruns may occur during the construction phase of development projects, in particular delays in obtaining permits, increases in construction prices or changes in engineering design, labour conflicts, inclement weather and the availability of financing. Even when completed, a facility may not operate as planned, or design and manufacturing flaws may occur, which could conceivably not be covered by warranty, due in particular to poor equipment performance. Development projects have no operating history and may employ recently developed, technologically complex equipment. Moreover, energy sales contracts entered into with counterparties early in the development phase of a project may enable counterparties to terminate the agreement or retain security posted as liquidated damages, if a project fails to achieve commercial operation or certain operating levels by specified dates or if the Corporation fails to make specified payments. As a result, a new facility may be unable to fund principal and interest payments under its financing obligations. A default under such a financing obligation could result in the Corporation losing its interest in such a facility.

Additional financing

While the Corporation expects to finance its current and future projects from cash flows from operating activities, the future development and construction of new facilities, as well as the growth of development and potential projects and other capital expenditures, will also be partly financed by borrowings or the issuance or sale of additional shares by the Corporation. To the extent that external sources of capital, including the issuance of additional securities of the Corporation, become limited or unavailable, the Corporation's ability to make the necessary capital investments to build new power stations or maintain its existing power stations and remain in business would be impaired. There can be no assurance that additional financing will be obtained or obtained under reasonable terms and conditions. If financing were to be obtained by issuing additional Class A shares of the Corporation, investors could suffer dilution to their holdings of securities of the Corporation.

Seasonal factors

By the nature of its business, the Corporation's earnings are sensitive to changes in climate and weather conditions from period to period. Changes in winter weather affect demand for electrical heating requirements. Changes in summer weather affect demand for electrical cooling requirements. These fluctuations in demand, primarily in the Northeastern United States where the Corporation operates hydroelectric facilities, moreover translate into spot market price volatility, which has an impact, albeit limited, on approximately 2% of the Corporation's total installed capacity.

Hydrology, wind and sunshine

The amount of power generated by the Corporation's hydroelectric power stations is dependent on available water flow. Accordingly, revenues and cash flows may be affected by low and high water flow in the watersheds. There can be no assurance that the long-term historical water availability will remain unchanged or that no material hydrologic event will impact water conditions in a particular watershed. Annual deviations from the long-term average are sometimes significant.

The amount of power generated by the Corporation's wind farms and solar power facilities is dependent on wind and sunlight, which are naturally variable. Decreases in the wind regime at the Corporation's different wind farms could reduce its revenues and profitability. For wind power, variations in the resource compared to long-term expectations can also be significant.

The hydroelectric, wind and solar resources of the Corporation's hydroelectric power stations, wind farms and solar power facilities will vary. Although the Company believes that past resource studies and production data collected demonstrate that the sites are economically viable, the climate regime may change or historical data and engineering forecasts may not accurately reflect the strength and consistency of resources in the future. If resources are insufficient, the assumptions underlying the financial projections for the volume of electricity to be produced by renewable energy facilities might not materialize, which could have a material adverse effect on the Corporation's cash flows and profitability.

Raw material supply

The operation of thermal power stations, which represented 3% of the total installed capacity as at December 31, 2017, requires fuel in the form of wood residue or natural gas. In the event of an interruption in supplies, loss of significant supply contracts or the inability or failure of a supplier to meet its contractual commitments, or a change in the price of wood residue or natural gas for the Corporation's power stations, their ability to generate power or produce it in a profitable manner will be adversely affected. The Corporation mitigates this risk by establishing partnerships with suppliers and seeking alternatives to virgin residue as fuel, as well as by adopting storage strategies that help avoid purchasing during periods when raw materials are scarce and prices therefore are high. Upon expiry or termination of fuel supply contracts, the Corporation will have to either renegotiate them or obtain fuel from other suppliers. There can be no assurance that the Corporation will be able to renegotiate these contracts or enter into new contracts on similar or other desirable terms.

Power station operation and equipment failure

The Corporation's facilities are subject to the risk of equipment failure due to deterioration of the asset resulting from wear and tear, age, hidden defects or design errors, among other things. The ability of the power stations to generate the maximum amount of power is a key determinant of the Corporation's profitability. If the power stations require longer downtime than expected for maintenance and repairs, or if power production is suspended for other reasons, it could adversely affect the Corporation's profitability.

Dam safety

Hydroelectric power stations in Québec, which represented 3% of total installed capacity as at December 31, 2017, are subject to the Dam Safety Act and its regulation. Depending on the region where the power stations are located, dams must comply with some criteria defined in this Act. Generally speaking, once the Corporation's recommendations are accepted by the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques, an action plan is prepared reflecting the relative urgency of the work required. The Corporation is also subject to disclosure requirements and regulations relating to the monitoring of structural integrity of the power stations it operates in British Columbia and the United States.

The consequences of a dam breach at any of the Corporation's hydroelectric power stations could result in a loss of production capacity, and repairing such failures could require the Corporation to incur significant expenditures of capital and other resources. Such failures could expose the Corporation to significant liability for damages. Other dam safety regulations could change from time to time, potentially impacting the Corporation's costs and operations. Upgrading all dams to enable them to withstand all events could require the Corporation to incur significant expenditures of capital and other substantial resources, particularly on occurrence of an extraordinary event or a case of force majeure. In conclusion, a dam failure could have a material adverse effect on the Corporation's business, operating results, financial condition and outlook. Compliance with dam safety laws (and any future changes to these laws) and the requirements of licences, permits and other approvals will remain material to the Corporation's business.

That being said, apart from the Buckingham power station where work will continue over the next year, all of Borex's power stations meet the criteria defined in the Act and its regulation.

Energy sales contracts

Obtaining new energy sales contracts is a key component for the sustainability of the Corporation's profits and cash resources. Winning new energy sales contracts involve certain risks owing to the competitive environment in which the Corporation operates. In several instances, the Corporation obtains new energy sales contracts by submitting offers in response to requests for proposals issued by large clients. During such processes, the Corporation faces competition from large utility companies and large independent power producers, some of which have greater resources, including financial resources, than the Corporation. There is no assurance that the Corporation will be able to effectively compete against its competitors over the long term or that it will be selected as energy supplier following such processes or that existing energy sales contracts will be renewed, or will be renewed under equivalent terms and conditions on expiry.

Power generated by the Corporation is largely sold under a number of long-term energy sales contracts. If, for any reason, any of the purchasers of power under these energy sales contracts are unable or unwilling to meet their contractual obligations under the relevant energy sales contract, or if they refuse to accept delivery of power under a relevant energy sales contract, the Corporation's business, results of operations, financial position or prospects may be adversely affected. If the projects under development are not commissioned within the timeframe specified in their respective energy sales contracts, the Corporation may be required to pay a penalty or the counterparty may have the right to terminate the energy sales contract concerned.

Key employees

The Corporation's senior executives and other key employees play an important role in its success. The Corporation's performance and future growth depend in large part on the skills, experience and efforts of its management team members. The Corporation's continued success is dependent on its ability to attract and retain highly qualified and experienced officers. Should the Corporation prove unable to do so, such failure could have a material adverse effect on its business, operating results, financial condition and outlook.

Natural disasters and force majeure events

The Corporation's power generation facilities and operations are exposed to damage and/or destruction resulting from environmental disasters (for example, floods, high winds, fires and earthquakes), equipment failure and the like. The occurrence of a significant event which disrupts the production capacity of the Corporation's assets or prevents it from selling its energy for an extended period, such as an event that precludes existing clients from purchasing energy, could have a material adverse impact on the Corporation. The Corporation's generation assets or a facility owned by a third party to which the transmission assets are connected, could be exposed to effects of severe weather conditions, natural disasters and unforeseen catastrophic events, major accidents, etc. In certain cases, there is the potential that some events may not excuse the Corporation from performing its obligations pursuant to agreements entered into with third parties. In addition, a number of the Corporation's generation assets are located in remote areas, which makes access for repair of damage difficult. Any such scenario could have a material adverse effect on the Corporation's business, operating results and financial condition.

Insurance limits

The Corporation believes that its insurance coverage addresses all material insurable risks, provides adequate coverage that is similar to what would be maintained by a prudent owner/operator of similar facilities, and is subject to deductibles, limits and exclusions which are customary or reasonable. However, given the cost of procuring insurance, current operating conditions and the credit quality of the different insurance companies on the market, there can be no assurance that such insurance will continue to be offered on an economically affordable basis, or that such insurance will cover all events which could give rise to a loss or claim involving the assets or operations of the Corporation.

Non-performance by counterparties

The Corporation sells the majority of its energy to a limited number of clients. It is exposed to credit risk which stems primarily from the potential inability of clients to meet their obligations and their energy sales contracts. The inability of one or more of these clients to meet their commitments under their respective contracts could result in revenue losses, delays in construction and increased construction costs for the Corporation. The Corporation minimizes credit risk with counterparties to financial instruments, and physical energy and gas trades through the selection, monitoring and diversification of counterparties by regularly assessing credit risk exposure and changes in their financial position, use of standard trading contracts, collateral and other credit risk mitigation techniques.

Further, the Corporation's energy sales contracts are almost exclusively with clients with longstanding credit histories or investment grade ratings. Where a client does not have a public credit rating, the Corporation assesses risk exposure and may require financial guarantees.

Industry risk and competition

The Corporation currently operates in the renewable energy segment in Canada, France and the United States. This area of operation is affected by competition from large utilities or large independent energy producers. The Corporation competes with other companies with sometimes significantly greater financial and other resources in connection with the awarding of energy sales contracts, the acquiring of projects, the establishment of partnerships or the recruitment of qualified personnel. This can adversely affect implementation of the Corporation's long-term vision and prevent it from seizing opportunities available via its development projects.

Debt

Since the Corporation's projects require significant capital, it uses a project-based financing approach to maximize its leverage. Moreover, the Corporation generally sets the debt terms according to the terms of the energy sales contracts. If the Corporation does not fulfill its commitments and obligations, the lender could realize on its security, causing the Corporation to lose its ownership or control of a facility, which could have a material adverse effect on the results of operations and financial condition of the Corporation.

Interest rates and refinancing

Given the high-leverage financing strategy used by the Corporation, interest rate fluctuations are a factor which may materially affect the profitability of the Corporation. When a loan is taken on a variable rate basis, in order to limit the effect of changes in interest rates, the Corporation simultaneously arranges interest rate swaps covering a significant portion of the corresponding loan. The hedged portion is typically between 75% and 90% of anticipated variable interest cash flows. As at December 31, 2017, given the effect of the interest rate swaps in force, only some 9% of total debt was exposed to interest rate fluctuations (under IFRS and proportionate consolidation).

A sharp increase in interest rates in the future could affect the liquid assets available to fund the Corporation's projects. In addition, the ability of the Corporation to refinance debt when due is dependent on capital market conditions which change over time. A sharp increase in interest rates could reduce the anticipated profitability of projects won through calls for tenders or under feed-in-tariff programs below the return required by the Corporation. For larger scale projects, the Corporation could decide to arrange financial instruments to protect such return during the development period prior to the closing of financing for the project.

The ability to refinance, renew or extend debt instruments is dependent on capital markets up to their maturity, which may affect the availability, price or terms of alternative financing.

Foreign exchange risk

The Corporation generates foreign currency liquidity through the operation of its power stations in France and the United States. As a result, it may be exposed to fluctuations in the Canadian dollar against such currencies. The Corporation initially reduces its risk exposure as revenues, expenses and financing are in the local currency. Accordingly, foreign exchange risk is related more to the residual liquidity that is available for distribution to the parent company.

In France, given the above and the size of the sector and that Boralex now pays a dividend in Canadian dollars, the Corporation entered into forward sales to hedge the exchange rate on a portion of the distributions it expects to repatriate from Europe up to 2025. Similar purchases will be made based on the cash flows generated. During fiscal 2017, the Corporation also entered into cross-currency swaps. These derivative instruments serve to hedge the Corporation's net investment in France, allowing financing issued in Canada for investment in France to be synthetically translated into euros. In addition to reducing exposure to foreign currency risk, these instruments provide access to lower interest rates than those prevailing in Europe. The technique the Corporation uses to measure the fair value of these instruments is a combination of the techniques it uses to measure interest rate swaps and foreign exchange forward contracts.

Management considers that the cash flows generated in the United States do not represent a significant risk at present. A hedging strategy could be developed in due course.

In connection with Canadian project development, certain future expenditures may be in foreign currencies. For example, equipment purchases in Canada are partly denominated in euros or U.S. dollars. Where applicable, the Corporation's objective is to protect its anticipated return on its investment by entering into hedging instruments to eliminate volatility in expected expenditures and, in turn, stabilize significant costs such as turbines.

With respect to the translation of foreign subsidiaries into Canadian dollars, since all subsidiaries are self-sustaining, the impact of exchange rate fluctuations is reflected on the Corporation's net investment in its subsidiaries and variances are reported in *Accumulated other comprehensive income (loss)*, in equity, and not in the statement of earnings, until the Corporation disposes of its total net investment in the country concerned. With respect to currency translation for the Corporation's foreign subsidiaries, the 75 facilities are distributed as follows: 40 in Europe, 7 in the United States and 28 in Canada.

Declaration of dividends at the discretion of the Board of Directors

The declaration of dividends is at the discretion of the Board of Directors regardless of whether the Corporation has sufficient funds, less indebtedness, to pay dividends. The Corporation may neither declare nor pay dividends if it has reasonable grounds to believe that (i) the Corporation cannot, or could not thereby, pay its liabilities as they become due; or (ii) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities and stated outstanding share capital.

As a result, no assurance can be given as to whether Boralex will continue to declare and pay dividends in the future, or the frequency or amount of any such dividend.

Health, safety and environmental risks

The ownership and operation of the Corporation's generation assets carry an inherent risk of liability related to worker health and safety and the environment, including the risk of government-imposed orders to remedy unsafe conditions and/or to remediate or otherwise address environmental contamination, potential penalties for contravention of health, safety and environmental laws, licences, permits and other approvals, and potential civil liability. Compliance with health, safety and environmental laws (and any future changes to these laws) and the requirements of licences, permits and other approvals will remain material to the Corporation's business. In addition, the Corporation may become subject to government orders, investigations, inquiries or civil suits relating to health, safety or environmental matters. Potential penalties or other remedy orders could have a material adverse effect on the Corporation's business and results of operations.

Regulatory and political environment

The Corporation mainly operates in Canada, Europe and the United States. Moreover, the Corporation continuously assesses opportunities available in other regions. Any changes in government policies could have a significant impact on the Corporation's business ventures in such jurisdictions. Business risks include, but are not limited to, changes of laws affecting foreign ownership, government participation and regulation, taxation, royalties, duties, rates of exchange, inflation, repatriation of earnings and civil unrest.

There can be no assurance that economic and political conditions in the countries in which the Corporation operates or intends to operate will continue as they are at present. The effect of such factors is unpredictable.

The Corporation's operations are also subject to changes in governmental regulatory requirements or applicable governing statutes, including environment and energy related regulations, unforeseen environmental effects, general economic conditions and other matters beyond the control of the Corporation.

The operation of power stations is subject to extensive regulation by various government agencies at the municipal, provincial and federal levels. There is always a risk of changes in government policies and laws, including the various taxes the Corporation is subject to.

Currently unregulated operations may become regulated. Because legal requirements change frequently and are subject to interpretation, the Corporation is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. Some of the Corporation's operations are regulated by government agencies that exercise statutory discretion. Because the scope of such authority is uncertain and may be inconsistently applied, the Corporation is unable to predict the ultimate cost of compliance with such requirements or their effect on operations. Failure of the Corporation to obtain or maintain all necessary licences, leases or permits, including renewals thereof or modifications thereto, may adversely affect its ability to generate revenues.

The Corporation holds permits and licences from various regulatory authorities for the construction and operation of its power stations. These licences and permits are critical to the Corporation's operations. The majority of these permits and licences are long-term in nature, reflecting the anticipated useful life of the facilities. These permits and licences are dependent upon the Corporation's compliance with the terms thereof. If the Corporation is unable to renew its existing licences or obtain new licences, capital expenditures will be required to enable Boralex to continue operations over the long term, possibly under different operating conditions. In addition, delays may occur in obtaining government approvals required for future energy projects.

Social acceptance of renewable energy projects

Social acceptance by local stakeholders, including local communities, First Nations and other aboriginal peoples, is critical to the Corporation's ability to find and develop new sites suitable for viable renewable energy projects. Failure to obtain proper social acceptance for a project may prevent the development and construction of a potential project, lead to the loss of all investments made in the development by the Corporation and require it to write off such prospective project. In addition, any other allegations made by these local stakeholders related to the social acceptance of projects in operation or their expansion could adversely affect the operation of existing sites and their results.

Relationships with stakeholders

The Corporation enters into various types of arrangements with communities or partners for the development of its projects. Certain of these partners may have or develop interests or objectives which are different from or even in conflict with the objectives of the Corporation. Any such differences could have a negative impact on the success of the Corporation's projects. The Corporation is sometimes required through the permitting and approval process to notify and consult with various stakeholder groups, including landowners, First Nations and municipalities. Any unforeseen delays in this process may negatively impact the ability of the Corporation to complete any given project on time and according to schedule or at all.

Ability to secure appropriate land

There is significant competition for appropriate sites for new power generating facilities. Optimal sites are difficult to identify and obtain given that geographic features, legal restrictions and ownership rights naturally limit the areas available for site development. There can be no assurance that the Corporation will be successful in obtaining any particular desirable site.

Availability and reliability of electric transmission systems

The Corporation's ability to sell electricity is impacted by the availability of the various electric transmission systems in each jurisdiction in which it operates. The failure of existing transmission facilities or the lack of adequate transmission capacity would have a material adverse effect on the Corporation's ability to deliver electricity to its various counterparties, thereby unfavourably impacting the Corporation's operating results, financial condition or prospects.

Increase in water rental cost or changes to regulations on water use

The Corporation is required to make rental payments for water rights once its hydroelectric projects are in commercial operation. Significant increases in water rental costs in the future or changes in the way governments regulate water supply or apply such regulations could have a material adverse effect on the Corporation's business, operating results, financial condition or prospects.

Litigation

In the normal course of its operations, the Corporation may become involved in various legal actions, typically concerning claims relating to bodily injuries, financial losses, inconveniences, excess construction costs, damages related to the social acceptability of projects, noise, environmental compliance, property damage and disputes related to property taxes, land rights and contracts. The Corporation maintains adequate provisions for outstanding claims with merit. The final outcome with respect to outstanding or future disputes cannot be predicted with certainty, and therefore there can be no assurance that their resolution will not have an adverse effect on the financial position or operating results of the Corporation in a particular quarter or fiscal year.

Segment and geographical diversification

The Corporation capitalizes on diversification in its power generation sources and geographies. This diversification is reflected in the Corporation's operating revenues and EBITDA(A). Given the size of some of its operating segments, the Corporation could however be exposed to significant financial consequences in the event of a substantial downturn in any of its areas of operation.

Equipment supply

Development and operation of the Corporation's power stations are dependent on the supply of third-party equipment. Equipment prices can increase rapidly depending on, among other things, equipment availability, raw material prices and the market for such products. Any significant increase in equipment procurement prices could adversely affect the future profitability of the Corporation's power stations and the Corporation's ability to implement other projects. There can be no assurance that manufacturers will meet all of their contractual obligations. Any failure by a supplier to meet its commitments could adversely affect the Corporation's ability to complete projects on schedule and meet its commitments under the energy sales contracts.

Cybersecurity

The Corporation relies on several information technologies to conduct many business operations. Successful cyber intrusion, including unauthorized access, malware or other violations of the system that controls production and transmission to our offices or central offices or facilities could seriously disrupt or otherwise affect business operations, affect our energy distribution networks or diminish competitive advantages. These attacks on the Corporation's computer systems could result in unanticipated expenses to investigate and repair security breaches or damage to the system and could result in litigation, fines or other corrective measures, increased regulatory review and damage to the Corporation's reputation. Breaches of our data security measures or cybersecurity could have a material adverse effect on the Corporation's operations, financial condition and operating results.

Acquisitions

The Corporation believes that the acquisitions recently completed and expected to be completed will have benefits for the Corporation. However, it is possible that all or some of the anticipated benefits, including financial benefits and those that are the subject of forward-looking financial information, may not materialize, particularly within the time frame set by the Corporation's management. The realization of such benefits may be affected by a number of factors, many of which are beyond the control of the Corporation.

It is also possible that the Corporation did not detect in its due diligence prior to the completion of the acquisitions any liabilities and contingencies for which the Corporation may not be indemnified. Discovery of any material liability or contingency with respect to shares, assets or businesses acquired following such acquisitions could have a material adverse effect on the Corporation's business, financial condition and operating results.

Lastly, the integration of assets acquired or to be acquired as part of the Corporation's acquisitions could pose significant challenges, and the Corporation's management may be unable to complete the integration or succeed in doing so only by investing significant amounts of money. There can be no assurance that management will be able to successfully integrate the assets acquired or expected to be acquired pursuant to these acquisitions or to realize the full benefits expected from the acquisitions.

Factors of uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments that can materially affect the revenues, expenses, comprehensive income (loss), assets and liabilities, and the information reported in the consolidated financial statements.

The following items require management to make the most critical estimates and judgments:

Main sources of uncertainty relating to management's estimates

Management determines its estimates based on a number of factors, namely its experience, current events and measures the Corporation could subsequently take, as well as other assumptions it deems reasonable given the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results may differ from them. Underlying estimates and assumptions are periodically reviewed and the impact of any changes is recognized immediately.

Impairment of assets

Every year, on October 31, the Corporation tests its CGUs and groups of CGUs for impairment with respect to intangible assets with indefinite useful lives and goodwill. Also, at each reporting date, if any evidence of impairment exists, the Corporation must perform impairment tests on its assets with indefinite and finite useful lives and goodwill to assess whether their carrying amounts are recoverable. Impairment tests require the use of various assumptions based on management's best estimates.

Recoverable amount

Recoverable amounts are determined using value-in-use calculations based on cash flows discounted over the terms of projects that factor in current economic conditions and management's estimates based on past experience. Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, including market and production estimates, together with economic factors such as selling prices and contract renewal prices, production cost estimates, future capital expenditure, after-tax discount rates, the growth rate and useful lives.

Discount rate

The discount rate estimated and used by management represents the weighted average cost of capital determined for a group of CGUs.

Growth rate

The growth rate is determined based on past experience, economic trends as well as market and industry trends.

Useful lives of property, plant and equipment and intangible assets with finite useful lives

In determining the useful lives of property, plant and equipment and intangible assets with finite useful lives, management takes into account estimates of the expected use period of the asset. Such estimates are reviewed annually and the impacts of any changes are accounted for prospectively.

Deferred taxes

Management is required to estimate the amounts to be recognized as deferred income tax assets and liabilities. In particular, management must assess the timing of the reversal of temporary differences to which future income tax rates are applied. Further, the amount of deferred tax assets, which is limited to the amount that is considered likely to be realized, is estimated by taking into account future taxable income.

Decommissioning liability

Future remediation costs, whether required under contract or by law, are recognized based on management's best estimates. These estimates are calculated at the end of each period taking into account expected undiscounted outflows for each asset in question. Estimates depend on labour costs, efficiency of site restoration and remediation measures, inflation rates and pre-tax interest rates that reflect the risks specific to the liability. Management also estimates the timing of expenses, which may change depending on the type of continuing operations. Expected future costs are inherently uncertain and could materially change over time. Given current knowledge, it is reasonably possible that, in upcoming fiscal years, actual costs could differ from the assumptions, requiring significant adjustments to the related liability's carrying amount.

Fair value of financial instruments

Fair value is determined using discounted cash flow models. Fair value determined using such valuation models requires the use of assumptions concerning the amount and timing of estimated future cash flows, as well as for numerous other variables. These assumptions are determined using external, readily observable market inputs. Since they are based on estimates, fair values may not be realized in an actual sale or immediate settlement of the instruments. See note 25 for a more detailed explanation of the bases for the calculations and estimates used. Derivative financial instruments designated as cash flow hedges are accounted for at fair value in the statement of financial position and changes in fair value are reported in comprehensive income (loss).

Fair value of business combinations

The Corporation makes a number of estimates when allocating fair values to the assets and liabilities acquired in a business acquisition. Fair values are estimated using valuation techniques that take into account several assumptions such as production, earnings and expenses, interest rate and discount rate.

Main sources of uncertainty relating to management's key judgments

Evidence of asset impairment

At each reporting date, management is required to use its judgment to assess whether there is any evidence that property, plant and equipment and intangible assets may be impaired. If applicable, the Corporation performs impairment tests on its CGUs to assess whether the carrying amounts of assets are recoverable. As described in the previous section, various estimates made by management are used in the impairment tests.

Management is required to exercise judgment and assess whether any events or changes in circumstances could have affected the recoverability of the carrying amount of assets. In making these assessments, management uses various indicators including, but not limited to, adverse changes in the industry or economic conditions, changes in the degree or method of use of the asset, a lower-than-expected economic performance of the asset or a significant change in market returns or interest rates.

Determining the development phase

The Corporation capitalizes project development costs during the period preceding commissioning. Recognition of an intangible asset resulting from the development phase starts when a given project meets IFRS capitalization criteria. This determination requires significant judgment by management. Deciding whether an event or a change in circumstances indicates that a project has reached the development phase depends on various factors, including the technical feasibility of completing the intangible asset, management's intention to complete the intangible asset and its ability to commission the project, how the intangible asset will generate probable future economic benefits, the availability of adequate technical and financial resources to complete the development, and management's ability to reliably measure the expenditures attributable to the project during its development.

Business combination or asset acquisition

When a development project is acquired, management is required to exercise its judgment to determine whether the transaction constitutes a business combination under IFRS 3, *Business Combinations*, or an asset acquisition. Management determines that a transaction is defined as a business combination when an acquired development project has completed the key steps required to obtain construction permits, financing and an energy sales contract. Management must also use its judgment in determining the amount of contingent consideration to be recognized as part of the final allocation of a business combination. Management evaluates the future amounts to be paid to the seller under the terms of the agreements based on the likelihood that the milestones will be met for payment.

Accounting policies

Change in accounting policies

IAS 7, *Statement of Cash Flows*

On February 2, 2016, the IASB issued narrow-scope amendments to IAS 7, *Statement of cash flows*, to require entities to provide information on changes in their financing liabilities. These presentation amendments apply to fiscal years beginning on or after January 1, 2017. The Corporation adopted this new standard on January 1, 2017 and this change impacted presentation at the end of the year ended December 31, 2017 in the form of a new note to the financial statements of the 2017 Annual Report (note 24 - *Statement of cash flows*).

Future changes in accounting policies

IFRS 9, *Financial Instruments*

In July 2014, IASB completed its three-phase project to replace IAS 39, *Financial instruments: Recognition and Measurement*, by issuing IFRS 9, *Financial Instruments*. IFRS 9 addresses the classification and measurement of financial assets and liabilities, and introduces a forward-looking expected credit loss impairment model and a substantially reformed hedge accounting model.

To determine whether a financial asset should be measured at amortized cost or at fair value, IFRS 9 uses a new approach that replaces the multiple rules of IAS 39. The approach recommended by IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of financial assets. Most of the requirements of IAS 39 for the classification and measurement of financial liabilities are carried forward in IFRS 9. However, the portion of the changes in fair value related to the entity's own credit risk, in measuring a financial liability at fair value through profit or loss, will be presented in *Accumulated other comprehensive income (loss)* instead of in the statement of earnings.

IFRS 9 also sets out an expected credit loss impairment model that will require more timely recognition of credit losses. More specifically, the new standard requires entities to account for expected credit losses upon initial recognition of financial instruments, and to recognize lifetime credit losses on a timely basis.

Last, IFRS 9 introduces a new hedge accounting model together with corresponding disclosure requirements about risk management activities. The new hedge accounting model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements.

IFRS 9 is effective for the Corporation's fiscal year beginning after January 1, 2018. The Corporation's analysis identified no significant differences in results or financial position following adoption of this standard.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with customers*, a new standard that specifies the steps and timing for issuers to recognize revenue as well as requiring them to provide more informative, relevant disclosures. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. This standard supersedes IFRS 11, *Construction Contracts*, IAS 18, *Revenue*, as well as various interpretations regarding revenue. IFRS 15 is effective for fiscal years beginning after January 1, 2018. The Corporation's analysis identified no significant differences in results or financial position following adoption of this standard.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16, *Leases*, which supersedes IAS 17, *Leases*, as well as several interpretations on leases. IFRS 16 eliminates the classification of leases by a lessee between operating and finance leases. Instead, all leases will be classified as finance leases and recognized in the statement of financial position under lease assets and financial liabilities, with certain exceptions. IFRS 16 is effective for fiscal years beginning on or after January 1, 2019, with earlier adoption permitted provided that IFRS 15, *Revenue from Contracts with Customers*, is also applied. The Corporation is currently assessing the impact of adopting this standard on its financial statements. Where the Corporation is a lessee, the application of IFRS 16 is expected to result in on-balance sheet recognition of most of its leases that are considered operating land leases for which future lease payments are disclosed in note 28, *Commitments and contingencies*. The Corporation also expects a decrease in operating expenses and an increase in financing costs and amortization expense resulting from the change in the recognition, measurement and presentation of rental expenses.

Internal controls and procedures

In accordance with Regulation 52-109 respecting certification of disclosure in issuers' annual and interim filings, disclosure controls and procedures ("DC&P") have been designed to provide reasonable assurance that the information that must be presented in Boralex's interim and annual reports is accumulated and communicated to management on a timely basis, including the Chief Executive Officer and the Chief Financial Officer, so that appropriate decisions can be made regarding disclosure. Internal control over financial reporting ("ICFR") has also been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

As indicated in the consolidated financial statements as at September 30, 2017, management had at that time presented the long-term debt of €47 million (\$69 million) of Fortel-Bonnières and St-François under current liabilities after finding that at that date, the debt coverage ratio was 1% below the minimum required under the credit agreement for these projects. Subsequently, the lenders waived their rights with respect to such technical default. Since then, the debt was reclassified as a *Non-current debt* when the lenders provided their waiver. As a result, the consolidated financial statements of the Corporation as at September 30, 2017 or prior periods do not contain any material errors or omissions in this respect.

Following this finding, and as part of the annual evaluation of the effectiveness of Boralex's DC&P and ICFR as at December 31, 2017, management completed during the fourth quarter of 2017, a specific assessment of the effectiveness of controls and procedures related to compliance with the covenants of the credit agreements. During this assessment, management identified a material weakness in the effectiveness of ICFR. A material weakness is a deficiency or combination of deficiencies in ICFR that could reasonably be expected to cause a material misstatement in the annual financial statements or interim financial report of the reporting issuer to be missed or detected in a timely manner.

Due to this material weakness in the effectiveness of the internal control process related to the assessment of compliance with these covenants of the credit agreements, it was reasonably possible that a default under a credit agreement would not be identified in a timely manner. This could have led to a material misstatement in the Corporation's annual financial statements or interim financial report, namely the obligation to reclassify obligations under these agreements as short-term obligations.

During the fourth quarter of 2017, management made changes to internal controls aimed at strengthening the effectiveness of controls and procedures related to the verification of compliance with the covenants of credit agreements. Management noted no material weaknesses in the design of these new controls. Since they were put in place at the end of the fiscal year ended December 31, 2017, management will continue to assess the operational effectiveness of the controls in place at the beginning of 2018 to prevent or detect that a material weakness related to compliance with debt covenants could result in a material misstatement of the Corporation's annual and quarterly financial statements for 2018.

Besides the changes mentioned above, there were no other changes to DC&P or ICFR during the fourth quarter.

Consolidated statements of financial position⁽¹⁾

(in millions of Canadian dollars)		As at December 31, 2017	As at December 31, 2016
ASSETS			
Cash and cash equivalents		126	109
Restricted cash		35	193
Trade and other receivables		141	78
Other current financial assets		—	1
Other current assets		41	25
CURRENT ASSETS		343	406
Property, plant and equipment		2,984	2,053
Intangible assets		655	426
Goodwill		182	124
Deferred income tax asset		—	21
Other non-current financial assets		63	2
Other non-current assets		61	52
NON-CURRENT ASSETS		3,945	2,678
TOTAL ASSETS		4,288	3,084
LIABILITIES			
Trade and other payables		162	121
Current portion of debt		240	116
Subscription receipts		—	173
Current income tax liability		1	—
Other current financial liabilities		53	62
CURRENT LIABILITIES		456	472
Non-current debt		2,714	1,749
Convertible debentures		137	135
Deferred income tax liability		110	70
Decommissioning liability		49	36
Other non-current financial liabilities		42	53
Other non-current liabilities		51	55
NON-CURRENT LIABILITIES		3,103	2,098
TOTAL LIABILITIES		3,559	2,570
EQUITY			
Equity attributable to shareholders		685	496
Non-controlling shareholders		44	18
TOTAL EQUITY		729	514
TOTAL LIABILITIES AND EQUITY		4,288	3,084

⁽¹⁾ These financial statements have not been reviewed by the independent auditor.

Consolidated statements of earnings⁽¹⁾

(in millions of Canadian dollars, unless otherwise specified)	Three-month periods ended December 31		Years ended December 31	
	2017	2016	2017	2016
REVENUES				
Revenues from energy sales	147	89	473	354
Other income	1	1	4	2
	148	90	477	356
COSTS AND OTHER EXPENSES				
Operating	31	24	116	94
Administrative	7	5	25	18
Development	6	4	17	13
Amortization	51	35	194	138
Other gains (loss)	—	1	(3)	(1)
	95	69	349	262
OPERATING INCOME	53	21	128	94
Financing costs	33	27	127	99
Foreign exchange gain	—	(1)	—	(1)
Net loss on financial instruments	1	—	1	3
EARNINGS (LOSS) BEFORE INCOME TAXES	19	(5)	—	(7)
Income tax recovery	(9)	(7)	(10)	(9)
NET EARNINGS	28	2	10	2
NET EARNINGS (LOSS) ATTRIBUTABLE TO:				
Shareholders of Boralex	26	1	22	(2)
Non-controlling shareholders	2	1	(12)	4
NET EARNINGS	28	2	10	2
NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – BASIC	\$0.34	\$0.02	\$0.29	(\$0.03)
NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – DILUTED	\$0.32	\$0.02	\$0.29	(\$0.03)

⁽¹⁾ These financial statements have not been reviewed by the independent auditor.

Consolidated statements of cash flows⁽¹⁾

(in millions of Canadian dollars)	Three-month periods ended December 31		Years ended December 31	
	2017	2016	2017	2016
Net earnings	28	2	10	2
Financing costs	33	27	127	99
Interest paid	(26)	(20)	(108)	(83)
Income tax recovery	(9)	(7)	(10)	(9)
Income taxes received (paid)	1	(2)	(2)	(8)
Non-cash items in earnings :				
Net loss on financial instruments	1	—	1	3
Amortization	51	35	194	138
Other	—	1	(2)	2
Change in non-cash items related to operating activities	(52)	(2)	(48)	18
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES	27	34	162	162
Business acquisitions, net of cash acquired	(6)	(16)	(241)	(16)
Additions to property, plant and equipment	(46)	(53)	(231)	(223)
Acquisition of energy sales contracts	—	—	(40)	(32)
Change in restricted cash	6	(13)	175	(19)
Other	(8)	(3)	(8)	(7)
NET CASH FLOWS RELATED TO INVESTING ACTIVITIES	(54)	(85)	(345)	(297)
Net increase in non-current debt	90	166	415	349
Repayments on non-current debt	(27)	(74)	(163)	(166)
Distributions paid to non-controlling shareholders	(2)	(4)	(8)	(7)
Dividends paid to shareholders of Boralex	(11)	(9)	(46)	(36)
Transaction costs related to share issuance	—	—	(4)	—
Proceeds from subscription receipt issuance, net of transaction costs	—	170	—	170
Restricted cash received from subscription receipt issuance	—	(170)	—	(170)
Exercise of options	1	1	6	4
Redemption of financial instruments prior to maturity	—	—	—	(4)
Other	(1)	—	(1)	—
NET CASH FLOWS RELATED TO FINANCING ACTIVITIES	50	80	199	140
TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS	1	(1)	1	(4)
NET CHANGE IN CASH AND CASH EQUIVALENTS	24	28	17	1
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	102	81	109	108
CASH AND CASH EQUIVALENTS – END OF PERIOD	126	109	126	109

⁽¹⁾ These financial statements have not been reviewed by the independent auditor.

Information by operating segment⁽¹⁾

(in millions of Canadian dollars, unless otherwise specified)	Three-month periods ended December 31		Years ended December 31	
	2017	2016	2017	2016
POWER PRODUCTION (GWh)				
Wind power stations	847	552	2,750	2,136
Hydroelectric power stations	159	140	729	632
Thermal power stations	31	34	173	163
Solar power stations	5	4	23	22
	1,042	730	3,675	2,953
REVENUES FROM ENERGY SALES				
Wind power stations	125	69	374	267
Hydroelectric power stations	14	12	65	57
Thermal power stations	7	7	28	25
Solar power stations	1	1	6	5
	147	89	473	354
EBITDA(A)				
Wind power stations	106	55	301	215
Hydroelectric power stations	10	9	49	40
Thermal power stations	2	1	8	6
Solar power stations	1	1	4	4
	119	66	362	265
Corporate and eliminations	(15)	(9)	(43)	(34)
	104	57	319	231

⁽¹⁾ These financial statements have not been reviewed by the independent auditor.

Information by geographic segment⁽¹⁾

(in millions of Canadian dollars, unless otherwise specified)	Three-month periods ended December 31		Years ended December 31	
	2017	2016	2017	2016
POWER PRODUCTION (GWh)				
Canada	570	399	2,075	1,565
France	382	262	1,163	1,069
United States	90	69	437	319
	1,042	730	3,675	2,953
REVENUES FROM ENERGY SALES				
Canada	86	47	272	175
France	54	36	163	150
United States	7	6	38	29
	147	89	473	354
EBITDA(A)				
Canada	68	35	197	124
France	33	20	97	89
United States	4	3	28	19
Other ⁽²⁾	(1)	(1)	(3)	(1)
	104	57	319	231

⁽¹⁾ These financial statements have not been reviewed by the independent auditor.

⁽²⁾ United Kingdom and Denmark.

Consolidated statements of financial position

As at December 31,

2017

(in millions of Canadian dollars)

	IFRS	Adjustments Joint Ventures	Proportionate consolidation
ASSETS			
Cash and cash equivalents	115	11	126
Restricted cash	35	—	35
Trade and other receivables	134	7	141
Other current assets	41	—	41
CURRENT ASSETS	325	18	343
Property, plant and equipment	2,621	363	2,984
Intangible assets	655	—	655
Goodwill	182	—	182
Interests in the Joint Ventures	24	(24)	—
Other non-current financial assets	62	1	63
Other non-current assets	57	4	61
NON-CURRENT ASSETS	3,601	344	3,945
TOTAL ASSETS	3,926	362	4,288
LIABILITIES			
Trade and other payables	151	11	162
Current portion of debt	224	16	240
Current income tax liability	1	—	1
Other current financial liabilities	53	—	53
CURRENT LIABILITIES	429	27	456
Non-current debt	2,418	296	2,714
Convertible debentures	137	—	137
Deferred income tax liability	110	—	110
Decommissioning liability	48	1	49
Other non-current financial liabilities	30	12	42
Other non-current liabilities	25	26	51
NON-CURRENT LIABILITIES	2,768	335	3,103
TOTAL LIABILITIES	3,197	362	3,559
EQUITY			
Equity attributable to shareholders	685	—	685
Non-controlling shareholders	44	—	44
TOTAL EQUITY	729	—	729
TOTAL LIABILITIES AND EQUITY	3,926	362	4,288

Consolidated statements of financial position

As at December 31,

2016

(in millions of Canadian dollars)

	IFRS	Adjustments Joint Ventures	Proportionate consolidation
ASSETS			
Cash and cash equivalents	100	9	109
Restricted cash	193	—	193
Trade and other receivables	71	7	78
Other current financial assets	1	—	1
Other current assets	24	1	25
CURRENT ASSETS	389	17	406
Property, plant and equipment	1,668	385	2,053
Intangible assets	426	—	426
Goodwill	124	—	124
Interests in the Joint Ventures	22	(22)	—
Deferred income tax asset	21	—	21
Other non-current financial assets	2	—	2
Other non-current assets	50	2	52
NON-CURRENT ASSETS	2,313	365	2,678
TOTAL ASSETS	2,702	382	3,084
LIABILITIES			
Trade and other payables	116	5	121
Current portion of debt	101	15	116
Subscription receipts	173	—	173
Other current financial liabilities	62	—	62
CURRENT LIABILITIES	452	20	472
Non-current debt	1,439	310	1,749
Convertible debentures	135	—	135
Deferred income tax liability	70	—	70
Decommissioning liability	34	2	36
Other non-current financial liabilities	31	22	53
Other non-current liabilities	27	28	55
NON-CURRENT LIABILITIES	1,736	362	2,098
TOTAL LIABILITIES	2,188	382	2,570
EQUITY			
Equity attributable to shareholders	496	—	496
Non-controlling shareholders	18	—	18
TOTAL EQUITY	514	—	514
TOTAL LIABILITIES AND EQUITY	2,702	382	3,084

Consolidated statements of earnings

(in millions of Canadian dollars, unless otherwise specified)	Three-month period ended December 31		
	2017		
	IFRS	Adjustments Joint Ventures	Proportionate consolidation
REVENUES			
Revenues from energy sales	129	18	147
Other income	2	(1)	1
	131	17	148
COSTS AND OTHER EXPENSES			
Operating	30	1	31
Administrative	7	—	7
Development	6	—	6
Amortization	46	5	51
	89	6	95
OPERATING INCOME	42	11	53
Financing costs	27	6	33
Net loss on financial instruments	1	—	1
Share in earnings of the Joint Ventures	5	(5)	—
LOSS BEFORE INCOME TAXES	19	—	19
Income tax recovery	(9)	—	(9)
NET EARNINGS	28	—	28
NET EARNINGS ATTRIBUTABLE TO:			
Shareholders of Boralex	26	—	26
Non-controlling shareholders	2	—	2
NET EARNINGS	28	—	28
NET EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – BASIC	\$0.34	—	\$0.34
NET EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – DILUTED	\$0.32	—	\$0.32

Consolidated statements of earnings (loss)

	Three-month period ended December 31		
	2016		
(in millions of Canadian dollars, unless otherwise specified)	IFRS	Adjustments Joint Ventures	Proportionate consolidation
REVENUES			
Revenues from energy sales	74	15	89
Other income	2	(1)	1
	76	14	90
COSTS AND OTHER EXPENSES			
Operating	22	2	24
Administrative	5	—	5
Development	4	—	4
Amortization	29	6	35
Other losses	2	(1)	1
	62	7	69
OPERATING INCOME	14	7	21
Financing costs	22	5	27
Foreign exchange gain	(1)	—	(1)
Share in losses of the Joint Ventures	(7)	7	—
LOSS BEFORE INCOME TAXES	(14)	9	(5)
Income tax recovery	(10)	3	(7)
NET EARNINGS (LOSS)	(4)	6	2
NET EARNINGS (LOSS) ATTRIBUTABLE TO:			
Shareholders of Boralex	(5)	6	1
Non-controlling shareholders	1	—	1
NET EARNINGS (LOSS)	(4)	6	2
NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – BASIC AND DILUTED	(\$0.07)	\$0.09	\$0.02

Consolidated statements of earnings

(in millions of Canadian dollars, unless otherwise specified)	Year ended December 31		
	2017		
	IFRS	Adjustments Joint Ventures	Proportionate consolidation
REVENUES			
Revenues from energy sales	414	59	473
Other income	5	(1)	4
	419	58	477
COSTS AND OTHER EXPENSES			
Operating	108	8	116
Administrative	25	—	25
Development	17	—	17
Amortization	172	22	194
Other gains	(1)	(2)	(3)
	321	28	349
OPERATING INCOME	98	30	128
Financing costs	104	23	127
Net loss on financial instruments	1	—	1
Share in earnings of the Joint Ventures	7	(7)	—
LOSS BEFORE INCOME TAXES	—	—	—
Income tax recovery	(10)	—	(10)
NET EARNINGS	10	—	10
NET EARNINGS (LOSS) ATTRIBUTABLE TO:			
Shareholders of Boralex	22	—	22
Non-controlling shareholders	(12)	—	(12)
NET EARNINGS	10	—	10
NET EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – BASIC AND DILUTED	\$0.29	—	\$0.29

Consolidated statements of earnings

	Year ended December 31		
	2016		
(in millions of Canadian dollars, unless otherwise specified)	IFRS	Adjustments Joint Ventures	Proportionate consolidation
REVENUES			
Revenues from energy sales	299	55	354
Other income	3	(1)	2
	302	54	356
COSTS AND OTHER EXPENSES			
Operating	87	7	94
Administrative	18	—	18
Development	13	—	13
Amortization	116	22	138
Other loss (gains)	1	(2)	(1)
	235	27	262
OPERATING INCOME	67	27	94
Financing costs	76	23	99
Foreign exchange gain	(1)	—	(1)
Net loss on financial instruments	4	(1)	3
Share in earnings of the Joint Ventures	5	(5)	—
LOSS BEFORE INCOME TAXES	(7)	—	(7)
Income tax recovery	(9)	—	(9)
NET EARNINGS	2	—	2
NET EARNINGS (LOSS) ATTRIBUTABLE TO:			
Shareholders of Boralex	(2)	—	(2)
Non-controlling shareholders	4	—	4
NET EARNINGS	2	—	2
NET LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – BASIC AND DILUTED	(\$0.03)	—	(\$0.03)

Consolidated statements of cash flows

(in millions of Canadian dollars)	Three-month period ended December 31		
	2017		
	IFRS	Adjustments Joint Ventures	Proportionate consolidation
Net earnings	28	—	28
Distributions received from the Joint Ventures	1	(1)	—
Financing costs	27	6	33
Interest paid	(22)	(4)	(26)
Income tax recovery	(9)	—	(9)
Income taxes received	1	—	1
Non-cash items in earnings:			
Net loss on financial instruments	1	—	1
Share in earnings of the Joint Ventures	(5)	5	—
Amortization	46	5	51
Other	1	(1)	—
Change in non-cash items related to operating activities	(50)	(2)	(52)
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES	19	8	27
Business acquisition, net of cash acquired	(6)	—	(6)
Additions to property, plant and equipment	(46)	—	(46)
Change in restricted cash	6	—	6
Other	(8)	—	(8)
NET CASH FLOWS RELATED TO INVESTING ACTIVITIES	(54)	—	(54)
Net increase in non-current debt	90	—	90
Repayments on non-current debt	(21)	(6)	(27)
Distributions paid to non-controlling shareholders	(2)	—	(2)
Dividends paid to shareholders of Boralex	(11)	—	(11)
Exercise of options	1	—	1
Other	(2)	1	(1)
NET CASH FLOWS RELATED TO FINANCING ACTIVITIES	55	(5)	50
TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS	1	—	1
NET CHANGE IN CASH AND CASH EQUIVALENTS	21	3	24
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	94	8	102
CASH AND CASH EQUIVALENTS – END OF PERIOD	115	11	126

Consolidated statements of cash flows

(in millions of Canadian dollars)	Three-month period ended December 31		
	2016		
	IFRS	Adjustments Joint Ventures	Proportionate consolidation
Net earnings (loss)	(4)	6	2
Financing costs	22	5	27
Interest paid	(16)	(4)	(20)
Income tax recovery	(10)	3	(7)
Income taxes paid	(2)	—	(2)
Non-cash items in earnings (loss):			
Share in losses of the Joint Ventures	7	(7)	—
Amortization	29	6	35
Other	2	(1)	1
Change in non-cash items related to operating activities	1	(3)	(2)
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES	29	5	34
Business acquisitions, net of cash acquired	(16)	—	(16)
Additions to property, plant and equipment	(53)	—	(53)
Change in restricted cash	(14)	1	(13)
Other	(3)	—	(3)
NET CASH FLOWS RELATED TO INVESTING ACTIVITIES	(86)	1	(85)
Net increase in non-current debt	164	2	166
Repayments non-current debt	(67)	(7)	(74)
Distributions paid to a non-controlling shareholders	(4)	—	(4)
Dividends paid to shareholders of Boralex	(9)	—	(9)
Subscription receipt issuance proceeds, net of transaction costs	170	—	170
Restricted cash received upon subscription receipt issuance	(170)	—	(170)
Exercise of options	1	—	1
NET CASH FLOWS RELATED TO FINANCING ACTIVITIES	85	(5)	80
TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS	(1)	—	(1)
NET CHANGE IN CASH AND CASH EQUIVALENTS	27	1	28
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	73	8	81
CASH AND CASH EQUIVALENTS – END OF PERIOD	100	9	109

Consolidated statements of cash flows

	Year ended December 31		
	2017		
(in millions of Canadian dollars)	IFRS	Adjustments Joint Ventures	Proportionate consolidation
Net earnings	10	—	10
Distributions received from the Joint Ventures	17	(17)	—
Financing costs	104	23	127
Interest paid	(92)	(16)	(108)
Income tax recovery	(10)	—	(10)
Income taxes paid	(2)	—	(2)
Non-cash items in earnings:			
Net loss on financial instruments	1	—	1
Share in earnings of the Joint Ventures	(7)	7	—
Amortization	172	22	194
Other	2	(4)	(2)
Change in non-cash items related to operating activities	(50)	2	(48)
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES	145	17	162
Business acquisitions, net of cash acquired	(241)	—	(241)
Additions to property, plant and equipment	(231)	—	(231)
Acquisition of energy sales contracts	(40)	—	(40)
Change in restricted cash	175	—	175
Other	(8)	—	(8)
NET CASH FLOWS RELATED TO INVESTING ACTIVITIES	(345)	—	(345)
Net increase in non-current debt	415	—	415
Repayments on non-current debt	(149)	(14)	(163)
Distributions paid to non-controlling shareholders	(8)	—	(8)
Dividends paid to shareholders of Boralex	(46)	—	(46)
Transaction costs related to share issuance	(4)	—	(4)
Exercise of options	6	—	6
Other	—	(1)	(1)
NET CASH FLOWS RELATED TO FINANCING ACTIVITIES	214	(15)	199
TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS	1	—	1
NET CHANGE IN CASH AND CASH EQUIVALENTS	15	2	17
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	100	9	109
CASH AND CASH EQUIVALENTS – END OF PERIOD	115	11	126

Consolidated statements of cash flows

(in millions of Canadian dollars)	Year ended December 31		
	2016		
	IFRS	Adjustments Joint Ventures	Proportionate consolidation
Net earnings	2	—	2
Distributions received from the Joint Ventures	15	(15)	—
Financing costs	76	23	99
Interest paid	(66)	(17)	(83)
Income tax recovery	(9)	—	(9)
Income taxes paid	(8)	—	(8)
Non-cash items in earnings:			
Net loss on financial instruments	4	(1)	3
Share in earnings of the Joint Ventures	(5)	5	—
Amortization	116	22	138
Other	3	(1)	2
Change in non-cash items related to operating activities	20	(2)	18
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES	148	14	162
Business acquisitions, net of cash acquired	(16)	—	(16)
Additions to property, plant and equipment	(223)	—	(223)
Acquisition of energy sales contracts	(32)	—	(32)
Return of capital by Joint Venture Phase I	40	(40)	—
Change in restricted cash	(20)	1	(19)
Other	(7)	—	(7)
NET CASH FLOWS RELATED TO INVESTING ACTIVITIES	(258)	(39)	(297)
Net increase in non-current debt	308	41	349
Repayments on current and non-current debt	(151)	(15)	(166)
Distributions paid to a non-controlling shareholders	(7)	—	(7)
Dividends paid to shareholders of Boralex	(36)	—	(36)
Subscription receipt issuance proceeds, net of transaction costs	170	—	170
Restricted cash received upon subscription receipt issuance	(170)	—	(170)
Exercise of options	4	—	4
Redemption of financial instruments prior to maturity	(4)	—	(4)
NET CASH FLOWS RELATED TO FINANCING ACTIVITIES	114	26	140
TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS	(4)	—	(4)
NET CHANGE IN CASH AND CASH EQUIVALENTS	—	1	1
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	100	8	108
CASH AND CASH EQUIVALENTS – END OF PERIOD	100	9	109

Information by operating segment

(in millions of Canadian dollars, unless otherwise specified)	Three-month period ended December 31		
	2017		
	IFRS	Adjustments Joint Ventures	Proportionate consolidation
POWER PRODUCTION (GWh)			
Wind power stations	676	171	847
Hydroelectric power stations	159	—	159
Thermal power stations	31	—	31
Solar power stations	5	—	5
	871	171	1,042
REVENUES FROM ENERGY SALES			
Wind power stations	107	18	125
Hydroelectric power stations	14	—	14
Thermal power stations	7	—	7
Solar power stations	1	—	1
	129	18	147
EBITDA(A)			
Wind power stations	95	11	106
Hydroelectric power stations	10	—	10
Thermal power stations	2	—	2
Solar power stations	1	—	1
	108	11	119
Corporate and eliminations	(15)	—	(15)
	93	11	104

(in millions of Canadian dollars, unless otherwise specified)	Three-month period ended December 31		
	2016		
	IFRS	Adjustments Joint Ventures	Proportionate consolidation
POWER PRODUCTION (GWh)			
Wind power stations	418	134	552
Hydroelectric power stations	140	—	140
Thermal power stations	34	—	34
Solar power stations	4	—	4
	596	134	730
REVENUES FROM ENERGY SALES			
Wind power stations	54	15	69
Hydroelectric power stations	12	—	12
Thermal power stations	7	—	7
Solar power stations	1	—	1
	74	15	89
EBITDA(A)			
Wind power stations	46	9	55
Hydroelectric power stations	9	—	9
Thermal power stations	1	—	1
Solar power stations	1	—	1
	57	9	66
Corporate and eliminations	(10)	1	(9)
	47	10	57

Information by operating segment

(in millions of Canadian dollars, unless otherwise specified)	Year ended December 31		
	2017		
	IFRS	Adjustments Joint Ventures	Proportionate consolidation
POWER PRODUCTION (GWh)			
Wind power stations	2,204	546	2,750
Hydroelectric power stations	729	—	729
Thermal power stations	173	—	173
Solar power stations	23	—	23
	3,129	546	3,675
REVENUES FROM ENERGY SALES			
Wind power stations	315	59	374
Hydroelectric power stations	65	—	65
Thermal power stations	28	—	28
Solar power stations	6	—	6
	414	59	473
EBITDA(A)			
Wind power stations	261	40	301
Hydroelectric power stations	49	—	49
Thermal power stations	8	—	8
Solar power stations	4	—	4
	322	40	362
Corporate and eliminations	(46)	3	(43)
	276	43	319

(in millions of Canadian dollars, unless otherwise specified)	Year ended December 31		
	2016		
	IFRS	Adjustments Joint Ventures	Proportionate consolidation
POWER PRODUCTION (GWh)			
Wind power stations	1,624	512	2,136
Hydroelectric power stations	632	—	632
Thermal power stations	163	—	163
Solar power stations	22	—	22
	2,441	512	2,953
REVENUES FROM ENERGY SALES			
Wind power stations	212	55	267
Hydroelectric power stations	57	—	57
Thermal power stations	25	—	25
Solar power stations	5	—	5
	299	55	354
EBITDA(A)			
Wind power stations	176	39	215
Hydroelectric power stations	40	—	40
Thermal power stations	6	—	6
Solar power stations	4	—	4
	226	39	265
Corporate and eliminations	(37)	3	(34)
	189	42	231

Information by geographic segment

Three-month period ended December 31			
2017			
(in millions of Canadian dollars, unless otherwise specified)	IFRS	Adjustments Joint Ventures	Proportionate consolidation
POWER PRODUCTION (GWh)			
Canada	399	171	570
France	382	—	382
United States	90	—	90
	871	171	1,042
REVENUES FROM ENERGY SALES			
Canada	68	18	86
France	54	—	54
United States	7	—	7
	129	18	147
EBITDA(A)			
Canada	57	11	68
France	33	—	33
United States	4	—	4
Other ⁽¹⁾	(1)	—	(1)
	93	11	104

Three-month period ended December 31			
2016			
(in millions of Canadian dollars, unless otherwise specified)	IFRS	Adjustments Joint Ventures	Proportionate consolidation
POWER PRODUCTION (GWh)			
Canada	265	134	399
France	262	—	262
United States	69	—	69
	596	134	730
REVENUES FROM ENERGY SALES			
Canada	32	15	47
France	36	—	36
United States	6	—	6
	74	15	89
EBITDA(A)			
Canada	25	10	35
France	20	—	20
United States	3	—	3
Other ⁽¹⁾	(1)	—	(1)
	47	10	57

⁽¹⁾ United Kingdom and Denmark.

Information by geographic segment

(in millions of Canadian dollars, unless otherwise specified)	Year ended December 31		
	2017		
	IFRS	Adjustments Joint Ventures	Proportionate consolidation
POWER PRODUCTION (GWh)			
Canada	1,529	546	2,075
France	1,163	—	1,163
United States	437	—	437
	3,129	546	3,675
REVENUES FROM ENERGY SALES			
Canada	213	59	272
France	163	—	163
United States	38	—	38
	414	59	473
EBITDA(A)			
Canada	154	43	197
France	97	—	97
United States	28	—	28
Other ⁽¹⁾	(3)	—	(3)
	276	43	319

(in millions of Canadian dollars, unless otherwise specified)	Year ended December 31		
	2016		
	IFRS	Adjustments Joint Ventures	Proportionate consolidation
POWER PRODUCTION (GWh)			
Canada	1,053	512	1,565
France	1,069	—	1,069
United States	319	—	319
	2,441	512	2,953
REVENUES FROM ENERGY SALES			
Canada	120	55	175
France	150	—	150
United States	29	—	29
	299	55	354
EBITDA(A)			
Canada	82	42	124
France	89	—	89
United States	19	—	19
Other ⁽¹⁾	(1)	—	(1)
	189	42	231

⁽¹⁾ United Kingdom and Denmark.

Consolidated financial statements

Management's report

The consolidated financial statements and other financial information included in this Annual Report are the responsibility of, and have been prepared by, the management of Boralex Inc. within reasonable limits of materiality. To fulfill this responsibility, management maintains appropriate systems of internal control, policies and procedures. These systems of internal control, policies and procedures help ensure that the Corporation's reporting practices as well as accounting and administrative procedures provide reasonable assurance that the financial information is relevant, reliable and accurate and that assets are safeguarded and transactions are executed in accordance with proper authorization. These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which are summarized in the consolidated financial statements. Where appropriate, these consolidated financial statements reflect estimates based on management's best judgment. Financial information presented elsewhere in this Annual Report is consistent, where applicable, with that reported in the accompanying consolidated financial statements.

The audited consolidated financial statements have been reviewed by the Board of Directors and by its Audit Committee. The Audit Committee consists exclusively of independent directors and meets periodically during the year with the independent auditor. The independent auditor has full access to and meets with the Audit Committee both in the presence and absence of management.

PricewaterhouseCoopers LLP has audited the consolidated financial statements of Boralex Inc. The independent auditor's responsibility is to express a professional opinion on the fairness of the consolidated financial statement presentation. The Independent Auditor's Report outlines the scope of its audits and sets forth its opinion on the consolidated financial statements.

(s) Patrick Lemaire

Patrick Lemaire

President and Chief Executive Officer

(s) Jean-François Thibodeau

Jean-François Thibodeau

Vice-President and Chief Financial Officer

Montreal, Canada

March 1, 2018

Independent auditor's report

To the Shareholders of Boralex Inc.

We have audited the accompanying consolidated financial statements of Boralex Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of earnings, comprehensive income (loss), changes in equity and cash flows for the years then ended and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Boralex Inc. and its subsidiaries as at December 31, 2017 and 2016, and their financial performance and their cash flows for the years then ended in accordance with IFRS.

(s) PricewaterhouseCoopers LLP¹

Montreal, Québec

March 1, 2018

¹ CPA auditor, CA, public accountancy permit No. A126402

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Consolidated statements of financial position

(in millions of Canadian dollars)	Note	As at December 31, 2017	As at December 31, 2016
ASSETS			
Cash and cash equivalents		115	100
Restricted cash		35	193
Trade and other receivables	6	134	71
Other current financial assets	25	—	1
Other current assets	7	41	24
CURRENT ASSETS		325	389
Property, plant and equipment	8	2,621	1,668
Intangible assets	9	655	426
Goodwill	9	182	124
Interests in the Joint Ventures	10	24	22
Deferred income tax asset	15	—	21
Other non-current financial assets	25	62	2
Other non-current assets	11	57	50
NON-CURRENT ASSETS		3,601	2,313
TOTAL ASSETS		3,926	2,702
LIABILITIES			
Trade and other payables	12	151	116
Current portion of debt	13	224	101
Subscription receipts	17	—	173
Current income tax liability		1	—
Other current financial liabilities	25	53	62
CURRENT LIABILITIES		429	452
Non-current debt	13	2,418	1,439
Convertible debentures	14	137	135
Deferred income tax liability	15	110	70
Decommissioning liability	16	48	34
Other non-current financial liabilities	25	30	31
Other non-current liabilities		25	27
NON-CURRENT LIABILITIES		2,768	1,736
TOTAL LIABILITIES		3,197	2,188
EQUITY			
Equity attributable to shareholders		685	496
Non-controlling shareholders		44	18
TOTAL EQUITY		729	514
TOTAL LIABILITIES AND EQUITY		3,926	2,702

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

The Board of Directors approved these audited annual consolidated financial statements on March 1, 2018.

(s) Alain Rhéaume

Alain Rhéaume, Director

(s) Pierre Seccareccia

Pierre Seccareccia, Director

Consolidated statements of earnings

(in millions of Canadian dollars, unless otherwise specified)		Note	2017	2016
REVENUES				
Revenues from energy sales			414	299
Other income			5	3
			419	302
COSTS AND OTHER EXPENSES				
Operating	20		108	87
Administrative	20		25	18
Development			17	13
Amortization			172	116
Other losses (gains)			(1)	1
			321	235
OPERATING INCOME			98	67
Financing costs	21		104	76
Foreign exchange gain			—	(1)
Net loss on financial instruments			1	4
Share in earnings of the Joint Ventures	10		7	5
EARNINGS (LOSS) BEFORE INCOME TAXES			—	(7)
Income tax recovery	15		(10)	(9)
NET EARNINGS			10	2
NET EARNINGS (LOSS) ATTRIBUTABLE TO:				
Shareholders of Boralex			22	(2)
Non-controlling shareholders			(12)	4
NET EARNINGS			10	2
NET EARNINGS (LOSS) PER SHARE (BASIC AND DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX		22	\$0.29	(\$0.03)

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

Consolidated statements of comprehensive income (loss)

(in millions of Canadian dollars)

	2017	2016
NET EARNINGS	10	2
Other comprehensive income (loss) to be subsequently reclassified to net earnings when certain conditions are met		
Translation adjustments:		
Unrealized foreign exchange gain (loss) on translation of financial statements of self-sustaining foreign operations	17	(17)
Hedge of net investment:		
Change in fair value	(7)	5
Cash flow hedges:		
Change in fair value	16	(14)
Hedging items realized and recognized in net earnings	15	13
Income taxes	(9)	—
Cash flow hedges – Joint Ventures:		
Change in fair value	4	(4)
Hedging items realized and recognized in net earnings	6	6
Income taxes	(3)	(1)
Total other comprehensive income (loss)	39	(12)
COMPREHENSIVE INCOME (LOSS)	49	(10)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:		
Shareholders of Boralex	59	(14)
Non-controlling shareholders	(10)	4
COMPREHENSIVE INCOME (LOSS)	49	(10)

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

Consolidated statements of changes in equity

2017

(in millions of Canadian dollars)	Equity attributable to shareholders					Total	Non-controlling shareholders	Total equity
	Capital stock	Equity component of convertible debentures	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive income (loss)			
BALANCE AS AT JANUARY 1, 2017	557	4	9	(19)	(55)	496	18	514
Net earnings (loss)	—	—	—	22	—	22	(12)	10
Other comprehensive income	—	—	—	—	37	37	2	39
COMPREHENSIVE INCOME (LOSS)	—	—	—	22	37	59	(10)	49
Dividends (note 17)	—	—	—	(46)	—	(46)	—	(46)
Shares issued (note 17)	170	—	—	—	—	170	—	170
Exercise of options (note 17)	6	—	—	—	—	6	—	6
Share of a non-controlling shareholder resulting from a business combination (note 5)	—	—	—	—	—	—	47	47
Repurchase of a non-controlling shareholder (note 19)	—	—	—	—	—	—	(3)	(3)
Distributions to non-controlling shareholders (note 19)	—	—	—	—	—	—	(8)	(8)
BALANCE AS AT DECEMBER 31, 2017	733	4	9	(43)	(18)	685	44	729

2016

(in millions of Canadian dollars)	Equity attributable to shareholders					Total	Non-controlling shareholders	Total equity
	Capital stock	Equity component of convertible debentures	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss			
BALANCE AS AT JANUARY 1, 2016	556	4	9	19	(43)	545	14	559
Net earnings (loss)	—	—	—	(2)	—	(2)	4	2
Other comprehensive loss	—	—	—	—	(12)	(12)	—	(12)
COMPREHENSIVE INCOME (LOSS)	—	—	—	(2)	(12)	(14)	4	(10)
Dividends (note 17)	—	—	—	(36)	—	(36)	—	(36)
Subscription receipts issuance costs (note 17)	(3)	—	—	—	—	(3)	—	(3)
Exercise of options (note 17)	4	—	—	—	—	4	—	4
Contribution of non-controlling shareholders (note 19)	—	—	—	—	—	—	7	7
Distributions to non-controlling shareholders (note 19)	—	—	—	—	—	—	(7)	(7)
BALANCE AS AT DECEMBER 31, 2016	557	4	9	(19)	(55)	496	18	514

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

Consolidated statements of cash flows

(in millions of Canadian dollars)	Note	2017	2016
Net earnings		10	2
Distributions received from the Joint Ventures	10	17	15
Financing costs		104	76
Interest paid		(92)	(66)
Income tax recovery		(10)	(9)
Income taxes paid		(2)	(8)
Non-cash items in earnings:			
Net loss on financial instruments		1	4
Share in earnings of the Joint Ventures	10	(7)	(5)
Amortization		172	116
Other		2	3
Change in non-cash items related to operating activities	23	(50)	20
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES		145	148
Business acquisition, net of cash acquired	5	(241)	(16)
Additions to property, plant and equipment	8	(231)	(223)
Acquisition of energy sales contracts	9	(40)	(32)
Return of capital by the Joint Venture Phase I	10	—	40
Change in restricted cash		175	(20)
Other		(8)	(7)
NET CASH FLOWS RELATED TO INVESTING ACTIVITIES		(345)	(258)
Net increase in non-current debt		415	308
Repayments on non-current debt		(149)	(151)
Distributions paid to non-controlling shareholders	19	(8)	(7)
Dividends paid to shareholders of Boralex	17	(46)	(36)
Transaction costs related to share issuance	17	(4)	—
Subscription receipts issuance proceeds, net of transaction costs	17	—	170
Restricted cash received from subscription receipts issuance	17	—	(170)
Exercise of options	17	6	4
Redemption of financial instruments prior to maturity		—	(4)
NET CASH FLOWS RELATED TO FINANCING ACTIVITIES		214	114
TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS		1	(4)
NET CHANGE IN CASH AND CASH EQUIVALENTS		15	—
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR		100	100
CASH AND CASH EQUIVALENTS – END OF YEAR		115	100

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

Notes to consolidated financial statements

As at December 31, 2017

(Tabular amounts are in millions of Canadian dollars, unless otherwise specified.)

Note 1. Incorporation and nature of business

Boralex Inc., its subsidiaries and its Joint Ventures ("Boralex" or the "Corporation") are dedicated to the development, construction and operation of renewable energy power facilities. As at December 31, 2017, the Corporation had interests in 55 wind power stations, 15 hydroelectric power stations, two thermal power stations and three solar power stations, representing an asset base with an installed capacity under its control totalling 1,456 megawatts ("MW"). In addition, Boralex currently has new projects under development, representing an additional 233 MW of power. The Corporation also operates two hydroelectric power stations on behalf of R.S.P. Énergie Inc., an entity of which two of the three shareholders, Richard and Patrick Lemaire, are directors of the Corporation. Revenues from energy sales are generated mainly in Canada, France and the United States.

The Corporation is incorporated under the Canada Business Corporations Act. Boralex's head office is located at 36 Lajeunesse St., Kingsey Falls, Québec, Canada and its shares and convertible debentures are listed on the Toronto Stock Exchange ("TSX").

(The data expressed in MW and GWh contained in notes 1, 5, 13, 28 and 30 have not been reviewed by the auditor.)

Note 2. Basis of presentation

These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board ("IASB") and set out in the *CPA Canada Handbook*, including International Accounting Standards ("IAS") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of financial statements, and IAS 1, *Presentation of Financial Statements*. The Corporation has consistently applied the same accounting policies for all of the periods presented except for the new standards adopted during the year.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. These areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

Note 3. Significant accounting policies

The significant accounting policies used to prepare these audited consolidated financial statements are as follows:

Measurement basis

The consolidated financial statements have been prepared on a going concern basis, under the historical cost method, except for certain financial assets and financial liabilities that are remeasured at fair value through profit or loss.

Basis of consolidation

The consolidated financial statements include the accounts of the Corporation comprising:

Subsidiaries

The subsidiaries are entities over which the Corporation exercises control. The Corporation controls an entity when it has power to direct the relevant activities, when it is exposed, or has rights to variable returns, and when it has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date the Corporation acquires control and are deconsolidated on the date control ends. Intercompany transactions and balances as well as unrealized gains and losses on transactions between these entities are eliminated.

Note 3. Significant accounting policies (cont'd)

The Corporation's main subsidiaries as at December 31, 2017 were as follows:

Name of subsidiary	Voting rights held	Location
Borex Europe Sàrl	100%	Luxembourg
Borex EnR S.A.S. ⁽¹⁾	100%	France
Borex Energie France S.A.S.	100%	France
Borex S.A.S.	100%	France
Groupe Ressources Forestières SAS	100%	France
Borex Scotland LP	100%	United Kingdom
Borex US Energy Inc.	100%	United States
Borex Ontario Energy Holdings L.P.	100%	Canada
Borex Ontario Energy Holdings 2 L.P.	100%	Canada
Jamie Creek L.P.	100%	Canada
Éoliennes Témiscouata S.E.C.	51%	Canada
Éoliennes Témiscouata II L.P.	100%	Canada
Frampton Wind Energy L.P.	67%	Canada
Éoliennes Côte-de-Beaupré S.E.C.	51%	Canada
Borex Power Limited Partnership	100%	Canada
Yellow Falls Power LP	100%	Canada
Moose Lake Wind LP	70%	Canada
Port Rysse Wind Farm LP	100%	Canada
FWRN LP	50%	Canada
NR Capital	100%	Canada
Otter Creek Wind Farm G.P. Inc.	64%	Canada

⁽¹⁾ Borex Energie Verte S.A.S. ("BEV") is a subsidiary of Borex EnR S.A.S.

Joint Ventures

A Joint Venture is a joint arrangement in which the parties are bound by a contractual agreement that gives them joint control over the net assets. The decisions about the relevant activities of the joint arrangement require the unanimous consent of the parties that exercise joint control. The Corporation's interest in the Joint Ventures is accounted for using the equity method. The Corporation's *Share in earnings of the Joint Ventures* is recorded as a separate line item in the consolidated statement of earnings. Unrealized gains and losses on transactions between the Corporation and the joint ventures are eliminated to the extent of the Corporation's interest in the Joint Ventures.

If an interest in a Joint Venture becomes negative, the carrying amount of such interest is reduced to zero and the adjustment is recorded under *Excess of distributions received over the share of net earnings*. If the carrying amount of the interest in the Joint Venture becomes positive during the subsequent period, Borex will reverse such adjustment up to the accumulated amount previously recorded as excess of distributions received over the share of net earnings.

The Corporation's main Joint Ventures as at December 31, 2017 were as follows:

Name of Joint Venture	% interest	Location
Seigneurie de Beaupré Wind Farms 2 and 3 General Partnership ("Joint Venture Phase I")	50 %	Canada
Seigneurie de Beaupré Wind Farm 4 General Partnership ("Joint Venture Phase II")	50 %	Canada
Jammerland Bay Nearshore AIS ("Denmark")	50 %	Denmark

Non-controlling shareholders

Non-controlling shareholders consist of interests held by third parties in the Corporation's subsidiaries. The net assets of the subsidiary attributable to non-controlling shareholders are reported as a component of equity. Their share in net earnings and comprehensive income (loss) is recognized directly in equity. Any change in the Corporation's interest in a subsidiary that does not result in an acquisition or a loss of control is accounted for as a capital transaction.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred by the Corporation to obtain control of a subsidiary is calculated as the sum of the fair values of assets transferred, liabilities incurred and the equity instruments issued by the Corporation, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed to earnings as incurred.

The Corporation recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have previously been recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition-date fair values.

Goodwill is determined after separate recognition of identifiable assets acquired. It is calculated as the excess of the sum of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of any existing equity interest in the acquiree, over the acquisition-date fair value of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (gain on a bargain purchase) is recognized through earnings immediately.

Foreign currency translation

Functional and reporting currency

Items included in the financial statements of each of the Corporation's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is Boralex's functional currency.

The financial statements of entities with a different functional currency from that of Boralex (foreign companies) are translated into Canadian dollars as follows: the assets and liabilities are translated at the prevailing year-end exchange rate. Revenues and expenses are translated at the average exchange rate for each period. Translation gains or losses are deferred and included in *Accumulated other comprehensive income (loss)*. When a foreign company is disposed of, translation gains or losses accumulated in *Accumulated other comprehensive income (loss)* are maintained in comprehensive income (loss) until the Corporation's net investment in that country has been entirely sold. Where applicable, exchange differences are recognized under *Foreign exchange gain or loss* in net earnings.

Foreign currency transactions

Foreign currency transactions carried out by Canadian establishments are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date. Exchange differences resulting from transactions are recognized under *Foreign exchange gain* in net earnings except for those relating to qualifying cash flow hedges, which are deferred under *Accumulated other comprehensive income (loss)* in equity.

Financial instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are removed from the statement of financial position when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is extinguished, cancelled or terminated.

Classification of financial instruments

The Corporation classifies its financial instruments by category according to their nature and their characteristics. Management determines the classification of its financial assets and liabilities upon initial recognition. The Corporation classifies its financial assets and liabilities in the following categories:

(a) Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are financial assets and liabilities held for trading. A financial asset or liability is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also classified as held for trading unless they are designated as hedges. Financial instruments classified in this category are reported under current assets or current liabilities. The financial instrument is recorded initially and subsequently at fair value determined using market prices. Directly attributable transaction costs and any changes in fair value are recognized in net earnings.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented in current assets when recoverable within 12 months following the end of the reporting period. Otherwise, they are classified as non-current assets. Financial instruments classified in this category include *Cash and cash equivalents*, *Restricted cash*, *Trade and other receivables*, *Reserve funds* and *Advance to a non-controlling shareholder*. Such instruments are initially recognized at fair value plus directly attributable transaction costs. Subsequently, *Trade and other receivables* are measured at amortized cost using the effective interest method less allowances for doubtful accounts.

(c) Other liabilities at amortized cost

Other liabilities are recognized initially at fair value and transaction costs are deducted from this fair value. Subsequently, other liabilities are measured at amortized cost. The difference between the initial carrying amount of other liabilities and their repayment value is recognized in net earnings over the term of the contract using the effective interest method. Other liabilities are presented in current liabilities when they are repayable within 12 months following the end of the reporting period. Otherwise, they are classified as non-current liabilities. This item includes *Trade and other payables*, *Non-current debt*, *Convertible debentures* and *Subscription receipts*.

(d) Compound financial instruments

Compound financial instruments issued by the Corporation, namely convertible debentures, are split into separate liability and equity components in accordance with the substance of the contractual arrangement. At the issue date, the fair value of the liability component was measured using the prevailing market interest rate for a similar non-convertible instrument. This amount is recognized as a liability at amortized cost using the effective interest method until conversion or maturity of the instrument. The equity component is determined by deducting the amount of the liability component from the total fair value of the compound instrument. This amount, less the tax impact, is accounted for in equity and is not subsequently remeasured.

Hedge accounting

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The derivatives are designated as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction (cash flow hedge).

The Corporation documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Corporation also documents its assessment, both at hedge inception and on an ongoing basis, as to whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

The full fair value of a derivative financial instrument is classified as a non-current asset or liability when the remaining life of the hedged item is more than 12 months and as a current asset or liability when the remaining life of the hedged item is less than 12 months. Held-for-trading derivative financial instruments are classified as current assets or liabilities.

Cash flow hedges

In a cash flow hedge relationship, the change in value of the effective portion of the derivative is recognized in *Accumulated other comprehensive income (loss)*. The gain or loss relating to the ineffective portion is recognized immediately in the statement of earnings under *Net gain or loss on financial instruments*.

Amounts accumulated in equity are reclassified to net loss in the periods in which the hedged item affects net earnings (for example, when a forecasted interest expense that is hedged occurs). The effective portion of the hedging derivative is recognized in the statement of earnings under *Financing costs*. The ineffective portion is recognized in the statement of earnings under *Net gain or loss on financial instruments*. However, when the forecasted transaction that is hedged results in the recognition of a non-financial asset (for example, *Property, plant and equipment*), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are recognized as amortization of property, plant and equipment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity at that time remains in equity and is recognized when the forecasted transaction affects earnings. When a forecasted transaction does not occur, the cumulative gain or loss that was reported in equity is immediately classified to the statement of earnings under *Net gain or loss on financial instruments*.

Hedge of a net investment in self-sustaining foreign operations

The Corporation designates its foreign exchange forward contracts and cross-currency swaps as hedges of a net investment in self-sustaining foreign operations in foreign currency. In this hedge relationship of a net investment in foreign currency, the change in value of the effective portion of the derivative financial instrument is recognized in *Accumulated other comprehensive income (loss)* and the change in the ineffective portion is recorded in statement of earnings, under *Net gain or loss on financial instruments*.

The amounts recognized in *Accumulated other comprehensive income (loss)* are reclassified to net earnings when the corresponding foreign exchange gains or losses resulting from the translation of self-sustaining foreign operations are recognized in net earnings.

Cash and cash equivalents

Cash includes cash on hand and bank balances. Cash equivalents are short-term investments that mature within three months and comprise bankers' acceptances or deposit certificates guaranteed by banks. These instruments include highly liquid instruments that are readily convertible into known amounts of cash and subject to non-significant risk of changes in value.

Restricted cash

Restricted cash comprises highly liquid investments in reserve to finance capital expenditures within a one-year period following each year-end and cash from the issuance of subscription receipts.

Inventories

Inventories are measured at the lower of cost or net realizable value. Cost is determined using the average cost method. Net realizable value corresponds to replacement cost in the normal course of business. Inventories mainly consist of replacement parts.

Property, plant and equipment

Property, plant and equipment, consisting mainly of power stations and power station sites, are recorded at cost, including interest incurred during the construction period of new power stations or power facilities, less accumulated amortization and impairment losses. Amortization begins on the date the assets are commissioned using the following methods:

Wind power stations

Wind power stations are amortized by component using the straight-line method over their useful life ranging from five to 40 years.

Hydroelectric power stations

Hydroelectric power stations are amortized by component using the straight-line method over their useful lives ranging from 20 to 40 years.

Thermal power stations

Thermal power stations are amortized by component using the straight-line method over their useful lives ranging from 20 to 25 years.

Solar power stations

Solar power stations are amortized by component using the straight-line method over a useful life of 20 years.

Major maintenance

Major maintenance work is capitalized and amortized using the straight-line method over the scheduled maintenance frequency, that is, a useful life of approximately five years.

Useful lives, residual values and amortization methods are reviewed every year according to asset type, expected usage and changes in technology. Impairment losses and reversals, if any, are recognized in net earnings under *Impairment of property, plant and equipment*.

Other intangible assets

Energy sales contracts

Acquisition costs for energy sales contracts and associated rights are amortized on a straight-line basis over the contract terms, including one renewal period, as applicable, which range from 15 to 40 years.

Water rights

Water rights are amortized on a straight-line basis over the contract terms, including one renewal period, which range from 20 to 30 years. Assets with indefinite lives, consisting of the water rights at the Buckingham power station, are not amortized but are tested for impairment annually on October 31 or as soon as there is evidence of impairment. Any impairment loss is charged to net earnings in the period in which it arises.

Development projects

Project development costs include design and acquisition costs related to new projects. These costs are deferred until construction begins on the new power station or expansion of an existing power station, at which time they are transferred to property, plant and equipment and intangible assets, as appropriate. The Corporation defers costs for projects when it believes they are more likely than not to be completed. If this probability subsequently declines, the costs deferred to that date are expensed.

Goodwill

Goodwill, representing the excess of the consideration paid for entities acquired over the net amount allocated to assets acquired and liabilities assumed, is not amortized. Goodwill is tested for impairment annually on October 31. Tests are also carried out when events or circumstances indicate a possible impairment. Any impairment loss is charged to net earnings in the period in which it arises.

Other non-current assets

Reserve funds

Reserve funds represent funds held in trust for the purpose of meeting the requirements of certain non-current debt agreements including the maintenance of reserves for debt servicing and to maintain property, plant and equipment. The reserve funds, consist of deposit certificates, and are valued at amortized cost.

Renewable energy tax credits

Renewable energy tax credits which were attributed on the basis of incurred operating expenses were recorded as a reduction of operating expenses for the period in which the credits were earned to the extent that it is more likely than not that they will be recoverable during their useful lives. This program came to an end on December 31, 2009.

Borrowing costs

The Corporation capitalizes borrowing costs directly attributable to the acquisition, construction or production of qualifying assets during their active construction. Other borrowing costs are expensed during the period in which they are incurred.

Leases

Leases are classified as finance leases when the lease arrangement transfers substantially all the risks and rewards of ownership to the Corporation. Leases are classified as operating leases when the lease arrangement does not transfer substantially all the risks and rewards of ownership to the Corporation. Payments made under operating leases are charged to the statement of earnings on a straight-line basis over the lease term.

Finance leases are capitalized at the commencement of the lease term at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and financing costs so as to achieve a constant rate on the balance outstanding. Such lease obligations, net of financing costs, are included under *Other non-current liabilities*. The interest component of the financing costs is charged to earnings over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are amortized over the shorter of the useful life of the asset and the lease term.

Impairment of assets

Non-current assets with indefinite useful lives, specifically the goodwill and water rights of the Buckingham power station, as well as intangible assets that are not yet ready for use, are tested for impairment annually on October 31 or if trigger events occur. These assets are tested for impairment when particular events or changes in circumstances indicate that their carrying amount might not be recoverable. An impairment loss is recognized when the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is the higher of that asset's fair value less costs of disposal and its value in use.

Note 3. Significant accounting policies (cont'd)

At the end of each reporting period, if there is any indication that an impairment loss recognized in a prior period, for an asset other than goodwill, no longer exists or has decreased, the loss is reversed up to its recoverable amount. The carrying amount following the reversal must not be higher than the carrying amount that would have prevailed (net of amortization) had the original impairment not been recognized in prior periods. Goodwill impairment charges are not reversed.

Impairment testing of assets is conducted at the level of the cash-generating units ("CGUs"). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Corporation's assets are monitored separately by site, which corresponds to the CGUs of the smallest identifiable group.

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value in use. To calculate value in use, estimated future cash flows are discounted to their present value using a rate that reflects changes in the time value of money and the risks specific to the asset or the CGU. When determining fair value less costs of disposal, the Corporation considers whether there is a current market price for the asset. Otherwise, the Corporation uses an income approach, which is based on the present value of future cash flows generated by an asset or a CGU. The discounted cash flow method consists of projecting cash flows and converting them into present values by applying discount rates.

Provisions

A provision is recognized in the statement of financial position when the Corporation has a legal or constructive obligation as a result of a past event and it is probable that the settlement of the obligation will require a financial payment or cause a financial loss, and a reliable estimate can be made of the amount of the obligation. Provisions are measured using the Corporation's management's best estimate as to the outcome based on known facts as at the reporting date.

Contingent consideration

Contingent consideration accounted for upon asset acquisitions or business combinations consists of a contingent compensation agreement between the parties to the share sales contracts. Under the terms of the agreements, the Corporation will have future amounts payable to the seller based on the achievement of certain key milestones.

Contingent consideration relating to business combinations is measured at fair value at the acquisition date. Changes in fair value are recognized in net earnings under *Net gain or loss on financial instruments*.

Contingent consideration relating to the asset acquisitions is capitalized to intangible assets when incurred.

Litigation provisions

Litigations are monitored regularly, on a case by case basis, by the legal department of the Corporation with the assistance of external legal advisors for major and complex litigation. A provision is recognized as soon as it becomes likely that a current obligation resulting from a past event will require a settlement whose amount can be reliably estimated.

Decommissioning liability

A decommissioning liability is recognized at fair value in the period during which a legal or constructive obligation is incurred, when the amount of the liability can be reliably estimated and it is probable that the settlement of the obligation will require a financial payment. Decommissioning costs are capitalized into the value of the related asset and are amortized over the asset's remaining useful life. The liability is discounted using a pre-tax interest rate that reflects the assessment of the risks specific to the liability.

The Corporation has no obligation to decommission hydroelectric power stations located on public land. Under site leases, these power stations must be handed back to the lessor at the end of the lease term without any decommissioning. For the other hydroelectric power stations located on private properties belonging to Boralex, the likelihood of such an obligation arising is low since the decommissioning of such facilities would have significant consequences on the ecosystem and economic life in surrounding areas. It is usually more beneficial for the environment, local residents and companies to keep the dam. Given this low likelihood, no provision has been recognized.

For the wind power sites, the Corporation has a legal or contractual obligation to decommission its facilities when their commercial operations are discontinued. These costs are mostly related to the removal, transportation and disposal of the reinforced concrete bases that support the wind turbines, as well as the revegetation.

Note 3. Significant accounting policies (cont'd)

The Corporation has environmental obligations with respect to its wood-residue thermal power station. If the power station were to be sold, the Corporation would be responsible for removing the piles of wood residue and environmental protection membranes. The Corporation has determined that the wood residue would be burned to produce electricity and that additional cleaning costs would not be material. Accordingly, the fair value of the liability is not material.

Lastly, the Corporation has an obligation to decommission its solar power stations at the end of the lease term. Decommissioning costs are non-significant.

Income taxes

The Corporation accounts for its income taxes using the deferred tax assets and liabilities method. Deferred income tax assets and liabilities are determined based on the difference between the carrying amount and the tax basis of the assets and liabilities. Any change in the net amount of deferred income tax assets and liabilities is charged to earnings. Deferred income tax assets and liabilities are determined based on enacted or substantively enacted tax rates and laws which are expected to apply to taxable income for the periods in which the assets and liabilities will be recovered or settled. Deferred income tax assets are recognized when it is likely they will be realized. Deferred tax assets and liabilities are reported under non-current assets and liabilities.

The tax expense includes current and deferred taxes. This expense is recognized in net earnings, except for income taxes related to the components of *Accumulated other comprehensive income (loss)* or in equity, in which case the tax expense is recognized in *Accumulated other comprehensive income (loss)* or in equity, respectively.

Current income tax assets or liabilities are obligations or claims for the current and prior periods to be recovered from (or paid to) taxation authorities that are still outstanding at the end of the reporting period and included under current assets or liabilities. Current tax is payable on taxable profit, which differs from net earnings. This calculation is made using tax rates and laws enacted at the end of the reporting period.

The Corporation recognizes a deferred income tax asset or liability for all temporary differences generated by interests in subsidiaries and in the Joint Ventures, except where it is likely that the temporary difference will not reverse in the foreseeable future and the Corporation is able to control the date of the reversal of the temporary difference.

Equity

Capital stock is presented at the value at which the shares were issued. Costs related to the issuance of stock, subscription receipts or stock options are presented in equity, net of taxes, as a deduction from issuance proceeds.

Stock-based compensation

Stock options granted to senior management are measured at fair value. This fair value is then recognized in net earnings over the vesting period based on service conditions for senior management with an offsetting increase in *Contributed surplus*. Fair value is determined using the Black-Scholes option pricing model, which was designed to estimate the fair value of exchange-traded options that have no restrictions as to vesting and are entirely transferable. Some of the outstanding options carry restrictions but, in the Corporation's opinion, the Black-Scholes model provides an appropriate estimate of fair value in these cases. Any consideration paid by employees on the exercise of stock options is credited to *Capital stock*.

Expenses related to stock options are recorded under *Administrative* and the cumulative value of unexercised options outstanding is included under *Contributed surplus*.

Revenue recognition

The Corporation recognizes its revenue under the following policies:

Revenues from energy sales

The Corporation recognizes its revenues, which consist of energy sales, when persuasive evidence of an arrangement exists, the goods are delivered, the significant risks and benefits of ownership are transferred, the price is fixed or determinable and collection of the resulting receivable is reasonably assured.

Other income

Other income is recognized when the service is provided and collection is considered likely.

Net earnings (loss) per share

Net earnings (loss) per share (basic and diluted) is determined based on the weighted average number of Class A shares outstanding during the year. The calculation of diluted earnings (loss) per share takes into account the potential impact of the exercise of all dilutive instruments, i.e., stock options and the impact of convertible debentures on the theoretical number of shares. Diluted earnings (loss) per share is calculated using the treasury stock method to determine the dilutive effect of the stock options and the "if converted" method for convertible debentures. For options that have a dilutive effect, i.e., when the average share price for the period is higher than the exercise price of the options, these methods assume that the options have been exercised at the beginning of the period and that the resulting proceeds have been used to buy back common shares of the Corporation at their average price during the period.

Change in accounting policies

IAS 7, *Statement of Cash Flows*

On February 2, 2016, the IASB issued narrow-scope amendments to IAS 7, *Statement of cash flows*, to require entities to provide information on changes in their financing liabilities. These presentation amendments apply to fiscal years beginning on or after January 1, 2017. The Corporation adopted this new standard on January 1, 2017 and this change impacted presentation at the end of the year ended December 31, 2017 in the form of a new note to the financial statements of the 2017 Annual Report (note 24 - *Statement of cash flows*).

Future changes in accounting policies

IFRS 9, *Financial Instruments*

In July 2014, IASB completed its three-phase project to replace IAS 39, *Financial instruments: Recognition and Measurement*, by issuing IFRS 9, *Financial Instruments*. IFRS 9 addresses the classification and measurement of financial assets and liabilities, and introduces a forward-looking expected credit loss impairment model and a substantially reformed hedge accounting model.

To determine whether a financial asset should be measured at amortized cost or at fair value, IFRS 9 uses a new approach that replaces the multiple rules of IAS 39. The approach recommended by IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of financial assets. Most of the requirements of IAS 39 for the classification and measurement of financial liabilities are carried forward in IFRS 9. However, the portion of the changes in fair value related to the entity's own credit risk, in measuring a financial liability at fair value through profit or loss, will be presented in *Accumulated other comprehensive income (loss)* instead of in the statement of earnings.

IFRS 9 also sets out an expected credit loss impairment model that will require more timely recognition of credit losses. More specifically, the new standard requires entities to account for expected credit losses upon initial recognition of financial instruments, and to recognize lifetime credit losses on a timely basis.

Last, IFRS 9 introduces a new hedge accounting model together with corresponding disclosure requirements about risk management activities. The new hedge accounting model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements.

IFRS 9 is effective for the Corporation's fiscal year beginning after January 1, 2018. The Corporation's analysis identified no significant differences in results or financial position following adoption of this standard.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with customers*, a new standard that specifies the steps and timing for issuers to recognize revenue as well as requiring them to provide more informative, relevant disclosures. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. This standard supersedes IFRS 11, *Construction Contracts*, IAS 18, *Revenue*, as well as various interpretations regarding revenue. IFRS 15 is effective for fiscal years beginning after January 1, 2018. The Corporation's analysis identified no significant differences in results or financial position following adoption of this standard.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16, *Leases*, which supersedes IAS 17, *Leases*, as well as several interpretations on leases. IFRS 16 eliminates the classification of leases by a lessee between operating and finance leases. Instead, all leases will be classified as finance leases and recognized in the statement of financial position under lease assets and financial liabilities, with certain exceptions. IFRS 16 is effective for fiscal years beginning on or after January 1, 2019, with earlier adoption permitted provided that IFRS 15, *Revenue from Contracts with Customers*, is also applied. The Corporation is currently assessing the impact of adopting this standard on its financial statements. Where the Corporation is a lessee, the application of IFRS 16 is expected to result in on-balance sheet recognition of most of its leases that are considered operating land leases for which future lease payments are disclosed in note 28, *Commitments and contingencies*. The Corporation also expects a decrease in operating expenses and an increase in financing costs and amortization expense resulting from the change in the recognition, measurement and presentation of rental expenses.

Note 4. Main sources of uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments that can materially affect the revenues, expenses, comprehensive income (loss), assets and liabilities, and the information reported in the consolidated financial statements.

The following items require management to make the most critical estimates and judgments:

Main sources of uncertainty relating to management's estimates

Management determines its estimates based on a number of factors, namely its experience, current events and measures the Corporation could subsequently take, as well as other assumptions it deems reasonable given the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results may differ from them. Underlying estimates and assumptions are periodically reviewed and the impact of any changes is recognized immediately.

Impairment of assets

Every year, on October 31, the Corporation tests its CGUs and groups of CGUs for impairment with respect to intangible assets with indefinite useful lives and goodwill. Also, at each reporting date, if any evidence of impairment exists, the Corporation must perform impairment tests on its assets with indefinite and finite useful lives and goodwill to assess whether their carrying amounts are recoverable. Impairment tests require the use of various assumptions based on management's best estimates.

Recoverable amount

Recoverable amounts are determined using value-in-use calculations based on cash flows discounted over the terms of projects that factor in current economic conditions and management's estimates based on past experience. Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, including market and production estimates, together with economic factors such as selling prices and contract renewal prices, production cost estimates, future capital expenditure, after-tax discount rates, the growth rate and useful lives.

Discount rate

The discount rate estimated and used by management represents the weighted average cost of capital determined for a group of CGUs.

Growth rate

The growth rate is determined based on past experience, economic trends as well as market and industry trends.

Useful lives of property, plant and equipment and intangible assets with finite useful lives

In determining the useful lives of property, plant and equipment and intangible assets with finite useful lives, management takes into account estimates of the expected use period of the asset. Such estimates are reviewed annually and the impacts of any changes are accounted for prospectively.

Deferred taxes

Management is required to estimate the amounts to be recognized as deferred income tax assets and liabilities. In particular, management must assess the timing of the reversal of temporary differences to which future income tax rates are applied. Further, the amount of deferred tax assets, which is limited to the amount that is considered likely to be realized, is estimated by taking into account future taxable income.

Decommissioning liability

Future remediation costs, whether required under contract or by law, are recognized based on management's best estimates. These estimates are calculated at the end of each period taking into account expected undiscounted outflows for each asset in question. Estimates depend on labour costs, efficiency of site restoration and remediation measures, inflation rates and pre-tax interest rates that reflect the risks specific to the liability. Management also estimates the timing of expenses, which may change depending on the type of continuing operations. Expected future costs are inherently uncertain and could materially change over time. Given current knowledge, it is reasonably possible that, in upcoming fiscal years, actual costs could differ from the assumptions, requiring significant adjustments to the related liability's carrying amount.

Fair value of financial instruments

Fair value is determined using discounted cash flow models. Fair value determined using such valuation models requires the use of assumptions concerning the amount and timing of estimated future cash flows, as well as for numerous other variables. These assumptions are determined using external, readily observable market inputs. Since they are based on estimates, fair values may not be realized in an actual sale or immediate settlement of the instruments. See note 25 for a more detailed explanation of the bases for the calculations and estimates used. Derivative financial instruments designated as cash flow hedges are accounted for at fair value in the statement of financial position and changes in fair value are reported in comprehensive income (loss).

Fair value of business combinations

The Corporation makes a number of estimates when allocating fair values to the assets and liabilities acquired in a business acquisition. Fair values are estimated using valuation techniques that take into account several assumptions such as production, earnings and expenses, interest rate and discount rate.

Main sources of uncertainty relating to management's key judgments

Evidence of asset impairment

At each reporting date, management is required to use its judgment to assess whether there is any evidence that property, plant and equipment and intangible assets may be impaired. If applicable, the Corporation performs impairment tests on its CGUs to assess whether the carrying amounts of assets are recoverable. As described in the previous section, various estimates made by management are used in the impairment tests.

Management is required to exercise judgment and assess whether any events or changes in circumstances could have affected the recoverability of the carrying amount of assets. In making these assessments, management uses various indicators including, but not limited to, adverse changes in the industry or economic conditions, changes in the degree or method of use of the asset, a lower-than-expected economic performance of the asset or a significant change in market returns or interest rates.

Determining the development phase

The Corporation capitalizes project development costs during the period preceding commissioning. Recognition of an intangible asset resulting from the development phase starts when a given project meets IFRS capitalization criteria. This determination requires significant judgment by management. Deciding whether an event or a change in circumstances indicates that a project has reached the development phase depends on various factors, including the technical feasibility of completing the intangible asset, management's intention to complete the intangible asset and its ability to commission the project, how the intangible asset will generate probable future economic benefits, the availability of adequate technical and financial resources to complete the development, and management's ability to reliably measure the expenditures attributable to the project during its development.

Business combination or asset acquisition

When a development project is acquired, management is required to exercise its judgment to determine whether the transaction constitutes a business combination under IFRS 3, *Business Combinations*, or an asset acquisition. Management determines that a transaction is defined as a business combination when an acquired development project has completed the key steps required to obtain construction permits, financing and an energy sales contract. Management must also use its judgment in determining the amount of contingent consideration to be recognized as part of the final allocation of a business combination. Management evaluates the future amounts to be paid to the seller under the terms of the agreements based on the likelihood that the milestones will be met for payment.

Note 5. Business combinations

Acquisition of the interest in the Niagara Region Wind Farm ("NRWF")

On January 18, 2017, Boralex announced the closing of the acquisition of the total economic interest of Enercon Canada Inc. in the 230 MW Niagara Region Wind Farm for an aggregate cash consideration of \$233 million, subject to adjustments under the acquisition agreements and Boralex assuming debt totalling \$779 million, for a total enterprise value of over \$1 billion. The wind farm is covered by a 20-year energy sales contract with the Independent Electricity System Operator ("IESO"). The wind farm's ownership was structured to provide the Six Nations of the Grand River and Boralex with an interest of 50% each in FWRN LP, which has title to the wind farm's intangible assets, including the energy sales contract, and Boralex with a 100% interest in NR Capital GP, which holds the intangible assets and the debt and which advanced the funds for FWRN LP's infrastructure to be repaid with interest over a 20-year period. The Six Nations' equity interest in FWRN LP was financed through a non-recourse loan initially provided by Enercon which will be repaid, with interest, through Six Nations' share of the payouts that FWRN LP will make during the term of the feed-in tariff contract. Enercon's interest in the project was transferred to Boralex upon acquisition closing and consequently entitles Enercon to substantially all of the net cash inflows that Boralex expects to receive from the project.

This wind farm has been in operation since November 2, 2016.

This transaction gave rise to acquisition costs of less than \$1 million, most of which were expensed in 2016. The acquisition was accounted for by the Corporation using the acquisition method set out in IFRS 3, *Business Combinations*. The statement of financial position and the results of this acquired entity are consolidated as of January 18, 2017.

The following table shows the final purchase price allocation:

	Note	Final allocation
Cash and cash equivalents		2
Restricted cash		14
Trade and other receivables		33
Other current assets		5
Property, plant and equipment		797
Energy sales contracts		209
Goodwill		54
Advance to a non-controlling shareholder		30
Other non-current financial assets		11
Current liabilities		(25)
Assumed non-current debt		(779)
Deferred income tax liability		(65)
Decommissioning liability	16	(6)
Non-controlling shareholders		(47)
Net assets		233
Less:		
Cash and cash equivalents acquired		2
Net consideration paid for the acquisition		231

Trade and other receivables acquired during the transaction have a fair value of \$33 million, and the Corporation received all amounts received during the first three quarters of 2017. *Goodwill* consists of deferred taxes and is not tax deductible.

The final purchase price allocation was determined using fair values at the acquisition date.

Note 5. Business combinations (cont'd)

Since the acquisition date, the acquired entity has contributed \$84 million to revenues from energy sales and generated a loss of \$10 million.

If the acquisition had occurred on January 1, 2017, management estimates that consolidated revenues from energy sales would have been \$4 million higher, or \$418 million, and net earnings would have been similar to the amount for the period ended December 31, 2017.

Boralex recognized the share of non-controlling shareholders under the non-controlling share in identifiable net assets in the acquired entity.

Offter Creek

On March 7, 2017, Boralex increased its interest in the **Offter Creek** wind power project from 38.5% to 64%, acquiring control of the 50 MW project to be commissioned in 2019. The project is covered by a 20-year energy sales contract with IESO. The amount paid for the acquisition is non-significant.

The following table shows the final purchase price allocation:

	Final allocation
Development projects	1
Energy sales contracts	1
Current liabilities	(2)
Net assets	—

The final purchase price allocation was determined using fair values at the acquisition date.

Since the acquisition date, the acquired entity has contributed a nil amount to revenues from energy sales and generated non-significant net earnings attributable to the shareholders of Boralex as the project is under construction and the costs are capitalized.

Acquisition of a portfolio in Europe (Ecotera)

In 2015, Boralex acquired the Ecotera portfolio, for which contingent considerations amounting to \$33 million (€23 million) had been accounted for. In 2017, Boralex disbursed a \$10 million amount (€7 million).

Note 6. Trade and other receivables

	Note	As at December 31, 2017	As at December 31, 2016
Trade receivables – net		92	41
Receivables from related parties	29	—	2
Tax receivables		38	15
Payment receivable for property, plant and equipment		—	6
Other receivables		4	7
		134	71

All these amounts have current maturities. Their net carrying amounts reasonably approximate their fair values.

The Corporation has not recorded a provision for the accounts in the above table given the clients' high credit ratings. Also, no receivables have been written off. As at December 31, 2017, approximately 1% of trade and other receivables (7% as at December 31, 2016) were more than 90 days past due from the invoice date, while approximately 95% (74% as at December 31, 2016) were current (under 30 days).

The payment receivable for property, plant and equipment consisted of a due from Hydro-Québec for repayment related to the transformer substation and collector system for certain wind farms.

Note 7. Other current assets

	As at December 31, 2017	As at December 31, 2016
Inventories	11	8
Prepaid expenses	9	6
Deposits	21	10
	41	24

All these amounts have current maturities, and their net carrying amounts reasonably approximate fair values.

Deposits consisted of prepayments to suppliers under turbine purchase and construction contracts.

Note 8. Property, plant and equipment

	Wind power stations	Hydroelectric power stations	Thermal power stations	Solar power stations	Corporate	Total
Year ended December 31, 2016						
Balance – beginning of year	1,214	272	28	35	7	1,556
Translation adjustment	(42)	(4)	—	(2)	—	(48)
Additions	202	38	2	—	5	247
Amortization	(78)	(9)	(4)	(2)	(1)	(94)
Other	8	—	(1)	—	—	7
Balance – end of year	1,304	297	25	31	11	1,668
As at December 31, 2016						
Cost	1,645	363	63	38	20	2,129
Accumulated amortization	(341)	(66)	(38)	(7)	(9)	(461)
Net carrying amount	1,304	297	25	31	11	1,668
Year ended December 31, 2017						
Balance – beginning of year	1,304	297	25	31	11	1,668
Translation adjustment	54	(7)	1	2	—	50
Additions	190	41	1	—	8	240
Additions through business combinations (note 5)	797	—	—	—	—	797
Amortization	(122)	(9)	(4)	(2)	(2)	(139)
Transfer of assets from development projects	4	2	—	—	—	6
Other	(1)	—	—	—	—	(1)
Balance – end of year	2,226	324	23	31	17	2,621
As at December 31, 2017						
Cost	2,697	394	65	40	28	3,224
Accumulated amortization	(471)	(70)	(42)	(9)	(11)	(603)
Net carrying amount	2,226	324	23	31	17	2,621

Amortization of property, plant and equipment is recorded under *Amortization*.

Property, plant and equipment includes sites under construction for an amount of \$201 million (\$111 million as at December 31, 2016). These assets are not amortized until they are commissioned.

An amount of \$58 million relating to additions to property, plant and equipment still unpaid as at December 31, 2017 (\$46 million in 2016) is included under *Trade and other payables*.

Note 9. Other intangible assets and goodwill

	Other intangible assets					
	Energy sales contracts	Water rights	Development projects	Other intangibles	Total	Goodwill
Year ended December 31, 2016						
Balance – beginning of year	312	100	13	5	430	128
Translation adjustment	(13)	—	—	—	(13)	(4)
Additions	32	1	3	—	36	—
Amortization	(19)	(3)	—	—	(22)	—
Transfer of assets to property, plant and equipment	—	—	(6)	—	(6)	—
Other	1	—	—	—	1	—
Balance – end of year	313	98	10	5	426	124
As at December 31, 2016						
Cost	394	117	10	8	529	124
Accumulated amortization	(81)	(19)	—	(3)	(103)	—
Net carrying amount	313	98	10	5	426	124
Year ended December 31, 2017						
Balance – beginning of year	313	98	10	5	426	124
Translation adjustment	13	—	—	—	13	4
Additions (a)	40	—	4	—	44	—
Additions through business combinations (note 5)	210	—	1	—	211	54
Transfer of assets to property, plant and equipment	—	—	(6)	—	(6)	—
Amortization	(30)	(3)	—	—	(33)	—
Balance – end of year	546	95	9	5	655	182
As at December 31, 2017						
Cost	657	117	9	8	791	182
Accumulated amortization	(111)	(22)	—	(3)	(136)	—
Net carrying amount	546	95	9	5	655	182

(a) In 2017, following the Ecotera acquisition, the Corporation paid contingent consideration totalling \$40 million for the **Chemin de Grès** (\$24 million), **Inter Deux Bos** (\$12 million) and **Basse Thiérache Nord** (\$4 million) projects, which was recorded under *Energy sales contracts*.

Amortization of energy sales contracts, water rights and other intangible assets is recorded under *Amortization*.

The weighted average amortization period of intangible assets with finite useful lives is as follows:

Energy sales contracts	18 years
Water rights	26 years

Water rights of the Buckingham hydroelectric power station, which amounted to \$38 million in 2017 and 2016, are not amortized given their indefinite useful life. *Development projects* consist primarily of wind power projects in Europe and Ontario. *Other intangibles* consist primarily of an enterprise resource planning system (ERP) and licences for wind power projects under development.

The following table shows the allocation of goodwill by CGU:

	Note	As at December 31, 2017	As at December 31, 2016
11 BEV wind farms in operation and the Comes de l'Arce wind farm		49	46
NRWF	5	54	—
Seven hydroelectric power stations		38	38
Ecotera wind power projects		25	24
St-Patrick, Vron, Fortel-Bonnières and St-François wind farms		11	10
Other		5	6
		182	124

Note 9. Other intangible assets and goodwill (cont'd)

Goodwill and water rights with indefinite useful life relating to the Buckingham power station were tested for impairment as at October 31, 2017. Currently, according to analyses, the recoverable amounts of the cash-generating units determined using cash flow projections exceed the carrying amounts. A discount rate between 3.92% and 6.60% and a growth rate of 2% were used in these impairment tests.

Note 10. Interests in the Joint Ventures

Joint Ventures Phases I and II

The Corporation entered into partnership agreements with a subsidiary of Energir, L.P. (formerly Gaz Métro L.P.) and Valener Inc. and created Seigneurie de Beupré Wind Farms 2 and 3 General Partnership ("Joint Venture Phase I") and Seigneurie de Beupré Wind Farm 4 General Partnership ("Joint Venture Phase II") located in Canada, of which each party owns 50%. Under these agreements, all expenditures are made jointly and all earnings, costs, expenses, liabilities, obligations and risks resulting from the Joint Ventures are shared jointly but not severally. The Corporation's interest in these Joint Ventures is accounted for using the equity method. The year-end date of these Joint Ventures is December 31.

Joint Venture in Denmark

In July 2014, Boralex entered into a Joint Venture agreement with a Danish developer. The Joint Venture's goal is to develop nearshore wind farm projects in Denmark.

Interests in the Joint Ventures

	2017				2016			
	Phase I	Phase II	Denmark	Total	Phase I	Phase II	Denmark	Total
Balance - beginning of year	7	12	3	22	50	14	3	67
Share in net earnings	8	1	—	9	7	1	—	8
Share in other comprehensive income	10	—	—	10	2	—	—	2
Return of capital	—	—	—	—	(40)	—	—	(40)
Distributions	(13)	(4)	—	(17)	(12)	(3)	—	(15)
Balance - end of year	12	9	3	24	7	12	3	22

Financial statements of Joint Ventures Phases I and II (100%)

The financial statements of the Joint Venture in Denmark are not presented below as they are not significant.

	As at December 31, 2017			As at December 31, 2016		
	Phase I	Phase II	Total	Phase I	Phase II	Total
Cash and cash equivalents	19	4	23	16	3	19
Other current assets	11	2	13	11	3	14
Non-current assets	575	156	731	606	164	770
TOTAL ASSETS	605	162	767	633	170	803
Current portion of debt	27	4	31	26	4	30
Other current liabilities	17	4	21	12	3	15
Non-current debt	468	124	592	490	128	618
Non-current financial liabilities	26	—	26	45	—	45
Other non-current liabilities	43	12	55	45	12	57
TOTAL LIABILITIES	581	144	725	618	147	765
NET ASSETS	24	18	42	15	23	38

Note 10. Interests in the Joint Ventures (cont'd)

	2017			2016		
	Phase I	Phase II	Total	Phase I	Phase II	Total
Revenues from energy sales	95	23	118	89	22	111
Operating expenses	16	4	20	13	3	16
Amortization	35	9	44	35	9	44
Other gains	(3)	(1)	(4)	(2)	—	(2)
OPERATING INCOME	47	11	58	43	10	53
Financing costs	31	8	39	31	8	39
Net gain on financial instruments	—	—	—	(1)	—	(1)
NET EARNINGS	16	3	19	13	2	15
Total other comprehensive income	20	—	20	5	—	5
COMPREHENSIVE INCOME	36	3	39	18	2	20

Share in earnings (loss) of the Joint Ventures

The following table reconciles the share in earnings of the Joint Ventures as reported in the consolidated statements of earnings of Boralex:

	2017				2016			
	Phase I	Phase II	Denmark	Total	Phase I	Phase II	Denmark	Total
Share in results (50%)	8	1	—	9	7	1	—	8
Other ⁽¹⁾	(2)	—	—	(2)	(3)	—	—	(3)
Share in earnings of the Joint Ventures	6	1	—	7	4	1	—	5

⁽¹⁾ Other represents the amortization of Boralex's unrealized gains (losses) on financial swaps - interest rates designated for Phases I and II wind power projects. These unrealized gains (losses), which had been accumulated in *Accumulated other comprehensive income (loss)* upon termination of the hedging relationships, are accounted for in net earnings over the life of the Joint Ventures' debt financing.

Share in comprehensive income (loss) of the Joint Ventures

The following table reconciles the share in comprehensive income (loss) of the Joint Ventures as reported in the consolidated statements of comprehensive income (loss) of Boralex:

	2017				2016			
	Phase I	Phase II	Denmark	Total	Phase I	Phase II	Denmark	Total
Share in comprehensive income (50%)	10	—	—	10	2	—	—	2

Refinancing – Joint Venture Phase I

On May 4, 2016, Joint Venture Phase I announced the closing of the \$618 million refinancing facility secured by the assets of Joint Venture Phase I and without recourse against the partners. This financing facility comprises a \$383 million uncovered term loan tranche maturing in 2032, a \$193 million covered term loan tranche, under a guarantee from the Federal Republic of Germany through its export credit agency, Euler Hermes, maturing in 2029, as well as a \$41 million letter of credit facility. The non-current debt has a variable interest rate based on CDOR, plus a margin, and is repayable in semi-annual payments. For Joint Venture Phase I, this refinancing represented a \$132 million increase and a one-year extension for its uncovered tranche as well as a \$45 million decrease in the covered tranche and a two-year decrease in its term. The refinancing allowed Joint Venture Phase I partners to receive an \$80 million return of capital paid in the second quarter of 2016, with Boralex's share amounting to \$40 million.

Boralex's share of the commitments of Joint Ventures Phases I and II

	2017			
	Payments			
	Current portion	From 1 to 5 years	Over 5 years	Total
Service contracts	1	2	10	13
Maintenance contracts	4	11	—	15
Land lease contracts	1	4	13	18
Total	6	17	23	46

Energy sales contracts

The Joint Ventures are committed to selling 100% of their power output (subject to certain minimum criteria) under 20-year contracts maturing in 2033 and 2034. A portion of these contracts provides for annual indexation based on the Consumer Price Index ("CPI").

Service contracts

Under the terms of service contracts entered into with Joint Ventures, Boralex will be the operator of the wind farms and will be responsible for their operation, maintenance and administration. The 21-year term contracts expire in 2033 and 2034. The amounts payable under those agreements are limited to operating and maintenance expenses and include fixed and variable management fees. Fixed management fees are indexed annually based on the CPI.

Maintenance contracts

The Joint Ventures entered into 15-year wind turbine maintenance contracts maturing in 2028 and 2029. These contracts include a cancellation option at the Joint Ventures' discretion after seven years, that is, in 2020 and 2021.

Land lease contracts

The Joint Ventures have land lease contracts maturing in 2033 and 2034, renewable each year at the lessee's option. The land on which the wind turbines are installed is leased for an annual amount of approximately \$2 million indexed annually at a rate of 1.5%.

Contingencies

A class action was brought for the inconvenience (in particular noise, dust, vibrations) alleged by the plaintiffs caused by the construction of the Seigneurie de Beaupré Wind Farms. On January 21, 2016, the Québec Court of Appeal allowed the plaintiffs' appeal of the Superior Court's decision dismissing their application for authorization to institute a class action against Joint Ventures Phases I and II and reviewed the definition of the class in the class action. Subsequently, the plaintiffs filed an application for an amendment to the class description to expand this class to approximately 300 affected residences. The scope of this class will be challenged at trial. Obviously, an amendment to the class would likely increase the amount the defendants could be ordered to pay.

On February 10, 2017, the class action statement of claim was filed in the Superior Court. The claim defence was filed on August 31, 2017, and the parties' examinations were completed. An application for amendment recently allowed the addition of Éoliennes Côte-de-Beaupré S.E.C. as defendant.

To date, the insurers have covered defence costs for Joint Ventures Phases I and II. We are awaiting an answer regarding the coverage of Éoliennes Côte-de-Beaupré S.E.C. Potential claims arising from an eventual judgment in favour of the plaintiffs could be paid in whole or in part by the insurers, depending on their nature and taking into account the exclusions set out in the insurance policy.

Based on this information, the Corporation assesses that the provision is not material. Accordingly, no provision has been recorded for this contingency.

Note 11. Other non-current assets

	Note	As at December 31, 2017	As at December 31, 2016
Reserve funds	(a)	45	37
Renewable energy tax credits	(b)	6	8
Other		6	5
		57	50

- (a) Reserve funds consist primarily of reserves for servicing non-current debt. The reserves guarantee financing arrangements in France, the United States and Canada and are sufficient to service the debt for three to nine months, depending on the project. These reserves amounted to \$40 million (€18 million, US\$7 million and \$3 million) as at December 31, 2017 and \$32 million (€13 million, US\$7 million and \$3 million) as at December 31, 2016. A reserve to fund maintenance of property, plant and equipment amounted to \$5 million (US\$3 million and \$1 million) as at December 31, 2017 and \$5 million (US\$3 million and \$1 million) as at December 31, 2016.
- (b) Renewable energy tax credits represent the balance of tax credits earned by the Corporation in the United States and will be used to reduce the Corporation's future tax burden in that country. Financial projections indicate that the amount recorded may be realized by the expiration date, that is, from 2027 to 2029.

Note 12. Trade and other payables

	As at December 31, 2017	As at December 31, 2016
Trade payables	41	48
Accrued liabilities	67	30
Interest payable	14	12
Maintenance contracts	8	6
Other payables	21	20
	151	116

Note 13. Non-current debt

	Note	Maturity	Rate ⁽¹⁾	Currency of origin	As at December 31, 2017	As at December 31, 2016
Revolving credit facility	(a)	2021	4.06		265	98
Term loan payable:						
Ocean Falls power station		2024	6.55		7	7
Yellow Falls power station		2027-2056	4.84		74	48
Thames River wind farms		2031	7.05		138	145
Témiscouata I wind farm		2032	5.23		46	48
Témiscouata II wind farm		2033	5.63		114	117
Niagara Region Wind Farm (NRWF)	(b)	2034	3.66		750	—
Port Ryerse wind farm	(c)	2034	3.81		30	—
Frampton wind farm		2035	4.15		69	69
Côte-de-Beaupré wind farm		2035	4.21		52	58
Moose Lake wind farm	(d)	2043	3.51		26	—
Jamie Creek power station		2054	5.42		55	55
Other debt		—	—		6	8
CANADA					1,632	653
Master agreement – wind farms in France		2020-2025	4.73	67	101	112
Bridge financing facility – France and Scotland		2018	0.84	46	69	64
Term loan payable:						
Cube		2019	6.50	40	60	57
Avignonet II wind farm		2025	1.68	2	3	4
Lauragais solar power facility		2025-2028	3.98	8	13	13
Mont de Bagny, Voie des Monts, Artois and Chemin de Grès wind farms	(e)	2026-2032	1.59	132	199	48
St-Patrick wind farm		2027	1.64	33	50	53
La Vallée wind farm		2028	4.42	26	40	41
Fortel-Bonnières and St-François wind farms		2028-2029	3.74	50	75	76
Vron wind farm		2030	3.37	9	13	13
Boralex Énergie Verte (BEV) wind farms		2030	2.39	166	251	257
Calmont wind farm		2030	2.50	19	28	28
Plateau de Savernat wind farm		2031	2.35	16	24	15
Touvent wind farm		2031	2.11	18	28	28
Les Cigarettes solar power facility		2033	2.93	9	13	13
Other debt		—	—	4	7	9
FRANCE				645	974	831
Senior secured U.S. note		2026	3.51	50	63	81
UNITED STATES				50	63	81
			3.76		2,669	1,565
Current portion of debt					(224)	(101)
Borrowing costs, net of accumulated amortization					(27)	(25)
					2,418	1,439

⁽¹⁾ Rates adjusted as at December 31, 2017 to reflect the impact of interest rate swaps, where applicable.

(a) Refinancing of the revolving credit facility

On January 18, 2017, after announcing its acquisition of Enercon's interest in **NRWF**, Boralex obtained a \$100 million increase in its revolving credit facility, resulting in an authorized amount of \$460 million.

As at December 31, 2017, in addition to the amount of \$265 million drawn down from the revolving credit facility, an amount of \$61 million was issued in the form of letters of credit, of which \$49 million was guaranteed by Export and Development Canada. As at the same date in 2016, drawdowns amounted to \$98 million while letters of credit issued totalled \$53 million.

(b) Niagara Region Wind Farm (NRWF)

On January 18, 2017, the Corporation closed the acquisition of the total economic interest of Enercon Canada Inc. in the 230 MW wind farm in the Niagara region. This project includes financing for a total amount of \$826 million secured by its assets and without recourse against the partners. This financing facility has quarterly repayments and comprises a \$535 million uncovered term loan tranche maturing in 2034, a \$252 million covered term loan tranche, under a guarantee from the Federal Republic of Germany through its export credit agency Euler Hermes, maturing in 2034, as well as a \$39 million letter of credit facility. To hedge this risk, the project utilizes interest rate swaps covering approximately 80% of expected future cash flows; the two tranches have variable interest rates.

(c) Port Ryerse wind farm

On February 22, 2017, the Corporation announced the closing of financing for the **Port Ryerse** wind farm in the amount of \$33 million. The long-term financing is provided by DZ Bank AG Deutsche Zentral-Genossenschaftsbank (New York branch). Repayable on a quarterly basis, the financing comprises a \$2 million letter of credit facility and a \$31 million long-term tranche. This tranche will be amortized over a period of 18 years. To reduce its exposure to rate fluctuations, interest rate swaps have been entered into to hedge approximately 90% of the debt for the full term thereof.

(d) Moose Lake wind power project

On November 24, 2017, the Corporation announced the closing of financing for the **Moose Lake** wind power project in the amount of \$53 million. Long-term financing was provided by KfW IPEX-Bank GmbH. Repayable on a quarterly basis, the financing comprises a \$2 million letter of credit facility and a \$51 million long-term tranche. This tranche will be amortized over a period of 25 years. To reduce its exposure to rate fluctuations, interest rate swaps have been entered into over a 25-year period for approximately 80% of the debt.

(e) Chemin de Grès wind farm

On July 31, 2017, the Corporation announced the closing of long-term financing for the 30 MW **Chemin de Grès** wind farm in France for a total amount of €46 million (\$68 million), including €6 million (\$9 million) for a bridge value-added tax financing facility. The long-term financing comprises a €25 million (\$37 million) fixed-rate tranche and a €15 million (\$22 million) variable-rate tranche. The loan will be amortized over a 15-year term. To reduce exposure to rate changes, interest rate swaps have been entered into for the total long-term debt as required by the credit agreement. This financing is in addition to the credit facility for the financing of the **Mont de Bagny**, **Voie des Monts** and **Artois** wind farms in France obtained in October 2016.

Inter Deux Bos, Côteaux du Blaiseron, Hauts de Comble, Sources de l'Ancre and Le Pelon wind power projects

On December 22, 2017, the Corporation announced the closing of a credit facility covering the **Inter Deux Bos**, **Côteaux du Blaiseron**, **Hauts de Comble**, **Sources de l'Ancre** and **Le Pelon** wind power projects amounting to €156 million (\$235 million), including €20 million (\$30 million) for a value-added tax bridge financing facility. The long-term financing comprises a €109 million (\$164 million) fixed-rate tranche and a €27 million (\$41 million) variable-rate tranche. The loan will be amortized over a 15-year term. Based on current swap interest rates, the combined interest rate amounts to approximately 2.60%. To reduce exposure to rate changes, interest rate swaps have been entered into for approximately 90% of the total long-term debt as required by the credit agreement.

Financial ratios and guarantees

The debt agreements include certain covenants restricting the use of cash resources of the Corporation's subsidiaries. As well, certain financial ratios, such as debt service ratios and debt/equity ratio, must be met on a quarterly, semi-annual or annual basis.

The carrying amount of assets pledged to secure the loans totalled \$3,002 million as at December 31, 2017.

Substantially all of the Boralex's borrowings include requirements to establish and maintain reserve accounts or accounts for issuing letters of credit for current debt servicing, equipment maintenance or income taxes at various times over the terms of the borrowings. As at December 31, 2017, the amounts maintained in reserve accounts for that purpose stood at \$45 million (\$37 million as at December 31, 2016) (see note 11).

As at December 31, 2017 and 2016, Boralex and its subsidiaries met all of their financial ratios and financial commitments.

Note 14. Convertible debentures

	Effective rate	Maturity	Initial nominal value	Nominal value as at December 31, 2017	As at December 31, 2017	As at December 31, 2016
Debentures	6.34%	June 2020	144	144	137	135

As at December 31, 2017, Boralex had 1,437,400 issued and outstanding convertible debentures with a nominal value of \$100 each (1,437,500 debentures as at December 31, 2016).

These debentures bear interest at an annual rate of 4.50% payable semi-annually, in arrears, on June 30 and December 31 of each year. In accordance with the trust indenture, each debenture is convertible into Class A common shares of Boralex at the option of the holder at any time prior to the close of business on the earlier of the business day immediately preceding the maturity date and the business day immediately preceding the date fixed for early redemption of the debentures at the initial conversion price of \$19.60 per common share, subject to adjustments.

The Debentures may be early redeemed by Boralex after June 30, 2018. From July 1, 2018 to June 30, 2019, Boralex may, under certain circumstances, such as if Boralex's share price is trading at 125% of the conversion price, redeem these debentures at their principal amount plus accrued and unpaid interest. As of July 1, 2019, Boralex may redeem these debentures, without restrictions, at their principal amount plus accrued and unpaid interest.

Note 15. Income taxes

The impact of income tax recovery is as follows:

	2017	2016
Current taxes		
Current income tax expense	6	3
Income tax expense (recovery) recognized during the year for prior years	(1)	3
	5	6
Deferred taxes		
Deferred tax savings related to temporary differences	(4)	(8)
Deferred tax savings recognized during the year for prior years	1	(3)
Decrease in deferred tax rates	(12)	(6)
Increase in unrecognized deferred tax assets	—	2
	(15)	(15)
Income tax recovery	(10)	(9)

The reconciliation of income tax recovery, calculated using the statutory income tax rates prevailing in Canada, with the income tax recovery reported in the financial statements is as follows:

	2017	2016
Net earnings (loss) before income taxes	—	(7)
Combined basic Canadian and provincial income tax rate	26.59%	26.58%
Income tax recovery at the statutory rate	—	(2)
Increase (decrease) in income taxes arising from the following:		
Non-taxable/non-deductible items	(1)	(2)
Difference in foreign operations' statutory income tax rates	1	1
Decrease in deferred tax rates	(12)	(6)
Change in unrecognized deferred income tax assets	—	2
Foreign income taxes payable on dividends and other items	2	(2)
Effective income tax recovery	(10)	(9)
	2017	2016
Deferred income tax asset	—	21
Deferred income tax liability	(110)	(70)
	(110)	(49)

Note 15. Income taxes (cont'd)

The changes in deferred taxes by nature are as follows:

	As at January 1, 2017	Recorded in comprehensive income (loss)	Recorded in net earnings	Business acquisitions (note 5)	Recorded in capital stock	As at December 31, 2017
Deferred income tax asset related to loss carryforwards	146	—	6	—	—	152
Financial instruments	11	(10)	8	(4)	—	5
Provisions	16	—	(2)	—	—	14
Interests in the Joint Ventures	(53)	(1)	(8)	—	—	(62)
Temporary differences between accounting and tax amortization	(170)	—	18	(67)	—	(219)
Translation adjustments	4	(1)	(4)	—	—	(1)
Financing and other costs	(3)	—	(3)	6	1	1
Total deferred income tax liabilities	(49)	(12)	15	(65)	1	(110)

	As at January 1, 2016	Recorded in comprehensive income (loss)	Recorded in net earnings	Business acquisitions (note 5)	Recorded in capital stock	As at December 31, 2016
Deferred income tax asset related to loss carryforwards	170	—	(24)	—	—	146
Financial instruments	20	—	(9)	—	—	11
Provisions	7	—	9	—	—	16
Interests in the Joint Ventures	(50)	(1)	(2)	—	—	(53)
Temporary differences between accounting and tax amortization	(204)	—	35	(1)	—	(170)
Translation adjustments	(6)	4	6	—	—	4
Financing and other costs	(4)	—	—	—	1	(3)
Total deferred income tax liabilities	(67)	3	15	(1)	1	(49)

Given that future taxable income is expected to be sufficient, deductible temporary differences, unused loss carryforwards and tax credits have been recorded as a deferred tax asset in the statement of financial position. A deferred tax asset of \$2 million (\$3 million in 2016) in Canada was not recognized in respect of the \$16 million capital loss carryforwards, as no unrealized capital gain is expected. The capital losses have no expiry date.

Note 16. Decommissioning liability

For the wind power sites, the Corporation has a legal or contractual obligation to decommission its facilities when their commercial operations are discontinued. The Corporation has considered the duration of the leases and of the energy sales contracts, as well as their renewal periods, if applicable, ranging from 22 to 80 years, to calculate the decommissioning liability. These costs are mostly related to the removal, transportation and disposal of the reinforced concrete bases that support the wind turbines, as well as the revegetation. No disbursements are expected before 2036. As at December 31, 2017 cash flows were discounted using pre-tax interest rates that reflect the assessment of the risks specific to the liability related to each wind power station, ranging from 1.53% to 7.05% to determine the non-current decommissioning liability.

The following table shows the changes in the liability during fiscal years:

	Note	2017	2016
Balance – beginning of year		34	32
Translation adjustment		2	(2)
Liability assumed as part of the business acquisition	5	6	—
New obligations		5	3
Accretion expense included in financing costs	21	1	1
Balance – end of year		48	34

Note 17. Capital stock, contributed surplus and dividends

Boralex's capital stock is composed of an unlimited number of Class A common shares and an unlimited number of preferred shares. The Class A shares have no par value and confer on each shareholder the right to vote at any meeting of shareholders, receive any dividends declared by the Corporation thereon and share in the residual property upon dissolution of the Corporation. The preferred shares have no par value and were created to provide the Corporation with additional flexibility with respect to future financing, strategic acquisitions and other transactions. The preferred shares are issuable in series with the number of shares in each series to be determined by the Board of Directors prior to issuance. No preferred shares had been issued as at December 31, 2017.

The Corporation's contributed surplus is equal to the cumulative value of unexercised stock options granted to senior management.

The following changes occurred in the Corporation's capital stock between December 31, 2016 and 2017:

	Note	Capital stock	
		Number of shares	Amount
Balance as at January 1, 2016		64,829,112	556
Subscription receipts issuance costs		—	(3)
Exercise of options	18	536,799	4
Balance at December 31, 2016		65,365,911	557
Issuance of shares on subscription receipt conversions, net of share issuance costs	(a)	10,361,500	170
Issuance of shares on debenture conversions	14	510	—
Exercise of options	18	527,130	6
Balance at December 31, 2017		76,255,051	733

(a) On January 18, 2017, Boralex announced the closing of the acquisition of **NRWF**, and the subscription receipts issued in December 2016 were converted into common shares for gross proceeds of \$173 million; net proceeds of \$170 million were recognized in 2017 (net of issuance costs and taxes). Transaction costs of \$3 million were recognized as at December 31, 2016 and of \$4 million on the date the subscription receipts were converted into shares.

Dividends

During fiscal 2017, the Corporation authorized and declared dividends of \$0.60 per Class A common share. On March 15, June 15, September 18 and December 15, 2017, the Corporation paid dividends totalling \$46 million (\$36 million in 2016).

A dividend of \$0.15 per common share was declared on February 5, 2018 and will be paid on March 15, 2018 to registered holders on February 28, 2018.

Note 18. Stock-based compensation

The Corporation has a long-term incentive plan under which stock options are issuable to members of management and certain key employees of the Corporation. Under this plan, 4,500,000 Class A shares have been reserved for issuance. The exercise price of the options granted prior to March 2, 2017 is equal to the closing listed market price of the Class A shares on the day preceding the option grant date, whereas the exercise price for options granted on or after March 2, 2017 is equal to the average listed market price of Class A shares for the five days preceding the option grant date. Options vest at the rate of 25% per year beginning the year after they are granted. Options granted prior to May 2012 are not exercisable if the market value of the share is lower than its carrying amount on the grant date. All of the options have a ten-year term. This plan has been determined to be equity settled.

The stock options are as follows for the years ended December 31:

	2017		2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding - beginning of year	1,182,883	11.48	1,636,879	10.12
Granted	36,625	22.00	88,666	16.65
Exercised	(527,130)	10.55	(536,799)	8.20
Cancelled	(3,155)	14.94	(5,863)	12.04
Outstanding - end of year	689,223	12.73	1,182,883	11.48
Options exercisable - end of year	511,598	11.45	932,554	10.75

The following options were outstanding as at December 31, 2017:

Granted in	Options outstanding		Options exercisable		
	Number of options	Exercise price	Number of options	Exercise price	Year of expiry
2008	64,744	17.27	64,744	17.27	2018
2010	58,500	9.20	58,500	9.20	2020
2011	65,694	8.50	65,694	8.50	2021
2012	73,232	7.96	73,232	7.96	2022
2013	107,596	10.29	107,596	10.29	2023
2014	100,676	12.90	74,420	12.90	2024
2015	96,560	13.87	46,898	13.87	2025
2016	85,596	16.65	20,514	16.65	2026
2017	36,625	22.00	—	—	2027
	689,223	12.73	511,598	11.45	

The fair value of each option granted was determined using the Black-Scholes model. The assumptions used to calculate the fair values of options are detailed below:

	2017	2016
Share price on grant date	21.93	16.88
Exercise price	22.00	16.65
Expected annual dividend rate	3.08%	3.68%
Term	10 ans	10 years
Expected volatility	21.12%	21.43%
Risk-free interest rate	2.15%	1.53%
Weighted average fair value per option	4.43	3.19

Determination of the volatility assumption is based on a historic volatility analysis over a period equal to the options' lifetime.

Note 19. Non-controlling shareholders

Distributions paid

Côte-de-Beaupré wind farm

As at December 31, 2017, our partner Côte-de-Beaupré RCM, which holds a 49% interest in the wind farm, received a cash distribution of \$3 million from the Corporation (\$2 million in 2016).

Frampton wind farm

As at December 31, 2017, the Frampton municipality, which holds a 33% interest in the wind farm, received a distribution of \$3 million from the Corporation (\$2 million in 2016).

Témiscouata I wind farm

As at December 31, 2017, our partner Témiscouata RCM, which holds a 49% interest in the wind farm, received a distribution of \$2 million from the Corporation (\$3 million in 2016).

Net contribution

As at December 31, 2016, the Corporation had received contributions in the amount of \$7 million, primarily in assets, from our partner Alberta Wind Energy Corporation, which holds a 48% interest in Alberta Renewable Power Limited Partnership.

Repurchase from a non-controlling shareholder

On February 7, 2017, following commissioning of the Port Ryerse wind power project in Ontario, Canada, Boralex Inc. acquired the remaining 25% of the partnership units of Port Ryerse Wind Farm Limited Partnership held by UDI Renewables Corporation for an amount of \$3 million. Boralex Inc. now holds all of the partnership units of Port Ryerse Wind Farm Limited Partnership.

Note 20. Expenses by nature

Operating and administrative

	2017	2016
Raw material and consumables	16	14
Maintenance and repairs	33	25
Employee benefits	30	25
Rental expenses, taxes and permits	31	24
Other operating expenses	12	9
Professional fees	6	4
Other administrative expenses	5	4
	133	105

Employee benefits

	2017	2016
Current salaries and benefits	26	23
Other post-employment benefits	4	2
	30	25

Note 21. Financing costs

	Note	2017	2016
Interest on non-current debt, net of the impact of interest rate swaps		95	59
Interest on convertible debentures		7	7
Interest and other interest income		(2)	—
Amortization of borrowing costs	13	5	5
Accretion expense	16	1	1
Other interest and banking fees	(a)	4	7
		110	79
Interest capitalized to qualifying assets	(b)	(6)	(3)
		104	76

(a) *Other interest and banking fees* consist of financing costs on short-term borrowings. As at December 31, 2016, a \$4 million expense was recorded in France following the annulment of the 2008 decree setting out the conditions for purchasing electricity produced by facilities using mechanical energy generated by wind. Boralex had to pay interest on amounts considered as state aid that it otherwise would have had to borrow on the markets.

(b) The weighted average rate for the capitalization of borrowing costs to qualifying assets was 4.03% per annum (4.22% per annum in 2016).

Note 22. Net earnings (loss) per share

(a) Net earnings (loss) per share – basic

(in millions of Canadian dollars, unless otherwise specified)	2017	2016
Net earnings (loss) attributable to shareholders of Boralex	22	(2)
Weighted average number of shares – basic	75,436,036	65,199,024
Net earnings (loss) per share attributable to shareholders of Boralex – basic	\$0.29	(\$0.03)

(b) Net earnings (loss) per share – diluted

(in millions of Canadian dollars, unless otherwise specified)	2017	2016
Net earnings (loss) attributable to shareholders of Boralex – diluted	22	(2)
Weighted average number of shares – basic	75,436,036	65,199,024
Dilutive effect of stock options	280,815	—
Weighted average number of shares – diluted	75,716,851	65,199,024
Net earnings (loss) per share attributable to shareholders of Boralex – diluted	\$0.29	(\$0.03)

The table below shows the items that could dilute basic net earnings (loss) per common share in the future, but that were not reflected in the calculation of diluted net earnings (loss) per common share due to their anti-dilutive effect:

	2017	2016
Shares reserved for convertible debentures excluded due to their anti-dilutive effect	7,333,950	7,334,183
Stock options excluded due to their anti-dilutive effect	36,625	1,182,883

Note 23. Change in non-cash items related to operating activities

	2017	2016
Decrease (Increase) in:		
Trade and other receivables	(41)	7
Other current assets	(17)	(3)
Increase in:		
Trade and other payables	8	16
	(50)	20

Note 24. Statement of cash flows

										As at December 31, 2017
	Balance – beginning of year	Cash	Business acquisitions (note 5)	Securities issuance	Translation adjustment	Amortization	Imputed interest	Compre- hensive Income (loss)	Other items	Balance end of year
Subscription receipts	173	—	—	(173)	—	—	—	—	—	—
Non-current debt	1,540	266	779	—	50	5	2	—	—	2,642
Convertible debentures	135	—	—	—	—	1	1	—	—	137
Non-controlling shareholders	18	(8)	47	—	—	—	—	(10)	(3)	44
Equity attributable to shareholders of Boralex Inc.	496	(44)	—	173	—	—	—	59	1	685
	2,362	214	826	—	50	6	3	49	(2)	3,508

Note 25. Financial instruments

The classification of financial instruments, complete with the respective carrying amounts and fair values, is as follows:

		As at December 31, 2017		As at December 31, 2016	
	Note	Carrying amount	Fair value	Carrying amount	Fair value
OTHER CURRENT FINANCIAL ASSETS					
Foreign exchange forward contracts		—	—	1	1
OTHER NON-CURRENT FINANCIAL ASSETS					
Advance to a non-controlling shareholder	5	32	31	—	—
Foreign exchange forward contracts		—	—	2	2
Financial swaps – interest rates		30	30	—	—
		62	61	2	2
SUBSCRIPTION RECEIPTS					
		—	—	173	197
NON-CURRENT DEBT	13	2,642	2,732	1,540	1,632
CONVERTIBLE DEBENTURES (INCLUDING EQUITY PORTION)	14	141	178	139	164
OTHER CURRENT FINANCIAL LIABILITIES					
Contingent consideration	5	7	7	15	15
Cross-currency swaps (Euro for CAD)		1	1	—	—
Financial swaps – interest rates		45	45	47	47
		53	53	62	62
AUTRES PASSIFS FINANCIERS NON COURANTS					
Foreign exchange forward contracts		6	6	2	2
Financial swaps – interest rates		24	24	29	29
		30	30	31	31

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash and cash equivalents, restricted cash, trade and other receivables, reserve funds, and trade and other payables approximate their carrying amounts due to their short-term maturities.

The fair value of the advance to a non-controlling shareholder, contingent consideration and non-current debt is essentially based on the calculation of discounted cash flows. Discount rates, ranging from 0.70% to 5.10%, were determined based on local government bond yields adjusted for the risks specific to each of the borrowings and for credit market liquidity conditions. The convertible debentures are traded on the stock exchange and their fair values are based on the prices as at December 31, 2017.

Financial swaps – interest rates

Cash flows are discounted using a curve that reflects the credit risk of the Corporation or the counterparty, as applicable. The following table summarizes the Corporation's commitments under financial swaps - interest rates as at December 31, 2017:

As at December 31,

2017	Currency	Fixed-rate payer	Floating-rate receiver	Maturity	Current notional (in CAD)	Fair value (in CAD)
Financial swaps – interest rates	EUR	0.38% to 5.16%	6-month EURIBOR	2019-2033	446	(24)
Financial swaps – interest rates	CAD	1.81% to 7.90%	3-month CDOR	2034-2043	932	(15)

Some financial swaps – interest rates denominated in Canadian dollars contain an early termination clause that is mandatory in 2018. As a result, they are presented as current financial liabilities.

Foreign exchange forward contracts

The fair values of foreign exchange forward contracts are determined using a generally accepted technique, namely the discounted value of the difference between the value of the contract at expiry calculated using the contracted exchange rate and the value determined using the exchange rate the financial institution would use if it renegotiated the same contract under the same conditions as at the statement of financial position date. Discount rates are adjusted for the credit risk of the Corporation or of the counterparty, as applicable. When determining credit risk adjustments, the Corporation considers offsetting agreements, if any.

As at December 31,

2017	Exchange rate	Maturity	Current notional (in CAD)	Fair value (in CAD)
Foreign exchange forward contracts (EUR for CAD)	1.5475	2018-2025	121	(6)

Cross-currency swaps

During fiscal 2017, the Corporation also entered into cross-currency swaps. These derivatives cover the Corporation's net investment in France, as they allow financing issued in Canada for investment in France to be synthetically translated into euros. In addition to mitigating the risk related to foreign currency fluctuations, these instruments also allow Borelex to benefit in part from lower interest rates than prevailing in Europe. To measure the fair value of these instruments, the Corporation uses a technique that is a combination of the techniques used to measure interest rate swaps and foreign exchange forward contracts.

As at December 31,

2017	Exchange rate	Maturity	Current notional (in CAD)	Fair value (in CAD)
Cross-currency swaps (EUR for CAD)	1.4734	2018	41	(1)

Hierarchy of financial assets and liabilities measured at fair value

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Financial instruments measured at fair value in the financial statements are classified according to the following hierarchy of levels:

- Level 1: Consists of measurements based on quoted prices (unadjusted) in markets for identical assets or liabilities;
- Level 2: Consists of measurement techniques based mainly on inputs, other than quoted prices, that are observable either directly or indirectly in the market;
- Level 3: Consists of measurement techniques that are not based mainly on observable market data.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety shall be determined on the basis of the lowest level input that is significant to the financial instrument fair value measurement in its entirety.

The Corporation classified the convertible debentures and subscription receipts as Level 1, as their fair values are determined using quoted market prices.

For the advance to a non-controlling shareholder, non-current debt, financial swaps - interest rates, foreign exchange forward contracts and the cross-currency swaps, the Corporation classified the fair value measurements as Level 2, as they are based mainly on observable market data, namely government bond yields, interest rates and exchange rates.

Note 25. Financial instruments (cont'd)

For contingent consideration, the Corporation has categorized fair value measurements within Level 3 because they are based on unobservable market data, namely the probability of achieving certain project development milestones.

The following table classifies the Corporation's financial instruments by level in the fair value hierarchy:

	As at December 31, 2017	Fair value hierarchy levels		
		Level 1	Level 2	Level 3
NON-DERIVATIVE FINANCIAL ASSETS				
Advance to a non-controlling shareholder	31	—	31	—
DERIVATIVE FINANCIAL ASSETS				
Financial swaps – interest rates	30	—	30	—
NON-DERIVATIVE FINANCIAL LIABILITIES				
Non-current debt	2,732	—	2,732	—
Convertible debentures	178	178	—	—
Contingent consideration	7	—	—	7
	2,917	178	2,732	7
DERIVATIVE FINANCIAL LIABILITIES				
Foreign exchange forward contracts	6	—	6	—
Cross-currency swaps (EUR for CAD)	1	—	1	—
Financial swaps – interest rates	69	—	69	—
	76	—	76	—

	As at December 31, 2016	Fair value hierarchy levels		
		Level 1	Level 2	Level 3
DERIVATIVE FINANCIAL ASSETS				
Foreign exchange forward contracts	3	—	3	—
NON-DERIVATIVE FINANCIAL LIABILITIES				
Subscription receipts	197	197	—	—
Non-current debt	1,632	—	1,632	—
Convertible debentures	164	164	—	—
Contingent consideration	15	—	—	15
	2,008	361	1,632	15
DERIVATIVE FINANCIAL LIABILITIES				
Foreign exchange forward contracts	2	—	2	—
Financial swaps – interest rates	76	—	76	—
	78	—	78	—

Level 3 financial instruments have evolved as follows between December 31, 2016 and 2017:

	Note	As at December 31, 2017	As at December 31, 2016
Balance – beginning of year		15	33
Translation adjustments		—	(2)
Loss recorded under net earnings		2	—
Payments	5	(10)	(16)
Balance – end of year		7	15

Note 26. Financial risks

The Corporation is exposed in the normal course of business to various financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk.

Market risk

Foreign exchange risk

The Corporation generates foreign currency liquidity through the operation of its facilities in France and the United States. First, the Corporation reduces this risk exposure, as revenues, expenses and financing are in the local currency. Accordingly, foreign exchange risk arises particularly from the residual liquidity that can be distributed to the parent company.

In France, given the above, the Corporation entered into foreign exchange forward contracts to hedge the exchange rate on a portion of the distributions it expects to repatriate from Europe up to 2025. Similar purchases will be made based on the growth in cash to be generated in France. During 2017, the Corporation entered into cross-currency swaps. These derivatives cover the Corporation's net investment in France, as they allow financing issued in Canada for investment in France to be synthetically translated into euros. In addition, to mitigate the risk related to foreign currency fluctuations, these instruments also allow Boralex to benefit in part from lower interest rates prevailing in Europe. To measure the fair value of these instruments, the Corporation uses a technique that is a combination of the techniques used to measure interest rate swaps and foreign exchange forward contracts.

Management considers that the cash flows generated in the United States do not represent a significant risk at present. A hedging strategy could be developed in due course.

In connection with Canadian project development, certain future expenditures may be in foreign currencies. For example, certain equipment purchases in Canada are partly denominated in euros or U.S. dollars. Where applicable, the Corporation's objective is to protect its anticipated return on its investment by entering into hedging instruments to eliminate volatility in expected expenditures and, in turn, stabilize significant costs such as turbines.

On December 31, 2017, a \$0.05 fall in the Canadian dollar against the U.S. dollar, assuming that all other variables had remained the same, would have resulted in a \$0.5 million (\$0.2 million in 2016) decrease in the Corporation's net earnings for the year ended December 31, 2017, whereas *Accumulated other comprehensive income (loss)* would have decreased by an after-tax amount of \$3.8 million (\$4.2 million in 2016).

On December 31, 2017, a \$0.05 fall in the Canadian dollar against the euro, assuming that all other variables had remained the same, would have resulted in a \$0.2 million increase (\$0.1 million increase in 2016) in the Corporation's net earnings for the year ended December 31, 2017, whereas *Accumulated other comprehensive income (loss)* would have deteriorated by an after-tax amount of \$3.1 million (\$3 million in 2016).

Price risk

As at December 31, 2017, our power stations in France (excluding Avignonet I) and Canada, as well as those in Hudson Falls and South Glens Falls, had long-term energy sales contracts, the vast majority of which are subject to partial or full indexation clauses tied to inflation. Approximately 2% of the Corporation's power production is sold at market prices or under short-term contracts and is accordingly subject to fluctuations in energy prices. Energy prices vary according to supply, demand and certain external factors, including weather conditions, and the price from other sources of power. As a result, prices may fall too low for the power stations to yield an operating profit.

On December 31, 2017, a 5% fall in the price of energy, assuming that all other variables had remained the same, would have resulted in a \$0.1 million (\$0.1 million in 2016) decrease in the Corporation's net earnings for the year ended December 31, 2017, whereas *Accumulated other comprehensive income (loss)* would have remained unchanged (nil in 2016).

Interest rate risk

Europe

In Europe, the large portion of non-current debt bears interest at variable rates. To mitigate interest rate risk, the Corporation has entered into interest rate swaps to fix the interest rate on 75%-100% of the corresponding variable rate debt. These agreements involve the periodic exchange of interest payments without any exchange of the notional amount on which payments are calculated. Under these agreements, the Corporation receives a variable amount based on EURIBOR and pays fixed amounts at rates ranging from 0.38% to 5.16%. Since the credit is drawn gradually and the loans are periodically repaid when sites are commissioned, the swaps have been structured to mirror the terms of the underlying credit arrangements and to always cover a significant portion of the arrangements.

Canada

For its non-current debt bearing interest at variable rates, the Corporation has entered into interest rate swaps to set a fixed interest rate expense on 80%-90% proportions of the debt with variable interest rates. These agreements involve the periodic exchange of interest payments without any exchange of the notional amount on which payments are calculated. Under these agreements, the Corporation receives a variable amount based on the CDOR and pays fixed amounts based on rates ranging from 1.81% to 2.68%. Since the credit is drawn gradually and the loans are periodically repaid when sites are commissioned, the swaps have been structured to mirror the terms of the underlying credit arrangements and to always cover a significant portion of the arrangements.

In addition, two other development projects that the Corporation intends to build, finance and commission in the coming years are also sources of interest rate risk exposure. For these projects, the Corporation holds interest rate swaps that have been designated as hedges of variable interest cash flows associated with anticipated financing programs with a notional amount of \$84 million. A non-designated swap, subsequent to a project financing arrangement, existed as at December 31, 2017 with a notional amount of \$30 million. This swap was unwound in January 2018.

Excluding this item, as at December 31, 2017, all of these financial instruments were subject to hedge accounting.

Aggregate

These instruments have allowed the Corporation to reduce the percentage of variable rate debt from 61% to 9%. As at December 31, 2017, the notional balance of these swaps stood at \$1,378 million (€296 million and \$932 million) (\$605 million (€265 million and \$230 million) in 2016), while their negative fair value was \$39 million (€16 million and \$15 million) (\$76 million (€17 million and \$51 million) in 2016). These swaps mature between 2018 and 2043 and are all subject to cash flow hedge accounting. Accordingly, unrealized gains and losses resulting from changes in fair value of the effective portion of these contracts are included in *Accumulated other comprehensive income (loss)* until the corresponding hedged item is recognized in earnings. They are then recognized in earnings as an adjustment to Financing costs. As at December 31, 2017, the Corporation expected to reclassify, over the next 12 months, a pre-tax expense of approximately \$11 million from *Accumulated other comprehensive income (loss)* to earnings (\$12 million as at December 31, 2016).

On December 31, 2017, a 0.25% rise in the variable interest rates, assuming that all other variables had remained the same, would have resulted in a \$0.5 million (\$0.2 million in 2016) decrease in the Corporation's net earnings for the year ended December 31, 2017, whereas *Accumulated other comprehensive income (loss)* would have improved by an after-tax amount of \$17.4 million (\$7.5 million in 2016).

Credit risk

Credit risk stems primarily from the potential inability of clients to meet their obligations. Given the nature of the Corporation's business, its clients are few in number. However, they generally have high credit ratings. The electricity markets that the Corporation serves in Canada and France are limited to very large corporations or monopolies. Steam generated in France is used in the paper making process. Accordingly, the Corporation's client is in the private sector, which makes for a higher credit risk. The U.S. market is more deregulated, and the Corporation transacts some business through the New York State regional producers' association, NYISO, which enjoys a very high credit rating. In the U.S. market, the Corporation can also negotiate private agreements directly with electricity distributors, usually large corporations which typically have investment grade credit ratings. The Corporation regularly monitors the financial condition of these clients.

The Corporation's counterparties for derivative financial instruments, as well as cash and cash equivalents and restricted cash, consist mainly of large corporations. Before entering into a derivative transaction, the Corporation analyzes the counterparty's credit rating and assesses the overall risk based on the counterparty's weighting in the Corporation's portfolio.

Where these analyses produce unfavourable results because the partner's credit rating has changed significantly or its portfolio weighting has become too high, the Corporation does not pursue the transaction. Furthermore, if a company does not have a public credit rating, the Corporation assesses the risk and may require financial guarantees.

Liquidity risk

Liquidity risk is the risk that the Corporation will experience difficulty meeting its obligations as they fall due. The Corporation has a Treasury Department in charge, among other things, of ensuring sound management of available cash resources, of securing financing and meeting maturity obligations for all of the Corporation's activities. With senior management oversight, the Treasury Department manages the Corporation's cash resources based on financial forecasts and expected cash flows.

Note 26. Financial risks (cont'd)

The contractual maturities of the Corporation's non-derivative financial liabilities and derivative financial instruments as at December 31, 2017 and 2016 are detailed in the following tables:

As at December 31,		Undiscounted cash flows (principal and interest)				
2017	Carrying amount	Current portion	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Non-derivative financial liabilities:						
Trade and other payables	151	151	—	—	—	151
Non-current debt	2,642	311	291	940	2,049	3,591
Convertible debentures	137	6	6	3	—	15
Contingent consideration	7	7	—	—	—	7
Derivative financial instruments:						
Cross-currency swaps	1	—	—	—	—	—
Financial swaps – interest rates	69	10	8	24	39	81
Foreign exchange forward contracts	6	1	—	2	5	8
	3,013	486	305	969	2,093	3,853

As at December 31,		Undiscounted cash flows (principal and interest)				
2016	Carrying amount	Current portion	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Non-derivative financial liabilities:						
Trade and other payables	116	116	—	—	—	116
Non-current debt	1,540	150	206	557	1,159	2,072
Convertible debentures	135	6	6	10	—	22
Contingent consideration	15	15	—	—	—	15
Derivative financial instruments:						
Financial swaps – interest rates	76	12	10	27	41	90
Foreign exchange forward contracts	2	—	—	—	2	2
	1,884	299	222	594	1,202	2,317

Undiscounted cash flows of non-derivative financial liabilities are determined using expected principal repayments and interest payments and a conversion of convertible debentures in July 2019. Undiscounted cash flows of derivatives are determined using the values of underlying indices at the reporting date. Since these indices are highly volatile, the undiscounted cash flows presented could vary significantly until realized.

Note 27. Capital management

The Corporation's objectives when managing capital are as follows:

- Safeguard the Corporation's ability to pursue its operations and development;
- Maintain financial flexibility to enable the Corporation to seize opportunities when they arise;
- Safeguard the Corporation's financial flexibility with a view to offsetting the seasonal nature of its operations primarily for the cyclical variations in hydroelectric and wind power generation;
- Maximize the terms of borrowings in line with the useful lives of its assets or underlying contracts;
- Ensure continuous access to capital markets; and
- Diversify its financing sources to optimize its capital cost.

The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain its capital structure, the Corporation prioritizes the use of less costly financing sources, such as cash flows from operations, borrowings, hybrid instruments such as convertible debentures, equity issuance and, as a last resort, the sale of assets. In managing liquidity, the Corporation's policy is to earmark in priority its available cash resources for (i) growth projects and (ii) the payment of a quarterly dividend. Generally, Boralex expects to pay common share dividends on an annual basis representing a ratio of 40% to 60% of its discretionary cash flows (defined as its cash flows from operations less capital investments required to maintain its production capacity and project-related non-current debt repayments, as well as distributions paid to non-controlling shareholders and discretionary development expenses). Boralex reserves the right to adjust this calculation for any special items unrelated to current operations to ensure comparable ratios between periods.

Note 27. Capital management (cont'd)

The Corporation's investment policy governing cash resources is limited to investments with maturities of less than one year that are guaranteed by financial institutions. For instance, bankers' acceptances guaranteed by a Canadian chartered bank meet these criteria. The Corporation deems its current financing sources to be sufficient to support its plans and its operating activities.

The Corporation monitors its capital on a quarterly and annual basis based on various financial ratios and non-financial performance indicators. It is also required to meet certain ratios under its non-current financial commitments. More specifically, the Corporation must meet ratios pertaining to debt coverage, debt service and interest coverage in relation to the measures specified in the respective credit agreements.

As at December 31, 2017 and 2016, the Corporation was in compliance with its required ratio covenants (note 13). The Corporation is not subject to any regulatory capital requirements.

The Corporation's capital management objectives have remained unchanged from the previous year. The Corporation relies mainly on the net debt ratio for capital management purposes. Cash and cash equivalents available are also a key factor in capital management, as the Corporation must retain sufficient flexibility to seize potential growth opportunities. To achieve this objective, the Corporation establishes long-term financial forecasts to determine future financing requirements in line with its strategic business development plans.

For calculation purposes, net debt is defined as follows:

	As at December 31, 2017	As at December 31, 2016
Non-current debt	2,418	1,439
Current portion of debt	224	101
Borrowing costs, net of accumulated amortization	27	25
Less:		
Cash and cash equivalents	115	100
Restricted cash ⁽¹⁾	35	23
Net debt	2,519	1,442

⁽¹⁾ Excluding restricted cash of \$170 million related to subscription receipt issuance as at December 31, 2016.

The Corporation defines total market capitalization as follows:

(in millions of Canadian dollars, unless otherwise specified)	As at December 31, 2017	As at December 31, 2016
Number of outstanding shares (in thousands)	76,255	65,366
Share market price (in \$ per share)	23.50	19.15
Market value of equity attributable to shareholders	1,792	1,252
Non-controlling shareholders	44	18
Net debt	2,519	1,442
Convertible debentures (nominal value)	144	144
Total market capitalization	4,499	2,856

The Corporation computes the net debt to market capitalization ratio as follows:

(in millions of dollars)	As at December 31, 2017	As at December 31, 2016
Net debt	2,519	1,442
Total market capitalization	4,499	2,856
NET DEBT RATIO (market capitalization)	56%	50%

At present, the net debt to capitalization ratio stands at 56% and the Corporation wishes to maintain this ratio below 65%. It is important to specify that the Corporation uses a project-based financing approach whereby each project leverage is maximized up to nearly 80% of amounts invested. However, those financing arrangements are generally repayable over the life of the contract. Consequently, as other projects or large projects are added, the debt level could increase above this limit but the Corporation would ensure to reduce the ratio below the limit within a reasonable time frame.

Note 28. Commitments and contingencies

	Payments			Total
	Current portion	From 1 to 5 years	Over 5 years	
Contingent consideration	42	5	—	47
Purchase and construction contracts	201	4	—	205
Maintenance contracts	24	89	114	227
Operating lease contracts	12	43	132	187
Other	1	6	21	28
	280	147	267	694

Contingent consideration

Upon completion of certain phases in the development of projects acquired, Borealex will be required to pay these amounts to the seller.

Energy sales contracts – power stations in operation

Canada

For the Canadian power stations, the Corporation is committed to selling 100% of its power output (subject to certain minimum criteria) under long-term contracts maturing between 2018 and 2054. These contracts provide for partial annual indexation based on the CPI. In Québec, one hydroelectric power station is covered by fixed price indexation, whereas two others are indexed based on the CPI with minimum thresholds of 3% and 6%, respectively.

Following the acquisition of the interest in **NRWF**, the Corporation is committed to selling 100% of its power output under long-term contracts maturing in 2036. This contract provides for annual indexation based on the CPI.

France

For the wind power stations, excluding **Avignonet I**, thermal power station and solar power facilities in France, the Corporation is committed to selling 100% of its power output under long-term contracts maturing from 2018 to 2035. The contracts provide for annual indexation based on changes in hourly labour costs and industry activity levels.

United States

In the United States, under a long-term contract expiring in 2029, the Corporation is committed to selling 100% of the power output of its **Middle Falls** hydroelectric power station. A price equal to 90% of the market price is stipulated in the contract.

For the **South Glens Falls** and **Hudson Falls** hydroelectric power stations in the United States, the Corporation is committed to sell the electricity it generates under long-term contracts expiring in 2034 and 2035. These contracts provide for contract payment rates for most of the electricity it generates. The price structure is as follows:

	South Glens Falls US\$/MWh	Hudson Falls US\$/MWh
January 2018 – November 2024	86.65	48.27
December 2024 – November 2025	121.79 or market ⁽¹⁾	48.27
December 2025 and thereafter	121.79 or market ⁽¹⁾	56.28 or market ⁽¹⁾

⁽¹⁾ The client has the option of replacing the contract price with the market price until the contract terminates in 2025 for the South Glens Falls facility and in 2026 for the Hudson Falls facility.

Energy sales contracts – projects under development

Canada

- (a) The **Yellow Falls** hydroelectric power station is covered by an initial 20-year energy sales contract with four renewal options, each for a five-year period, at the Corporation's discretion. The contract will begin when the power station is commissioned and will be indexed annually.
- (b) The **Moose Lake** wind power project is covered by an initial 40-year energy sales contract. The contract will begin when the wind farm is commissioned and will be indexed annually.
- (c) The **Otter Creek** wind power project is covered by an initial 20-year energy sales contract. This contract will begin when the wind farm is commissioned and will be indexed annually.

France

The **Le Pelon**, **Côteaux du Blaiseron**, **Hauts de Comble**, **Inter Deux Bos**, **Sources de l'Ancre**, **Seuil du Cambrésis**, **Basse Thiérache Nord** and **Moulins du Lohan** wind power projects will be covered by 15-year energy sales contracts. These contracts will begin when the wind farms are commissioned, and the selling prices will be indexed annually.

Purchase and construction contracts – projects under development

Canada

- (a) The Corporation has a construction and turbine purchase contract for the **Moose Lake** wind power project.
- (b) The Corporation has entered into construction and turbine purchase contracts in connection with the project to increase the capacity of the **Buckingham** hydroelectric power station.

France

- (a) The Corporation has entered into a number of construction and turbine purchase contracts for the **Le Pelon, Hauts de Comble, Inter Deux Bos** and **Côteaux du Blaiseron** wind power projects.
- (b) The Corporation has entered into a number of construction contracts for the **Sources de l'Ancre** wind power project.
- (c) The Corporation has a number of construction and turbine purchase contracts for the **Moulins du Lohan** wind power project.

Maintenance contracts

Canada

- (a) The Corporation has 15-year wind turbine maintenance contracts expiring in 2029 and 2030, respectively, for the **Témiscouata I** and **Côte-de-Beaupré** wind farms. Those contracts include a cancellation option at the Corporation's discretion, exercisable after the fifth year.
- (b) The Corporation has 15-year wind turbine maintenance contracts expiring in 2030, respectively, for the **Témiscouata II** and **Frampton** wind farms. Those contracts include a cancellation option at the Corporation's discretion, and exercisable after the seventh year.
- (c) Following the acquisition of the interest in the **NRWF** facility, the Corporation has 15-year wind turbine maintenance contracts expiring in 2031.

France

The Corporation has entered into wind turbine maintenance contracts for its power stations in operation in France. The contracts have initial terms of two to 18 years.

Operating lease contracts

Canada

- (a) For the **Thames River, Témiscouata I, Témiscouata II** and **Côte-de-Beaupré** wind farms, the Corporation leases land on which wind turbines are installed under 20-year lease agreements.
- (b) The Corporation leases the sites on which the six Canadian hydroelectric power stations are located, as well as the water rights over the hydraulic power required to operate them. Under the terms of these agreements, expiring from 2019 to 2022, the Corporation's lease payments are based on power generation levels.
- (c) For the **Frampton** wind farm, the Corporation leases land on which wind turbines are installed under 22-year lease agreements.
- (d) For the **Port Ryerse** wind farm, the Corporation leases land on which wind turbines are installed under 21-year lease agreements.
- (e) Following the acquisition of the interest in **NRWF**, the Corporation leases land on which wind turbines are installed under lease agreements expiring in 2036.
- (f) In connection of the move of the Montréal corporate office, the Corporation entered into an initial 16-year lease for office premises. This lease entered into with Ivanhoé Cambridge will result in related party transactions, as the Caisse de dépôt et placement du Québec also holds interests therein.

France

The land on which the French wind power stations and the solar power facilities are located is leased under emphyteutic leases over terms ranging from 25 to 99 years. Royalties under these leases are due and indexed annually, based on the CPI and the Construction Cost Index published by the National Institute of Statistics and Economic Studies.

United States

- (a) For its **Middle Falls** power station, the Corporation leases the land on which the power station is located from the Niagara Mohawk Power Corporation ("NMPC") under a lease expiring in 2029. Lease payments are variable, totalling 30% of the power station's gross revenue.
- (b) The land on which the Corporation's U.S. **South Glens Falls** and **Hudson Falls** hydroelectric power stations are located is leased from NMPC. The leases expire at the same time as the energy sales contracts, namely in 2034 and 2035, respectively. Rental expense for non-contingent lease payments is recognized in earnings (loss) on a straight-line basis based on the average rental payment over the lease terms. Total minimum future lease payments for the South Glens Falls power station in New York State do not include contingent lease payments for years 26 through 40, inclusively, of the lease agreement given the uncertainty surrounding the amounts. Rental expense in those years is based on a percentage of gross revenues. In addition, the leases provide NMPC a right of first refusal to acquire the hydroelectric facilities at fair value at the end of the lease term. The leases also require the Corporation to convey title to the hydroelectric facilities if abandoned during the lease term and require NMPC to acquire, and the Corporation to sell, the hydroelectric facilities at the end of the lease term at the lower of fair value or US\$10 million (Hudson Falls power station) and US\$5 million (South Glens Falls power station).

Other commitments

After acquiring the interest in **NRWF**, the Corporation has royalty contracts with the First Nations totalling \$7 million and community agreements totalling \$14 million, both expiring in 2036. The community agreements include clauses relating to the preservation of the natural habitat, use of roads and the community fund.

Contingencies

Canada

Since January 2011, O'Leary Funds Management LP et al. has been suing the Corporation in the Superior Court of Québec. The suit alleges that the November 1, 2010 business combination between Boralex and Boralex Power Income Fund was illegal and, accordingly, demands payment of damages amounting to nearly \$7 million (the initial suit was for an amount of nearly \$14 million). The Corporation considers that this procedure has no basis in fact or in law and is defending itself vigorously. Therefore, the Corporation has not recorded any provision in respect of this litigation. In its defence, the Corporation has filed a counterclaim for over \$1 million.

France – Moulins du Lohan wind power project

On September 16, 2016, the Corporation completed the acquisition of a portfolio of wind power projects of about 200 MW in France and Scotland, including the 51 MW **Moulins du Lohan** project in Brittany, France. The building permits had been obtained in 2014 from the Morbihan department administrative authorities ("the Administration") and construction had already begun before the acquisition by the Corporation.

Local residents had filed an interim application against the project on April 14, 2017 seeking to halt construction pending a decision of the courts regarding the cancellation of the permits issued by the Préfet of Morbihan. An interim order was received on May 11, 2017 requiring a temporary suspension of the building permits and an immediate halt in work. At that time, a significant portion of the foundations and roads had been completed.

In a decision issued on July 7, 2017, the Administrative Tribunal of Rennes cancelled the project's building permits based on its subjective risk assessment of landscape damage to the Lanouée forest where the project was going to be developed on land owned by the Corporation. The Tribunal did not find that the administrative authorities had made any errors in law. Project construction has been halted as result of these proceedings. Accordingly, as at December 31, 2017, the Corporation recorded an amount of \$1 million under *Operating expenses* for costs incurred to secure and halt work on the site.

The Corporation considers that the decisions of the Administrative Tribunal of Rennes have no basis in fact or in law. The **Moulins du Lohan** wind power project had been green-lighted by the specialized departments of the French government and the Lanouée forest, where the **Moulins du Lohan** project is located on land belonging to the Corporation, is subject to commercial logging and is therefore not, in our opinion, a protected or exceptional territory.

Boralex appealed these decisions to the Administrative Court of Appeal of Nantes on September 11, 2017. This court will make a fresh assessment of the facts and all the evidence, which could lead to a decision contrary to that issued by the court of first instance. Administrative Court of Appeal of Nantes judgments are typically rendered in 12 to 18 months. The reasons cited by the Administrative Tribunal of Rennes that led to the cancellation of permits are not of a legal nature but rather subjective judgments. In accordance with legal advice, the Corporation is of the opinion that it is more likely than not that the outcome of the appeal of the decision will be favourable given the circumstances and legal precedents.

Note 28. Commitments and contingencies (cont'd)

In the event the appeal is rejected, the Corporation could file an appeal in cassation to the Council of State. At this stage, the Council of State considers the grounds for the decision of the Administrative Court of Appeal but does not re-examine all the facts. Unless the decision contains a gross error, the chances of success at this stage are limited.

If all these procedures result in the permits being cancelled, the conclusion would be that the French government had committed an error in issuing the permits in the first place. Since the Corporation invested considerable amounts on the basis of valid permits declared invalid after the fact, Boralex would be automatically entitled to claim compensation for the prejudice suffered owing directly to a government error.

As at December 31, 2017, the costs incurred for this project amounted to €40 million (\$61 million), consisting of €18 million (\$27 million) in *Property, plant and equipment* and €22 million (\$34 million) in *Intangible assets*, following the receipt of a €6 million (\$9 million) reimbursement from the turbine supplier. This amount does not include certain contractual penalties related to the suspension of construction contracts, for which no claims have been made by the suppliers yet. The Corporation is currently implementing mitigation measures for these impacts and considers that the net impact of these penalties would be insignificant.

After the Administrative Tribunal of Rennes ordered the cancellation of permits, the Corporation assessed the need for an impairment charge on the assets related to this project. In its impairment test, management made two significant assumptions, consisting of the discount rate and the commissioning date, which was deferred from 2018 to 2020. In the event of a material change in these assumptions, management may revise its impairment test. For example, a 0.25% rise in the discount rate, assuming that all other variables remain the same, would result in an impairment loss of approximately \$2 million on assets. As described above, the French legal system is made up of two totally independent levels of courts.

In our opinion, success for us in the second level is more likely than not owing to the facts set out above and the legal opinions received. As a result, management considers that the assets are not impaired, based on the facts set out above. If the appeal is rejected and given the limited chances of success of an appeal in cassation, the Corporation could be required to write down these assets in accordance with IFRS.

The Corporation would like to point out that the decision issued by the Administrative Tribunal of Rennes did not find Boralex guilty of any wrongdoing, but concluded that the Administration had made an error of assessment by ignoring the impact on the landscape of the construction of a wind farm in the forest in question. Needless to say, the Administration in question argues that it had properly assessed the impact on the landscape and has filed its own appeal against the decisions. Boralex and the Administration intend to form a common front and coordinate their efforts at the Administrative Court of Appeal of Nantes.

Canada – Construction of the Yellow Falls hydroelectric power station

On October 19, 2017, the Corporation received a \$25 million claim for compensation (excluding taxes) from Neilson, a division of Pomerleau Inc. ("Pomerleau") associated with the work performed by Pomerleau for the **Yellow Falls** facility in connection with a \$59 million procurement and construction ("EPC") contract entered into on July 22, 2015.

Pomerleau is claiming an amount over and above the amount agreed to under the EPC contract for contingencies and problems encountered during performance of the work which caused delays and led to additional costs.

The Corporation denies being responsible for the delays and additional costs incurred by Pomerleau and is contesting the validity of the claim for compensation other than an amount of \$3.5 million. The Corporation agrees that it owes Pomerleau an additional amount of \$3.5 million in connection with the work performed under the EPC contract. The Corporation has approved payment of this amount and agrees to pay it upon receipt of an invoice from Pomerleau.

On November 24, 2017, Pomerleau filed a \$37 million lien claim (including taxes) under the Construction Lien Act (Ontario). The Corporation also received a notice of arbitration from Pomerleau on January 26, 2018 in the amount of \$39 million (including taxes), also associated with the work performed by Pomerleau for the **Yellow Falls** facility.

The Corporation believes that the claim is unfounded and intends to vigorously contest it. The Corporation expects that the amount to be paid as a result of this dispute is limited to an amount of \$3.5 million. Accordingly, no additional provisions have been recorded.

Note 29. Related party transactions

Related parties include the Corporation's subsidiaries, affiliates, Joint Ventures and main senior executives. Excluding the advance to a non-controlling shareholder (note 5), the following related party transactions were as follows:

	2017	2016
OTHER REVENUES		
R.S.P. Énergie Inc. – an entity in which Richard and Patrick Lemaire, directors of the Corporation, are two of three shareholders	1	1
Joint Ventures Phases I and II	1	1
INTEREST INCOME		
9710612 Canada Inc. (Six Nations) – associate	2	—

These transactions were made on terms equivalent to those that prevail under normal terms in arm's length transactions.

Receivables and payables arising from the above transactions at the end of the fiscal year were as follows:

	As at December 31, 2017	As at December 31, 2016
RELATED PARTY RECEIVABLES		
Otter Creek Wind Farm Limited Partnership – associate	—	2

Related party receivables and payables are due between 30 and 45 days following the sale or purchase. Receivables are unsecured and bear interest when past due. No allowance for doubtful accounts has been recognized in respect of receivables.

Executive Compensation

Compensation allocated to senior executives and to members of the Board of Directors is detailed in the following table:

	2017	2016
Current salaries and benefits	2	2
Other long-term benefits	2	2
	4	4

Note 30. Segmented information

The Corporation's power stations are grouped into four distinct operating segments – wind, hydroelectric, thermal and solar power. The Corporation operates under one identifiable industry sector: power generation. The classification of these segments is based on the different cost structures relating to each of the four types of power stations. The same accounting rules are used for segmented information as for the consolidated accounts.

The operating segments are presented according to the same criteria used to prepare the internal report submitted to the segment leader who allocates resources and assesses operating segment performance. The President and Chief Executive Officer is considered the segment leader, who assesses segment performance based on power production, revenues from energy sales and EBITDA(A).

EBITDA(A) represents earnings before interest, taxes, depreciation and amortization, adjusted to include other items such as the net loss on financial instruments, the foreign exchange gain, certain other losses (gains) and the reversal of the excess of distributions received over the share in net earnings of the Joint Ventures. EBITDA(A) does not have a standardized meaning under IFRS; accordingly, it may not be comparable to similarly named measures used by other companies. Investors should not view EBITDA(A) as an alternative measure to, for example, net earnings (loss), or as a measure of operating results, which are IFRS measures.

EBITDA and EBITDA(A) are reconciled to the most comparable IFRS measure, namely, net earnings, in the following table:

	2017	2016
Net earnings	10	2
Income tax recovery	(10)	(9)
Financing costs	104	76
Amortization	172	116
EBITDA	276	185
Adjustments:		
Net loss on financial instruments	1	4
Foreign exchange gain	—	(1)
Other losses (gains)	(1)	1
EBITDA(A)	276	189

Information on principal clients

Revenues are allocated according to the client's country of domicile. In 2017, the Corporation had three clients accounting for 10% or more of its revenues (three clients in 2016).

The table below shows the respective percentage of consolidated revenues from each of these clients, as well as the segments in which they operate:

2017		2016	
% of sales attributable to one client	Segment(s)	% of sales attributable to one client	Segment(s)
36	Wind, thermal and solar	46	Wind, thermal and solar
20	Wind, hydroelectric and thermal	27	Wind, hydroelectric and thermal
21	Wind	10	Wind

Information by operating segment

	2017	2016	2017	2016
	Power production (GWh)		Revenues from energy sales	
	(Unaudited)	(Unaudited)		
Wind power stations	2,204	1,624	315	212
Hydroelectric power stations	729	632	65	57
Thermal power stations	173	163	28	25
Solar power stations	23	22	6	5
	3,129	2,441	414	299
	EBITDA(A)		Additions to property, plant and equipment	
Wind power stations	261	176	184	182
Hydroelectric power stations	49	40	40	32
Thermal power stations	8	6	1	2
Solar power stations	4	4	—	1
Corporate and eliminations	(46)	(37)	6	6
	276	189	231	223
			As at December 31, 2017	As at December 31, 2016
Total assets				
Wind power stations			3,264	1,842
Hydroelectric power stations			557	538
Thermal power stations			36	39
Solar power stations			38	38
Corporate			31	245
			3,926	2,702
Total liabilities				
Wind power stations			2,449	1,382
Hydroelectric power stations			249	268
Thermal power stations			11	24
Solar power stations			27	28
Corporate			461	486
			3,197	2,188

Information by geographic segment

	2017	2016	2017	2016
	Power production (GWh)		Revenues from energy sales	
	(Unaudited)	(Unaudited)		
Canada	1,529	1,053	213	120
France	1,163	1,069	163	150
United States	437	319	38	29
	3,129	2,441	414	299
	EBITDA(A)		Additions to property, plant and equipment	
Canada	154	82	74	79
France	97	89	155	121
United States	28	19	2	2
Other ⁽¹⁾	(3)	(1)	—	21
	276	189	231	223

	As at December 31, 2017	As at December 31, 2016
Total assets		
Canada	2,183	1,245
France	1,549	1,242
United States	175	191
Other ⁽¹⁾	19	24
	3,926	2,702
Non-current assets⁽²⁾		
Canada	2,039	935
France	1,364	1,138
United States	160	177
Other ⁽¹⁾	14	20
	3,577	2,270
Total liabilities		
Canada	1,938	1,070
France	1,169	997
United States	90	119
Other ⁽²⁾	—	2
	3,197	2,188

⁽¹⁾ United Kingdom and Denmark

⁽²⁾ Excluding *Interests in the Joint Ventures* and *Deferred income tax asset*

Note 31. Subsequent event

France – Sources de l’Ancre wind project

On January 26, 2018, for the **Sources de l’Ancre** wind power project, the Corporation entered into a turbine purchase contract. The Corporation's net commitment under this contract amounts to €16 million (\$25 million).



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