BORALEX

**2016**
ANNUAL REPORT

# Profile

Boralex develops, builds and operates renewable energy power facilities in Canada, France 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 ensures sustained growth by leveraging the expertise and diversification developed over the past 25 years. Boralex's shares and convertible debentures are listed on the Toronto Stock Exchange under the ticker symbols BLX and BLX.DB.A, respectively.

# Values

Boralex's values reflect the attitude and culture instilled in all of our employees. Our values inspire our development, inform our decision-making and guide our actions.

**RESPECT**

Show consideration guided by the principles of sustainable development

**TEAM SPIRIT**

Demonstrate that we are better together

**INNOVATION**

Dream the future in creative ways

**ENTREPRENEURSHIP**

Think and act proactively and with flexibility

**COMMUNICATION**

Be open to meaningful and ongoing dialogue

# Vision

Boralex's goal is to be a Canadian leader in the development and operation of renewable energy in North America and Europe.

We plan to grow by generating electricity from natural or recycled sources in a manner that respects both communities and the environment.

Our strength lies in the expertise, skills and innovative spirit of our employees.

Our commitment is to manage our facilities ethically, to be a good corporate citizen and to provide a sustained financial performance to our shareholders and partners.

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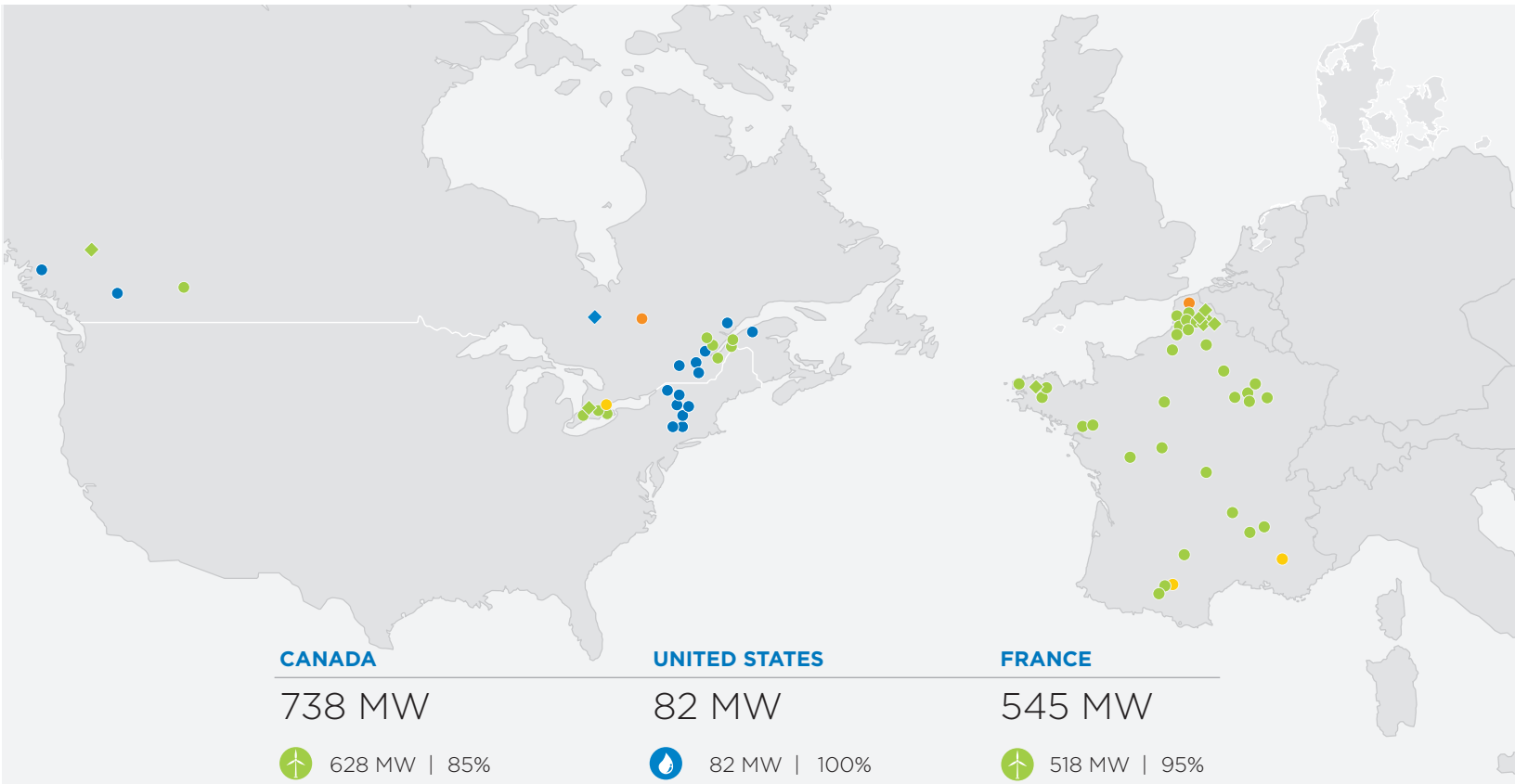
# Our presence in the world



## CANADA

738 MW

- 628 MW | 85%
- 74 MW | 10%
- 35 MW | 5%
- 1 MW | 0%

## UNITED STATES

82 MW

- 82 MW | 100%

## FRANCE

545 MW

- 518 MW | 95%
- 15 MW | 3%
- 12 MW | 2%

**1,365 MW**[1] In operation + **202 MW** In construction / development = **1,567 MW** PRO FORMA

## CAPACITY BY SECTOR

| 1,146 MW | 156 MW | 47 MW | 16 MW |
|---|---|---|---|
| 84% | 12% | 3% | 1% |

[1] Considering the acquisition of a 230 MW wind farm in Canada announced in December 2016, but closed in January 2017.

# 2016 Financial and Stock Market Highlights

| (in millions of dollars, unless otherwise specified) | IFRS 2016 | IFRS 2015 | IFRS 2014 | PROPORTIONATE CONSOLIDATION [4] 2016 | PROPORTIONATE CONSOLIDATION [4] 2015 | PROPORTIONATE CONSOLIDATION [4] 2014 |
|---|---|---|---|---|---|---|
| **OPERATIONS** | | | | | | |
| Power production (GWh) | 2,441 | 2,186 | 1,604 | 2,953 | 2,733 | 2,030 |
| Revenues from energy sales | 299 | 266 | 193 | 354 | 324 | 240 |
| EBITDA(A) [1] | 189 | 169 | 111 | 231 | 211 | 147 |
| Net earnings (loss) | 2 | (8) | (11) | 2 | (8) | (11) |
| Net earnings (loss) attributable to shareholders of Boralex | (2) | (11) | (12) | (2) | (11) | (12) |
| Net cash flows related to operating activities | 148 | 114 | 52 | 162 | 127 | 102 |
| Cash flows from operations [2] | 128 | 128 | 54 | 144 | 132 | 78 |
| **INVESTMENTS** | | | | | | |
| Business acquisitions | 16 | 60 | 197 | 16 | 60 | 197 |
| Additions to property, plant and equipment | 223 | 330 | 168 | 223 | 332 | 252 |
| Others investments | 39 | 6 | 7 | 39 | 6 | 7 |
| **FINANCIAL POSITION** | | | | | | |
| Total cash, including restricted cash | 293 | 103 | 88 | 302 | 112 | 107 |
| Property, plant and equipment | 1,668 | 1,556 | 1,211 | 2,053 | 1,963 | 1,640 |
| Total assets | 2,702 | 2,449 | 1,950 | 3,084 | 2,807 | 2,321 |
| Subscription receipts | 173 | - | - | 173 | - | - |
| Debt, including current portion of debt | 1,540 | 1,421 | 1,161 | 1,865 | 1,719 | 1,477 |
| Liability component of convertible debentures | 135 | 133 | 233 | 135 | 133 | 233 |
| Total liabilities | 2,188 | 1,890 | 1,613 | 2,570 | 2,248 | 1,985 |
| Total equity | 514 | 559 | 336 | 514 | 559 | 336 |
| Equity attributable to shareholders | 496 | 545 | 303 | 496 | 545 | 303 |
| **CLASS A SHARE DATA** | | | | | | |
| Net earnings (loss) attributable to shareholders of Boralex (basic - in dollars) | $(0,03) | $(0,21) | $(0,31) | $(0,03) | $(0,21) | $(0,31) |
| Equity attributable to shareholders of Boralex (basic - in dollars) | $7,58 | $8,40 | $7,89 | $7,57 | $8,39 | $7,88 |
| Weighted average number of shares outsdanding (in thousands) | 65,199 | 52,365 | 38,284 | 65,199 | 52,365 | 38,284 |
| Shares outstanding at the end of the year (in thousands) | 65,366 | 64,829 | 38,424 | 65,366 | 64,829 | 38,424 |
| Dividends paid on common shares | 36 | 27 | 20 | 36 | 27 | 20 |
| **RATIO** | | | | | | |
| Net debt to market capitalization ratio [3] | 50% | 55% | 53% | 56% | 60% | 60% |

1 EBITDA(A) corresponds to earnings before interest, taxes, depreciation and amortization, adjusted to include other items. This measure is not a measure in conformity with International Financial Reporting Standards ("IFRS") and does not have a standardized meaning prescribed by IFRS; however, management uses this performance indicator to assess and compare the performance of its various assets. Refer to the Non-IFRS Measures section Annual Report for the year ended December 31, 2016, for additional information related to the use of non-IFRS measures.

2 Cash flows from operations correspond to net cash flows related to operating activities before changes in non-cash items related to operating activities. This measure is not a measure in conformity with IFRS and does not have a standardized meaning prescribed by IFRS. Refer to the Non-IFRS Measures section Annual Report for the year ended December 31, 2016, for additional information related to the use of non-IFRS measures.

3 Refer to the Non-IFRS Measures section for these reconciliations.

4 These 2016, 2015 and 2014 financial highlights have been prepared on a proportionate consolidation basis. The results of Seigneurie de Beaupré Wind Farms 2 and 3 General Partnership and Seigneurie de Beaupré Wind Farm 4 GP, (the "Joint Ventures"), which are 50% owned by Boralex, were 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 compiled on a proportionate consolidation basis management has considered it relevant to present results according to this method to help investors understand the concrete impacts of decisions made by the Corporation.

# STOCK DATA AS AT DECEMBER 31, 2016

Exchange: **Toronto (TSX)**

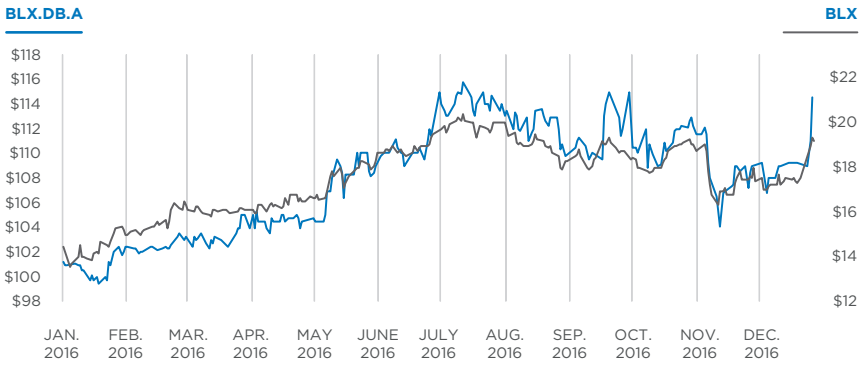
Conversion ratio of debentures: (per 100$): **5.1 : 1**

Conversion price: **$19.60**

Securities and symbols:
**Class A shares (BLX)**
**Convertible debentures 4.50% - June 30, 2020 (BLX.DB.A)**

Principal Shareholder: **Cascades inc. (20.1%of Class A shares)** [1]

Annual Dividend: **$0.60** [2]




[1] Cascades' percentage decreased to 17.4% following the share issuance completed in January 2017.
[2] Considering the 7.1% increase in the annual dividend to $ 0.60 per share following the acquisition of the Niagara Wind Wind Farm.

### Class A Shares

| Year ended | Issued and oustanding | High | Low | Closing Price |
|---|---|---|---|---|
| December 31, 2016 | 65,365,911 | $20.50 | $13.51 | $19.15 |
| December 31, 2015 | 64,829,112 | $14.58 | $13.03 | $14.46 |

### Convertible Debentures

| Year ended | Issued and oustanding | High | Low | Closing Price |
|---|---|---|---|---|
| December 31, 2016 | 1,437,500 | $115.75 | $98.90 | $114.40 |
| December 31, 2015 | 1,437,500 | $103.29 | $99.00 | $101.50 |

## RESULTS

Revenues of **$299M** ($354M under proportionate consolidation), posting a 13% growth over last year driven by the commissioning of new wind farms in 2015 and 2016 and the solid performance of Canadian assets

EBITDA(A) up 12% to **$189M** ($231M under proportionate consolidation up 10%)

EBITDA(A) margin of **63%** (65% under proportionate consolidation)

**$9M** improvement in net result attributable to shareholders of Boralex compared with fiscal 2015

Operating cash flows of **$128M** ($144M under proportionate consolidation)

## CHANGES IN FINANCIAL POSITION

Close to **$300M** invested in expansion and development, mainly for the acquisition of a **200 MW** project portfolio in Europe, the commissioning of new wind farms and the pursuit of the numerous projects under development

Close to **$480M** in new financing, including proceeds of **$173M** from the issuance of subscription receipts, subsequently exchanged for Boralex 10.3 millions common shares in January 2017

Completion, on January 18, 2017, of the Company's largest acquisition ever—the Niagara Region Wind Farm—for a total investment of **$1.03B**, including a **$232M** cash consideration. Expected additional annualized EBITDA(A) thereof of over **$84M** in 2017

Refinancing and two successive increases of revolving credit facility, the total authorized amount of which was raised from $175M to **$460M**

Dividend payouts totalling **$0.55** per share ($0.52 in 2015) and announcement of a further increase of **7.1%** in the quarterly dividend for 2017

Cash position of **$293M** as at December 31, 2016 ($302M under proportionate consolidation), including $193M in restricted cash for projects under development and partial financing of the acquisition completed in January 2017

## STOCK PERFORMANCE

Between December 31, 2015 and 2016, **32%** increase in Boralex share price

Total shareholder return of **132%** since early 2013

Market capitalization over the **$1.5B** mark as of the date hereof, following the increase in share price and issuance of new securities completed in January 2017

# 2016 Developments and Achievements

**Installed capacity in operation increased by 270 MW or 25%, and 400 MW added to project portfolio**

**Installed capacity under Boralex's control reaching 1,365 MW, including the Niagara Region Wind Farm acquired in January 2017**

**Diversified project portolio of approximately 1,000 MW, in support of the Corporation's ambitious growth objectives**

## ACQUISITIONS

September 2016: **portfolio of wind power projects** totalling **200 MW** in France and Scotland, for a $104M cash consideration investment

January 2017: Enercon Canada Inc.'s total financial interest in a **230 MW wind farm** operating in the Niagara region in Ontario (Canada), representing a total enterprise value of over $1 billion

## COMMISSIONINGS

Four wind farms totalling **40 MW** in France (Touvent and Plateau de Savernat I sites), in Ontario (Port Ryerse site) and in Alberta (Oldman site acquired as part of the Renewable Power Limited Partnership)

## PARTNERSHIPS

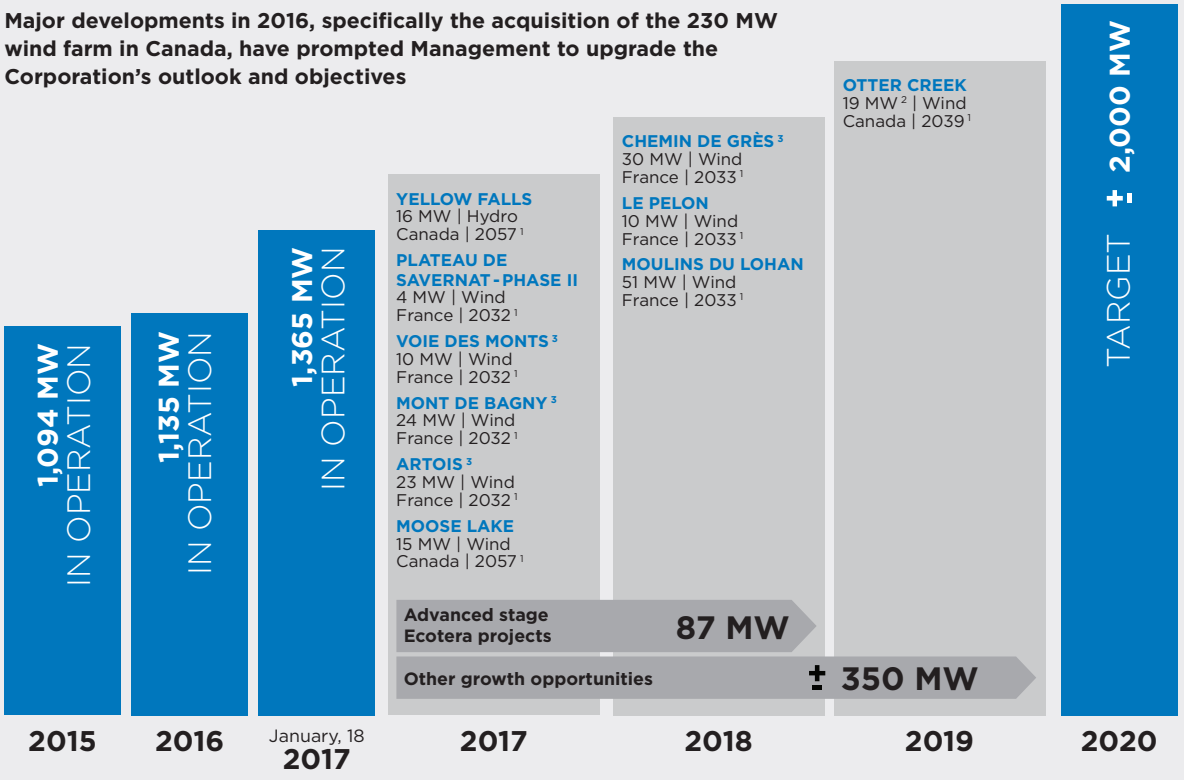
In **Québec**, partnership with the Innu Nation and Renewable Energy Systems Canada Inc. to develop a 200 MW wind power project

In **Western Canada**, inception of Alberta Renewable Power Limited Partnership, 52% held by Boralex, with a view to participate in the development of 5,000 MW of renewable energy production capacity in Alberta by 2030

BORALEX NOW **RANKS 4TH** AMONG **CANADA**'S RENEWABLE ENERGY PRODUCERS WITH AN INSTALLED CAPACITY OF 738 MW, AND **1ST** AMONGST **FRANCE**'S INDEPENDENT ONSHORE WIND POWER PRODUCERS WITH AN INSTALLED CAPACITY OF 518 MW.

# 2017-2020 Outlook and Objectives

**Major developments in 2016, specifically the acquisition of the 230 MW wind farm in Canada, have prompted Management to upgrade the Corporation's outlook and objectives**




[1] Represent, in order: project name, installed capacity, segment, country and contract end-date.

[2] Boralex owns 38% of the 50 MW Otter Creek Wind Farm Project or 19 MW on a net basis

[3] Part of the Ecotera wind power portfolio

## FOR 2017

In January 2017, additional operating capacity of 270 MW over the same period in 2016, which will fully contribute to the current year's results

Commissioning of an additional 92 MW throughout fiscal 2017

Expected EBITDA(A) of approximately $330M ($375M under proportionate consolidation) on an annualized basis

Expected increase of $20M in discretionary cash flows on an annualized basis

Annual dividend of $0.60 per share

## BY THE END OF 2020

Installed and contracted capacity of 2,000 MW, up close to 50% over current level

Trends in EBITDA(A) and discretionary cash flows expected to match growth in installed and contracted capacity

IN RECENT YEARS, BORALEX HAS ACHIEVED STRONG GROWTH IN ITS RESULTS BY BANKING ON ITS SOLID AND FLEXIBLE FINANCIAL POSITION AND ITS TEAMS' EXPERTISE. LOOKING FORWARD, THE CORPORATION INTENDS TO PURSUE ITS GROWTH AND DIVIDEND POLICY, WHILE MAINTAINING HIGHLY DISCIPLINED FINANCIAL MANAGEMENT PRACTICES.

# Sustainable Development

## MESSAGE FROM THE PRESIDENT

In 1995, Boralex became an industry pioneer by taking a decisive step to embrace sustainable development and devote the lion's share of its operations to green and renewable energy production. In the years that followed, we achieved spectacular growth, becoming one of the largest renewable energy producers in Canada and France. To get there, we had to be bold, innovative and rigorous, not only in our technology choices, growth strategies and management practices, but even more so in our behaviour and values: by walking the talk as a responsible, respectful corporate citizen.

Today, we wish to share with you our objectives to deepen and further strengthen our social responsibility practices, because we know there's always room for improvement and our utmost desire is to perpetuate our values and commitment with regard to sustainable development.

In 2016, we completed a broad-based consultation of internal and external stakeholders to categorize, summarize and analyze perceptions of and expectations for our practices. We then benchmarked our practices against our peers and market trends. These findings were leveraged to develop a comprehensive strategy around four major pillars: Environment, Local Communities, Economic Development and our Employees, the cornerstone of all our initiatives.

The policies supporting the four pillars of our sustainable development approach are summarized in the following pages, including the specific actions that differentiate Boralex from the rest of its industry. For more information, check out the Sustainable Development section of our website.

What makes Boralex a unique player is that we are not a developer, a builder or an energy asset operator. We are all three in one entity. That entails that our vision, mission, strategies and most of our undertakings are mapped out for the long term, which is the very essence of sustainable development.

(s) Patrick Lemaire
**Patrick Lemaire**
President and Chief Executive Officer

March 2017

## OUR SUSTAINABILITY PILLARS AND INDICATORS [1]

| STAKEHOLDERS CONSULTED IN 2016 | ENVIRONMENT | LOCAL COMMUNITIES | ECONOMIC DEVELOPMENT | EMPLOYEES |
|---|---|---|---|---|
| Investors<br>Associations and partners<br>Clients<br>Suppliers<br>Local communities<br>First Nations communities<br>Government representatives | Renewable energy produced (Disclosure GRI EU1) [2]<br>Environmental compliance (Disclosure GRI 307-1) [2] | Regular stakeholder communications<br>Collaboration with local communities (Disclosure GRI 413-2) [2] | Direct economic contribution (Disclosure GRI 201-1) [2] | Corporate culture<br>Occupational health and safety and wellness (Disclosure GRI 403-2) [2] |

[1] Following consultations with internal and external stakeholders, Boralex selected appropriate indicators from the GRI Standard to disclose the most relevant issues identified during the consultations.

[2] Indicator of content related to GRI compliance

# ENVIRONMENT

## OUR ENVIRONMENTAL MISSION

Boralex strives to:

1. **ENCOURAGE** protection of the environment, the principles of sustainable development and the generation of renewable energy
2. **ADHERE** to the environmental laws and regulations that govern its activities
3. **SUPPORT** internal initiatives in research, development and continuous improvement in the areas of sustainable development and environmental protection
4. **ENSURE** implementation of an environmental action plan at each operations center
5. **ENTRUST** management of the environmental mission and related matters to qualified and responsible personnel
6. **TRAIN** and make employees **ACCOUNTABLE** for sustainable development and environmental protection
7. **ADOPT** a proactive, responsible and respectful approach to the environment when developing Corporation projects and production sites, to minimize the impacts and risks associated with operating power generation facilities
8. **COOPERATE** with communities and government authorities to develop partnerships in the area of environmental management and corporate accountability
9. **INFORM** internal and external parties about the Corporation's environmental mission

In 2016, Boralex generated 2,441 GWh (2,953 GWh under proportionate consolidation) of wind, hydroelectric, solar and thermal power, enough to meet the energy needs of a city of over 157,000 inhabitants for one year.

Our environmental practices rigorously meet the environment standards in effect in the various jurisdictions we operate in, and in many cases, exceed regulatory requirements governing impact prevention, biodiversity protection, habitat conservation and atmospheric emissions. Boralex has a solid track record in all its markets for rigorous environmental management and timely incident intervention. In 2016, no fines or sanctions for non-compliance with environmental laws or regulations (Disclosure GRI 307-1) were levied against Boralex.

We apply long-term planning and a proactive management approach to the environmental issues affecting our operations from the initial project design stage to the construction phase and, subsequently, throughout the operating life of assets, spanning several decades, until project dismantling. By constantly improving its environmental performance and minimizing the number of complaints and sanctions, Boralex avoids unplanned cost and delays, thereby fostering its economic performance.

## In France

Boralex is a partner of World Wildlife Fund (WWF) France, the country's leading environmental protection organization. WWF's role begins in the design stage of our projects. In particular, it involves issuing opinions on our impact studies and helping us improve our environmental practices.

## A first for Boralex

In May 2016, our 22 MW Jamie Creek hydroelectric power station in British Columbia obtained its EcoLogo 2010 CCD-003 Renewable Low-Impact Electricity Products certification. The Canadian EcoLogo program recognizes services that have been independently certified to meet strict environmental standards that reflect their entire life cycle.

### Installed capacity by segment
(Disclosure GRI EU1) **(in MW)**

| | 2016 | 2015 |
|---|---|---|
| Wind | 1,146[1] | 875 |
| Hydroelectric | 156 | 156 |
| Thermal | 47 | 47 |
| Solar | 16 | 16 |
| **Total installed capacity** | **1,365** | **1,094** |

[1] Including the acquisition of a 230 MW wind farm in Canada announced in December 2016, but closed in January 2017.

### Power production (Disclosure GRI EU2)
**(in GWh)**

| | IFRS | | Proportionate consolidation | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Wind | 1,624 | 1,396 | 2,136 | 1,943 |
| Hydroelectric | 632 | 626 | 632 | 626 |
| Hydroelectric | 163 | 155 | 163 | 155 |
| Solar | 22 | 9 | 22 | 9 |
| **Total power production** | **2,441** | **2,186** | **2,953** | **2,733** |

# LOCAL COMMUNITIES

Boralex sees the host communities of its operations as key allies and therefore, makes every effort to establish forthright and fair relationships and coexist in harmony with local stakeholders over the long term. Garnering high social acceptability is a baseline requirement for our projects to move forward, especially since maintaining positive and harmonious relationships with host communities throughout each step of a project helps insure its smooth execution, reduces delays and thereby supports the achievement of our business objectives.

Right from the **pre-development** stage, ahead of statutory consultations, Boralex approaches local politicians and decision-makers beforehand to listen to and identify their concerns in order to integrate them in the development and management of its future project. Consultation tours with local authorities and stakeholders, public information sessions, one-on-one meetings, workshops with focus groups, open houses, information brochures are all examples of the multiple meetings and information channels leveraged by Boralex to raise awareness for its projects, and in particular, to better understand local communities' view points and considerations.

Once a project is green-lighted and **construction** begins, we make sure to be highly accessible and available to all stakeholders. More specifically, we focus on monitoring committees consisting of representatives from civil society (politicians, hunters and anglers, residents, local associations, citizens, etc.), and employees of Boralex and its subcontractors.

Lastly, we report on work progress via the radio and the local papers, web-based information resources and daily notices. Complaints received for disturbances caused by construction operations are dealt with in a timely manner. On this regard, the complaint management process is company-wide and covers all Boralex's activity phases (development, construction and operation). The aim of the process is to answer the community complaints and to mitigate or correct the negative impacts, as applicable. The measures implemented are assessed, and Boralex remains in constant contact with the complainant.

Once commercial **operations** commence, Boralex keeps closely apprised of citizen concerns by conducting frequent quality assessments of stakeholder relationships, performing rigorous follow-ups on action plan mitigation measures, encouraging responsible operating principles involving day-to-day decision-making, maintaining its monitoring committees, and implementing grievance mechanisms.

# ECONOMIC DEVELOPMENT

Boralex is committed to generating economic value for local communities throughout the lifetime of its energy production assets. We also strive to serve as a key regional economic stakeholder by maximizing local content in the sourcing of parts, goods and services, helping maintain and upgrade local infrastructure and getting involved in community life through corporate donations and sponsorships.

In addition to capital and operating expenditures on our projects, Boralex's direct economic contribution to local stakeholders also includes royalty payments to local communities. In Canada, energy sales contracts tend largely to be awarded to projects developed in partnership with local communities, including First Nations. In Québec, Boralex has employed its respectful and proactive approach to deliver community projects totalling over 72 MW.

## Direct economic value generated and distributed (Disclosure GRI 201-1)

**(C$M)**

| | IFRS | | Proportionate consolidation | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| **Direct economic value generated** | | | | |
| Revenues from energy sales | $299 | $266 | $354 | $324 |
| **Economic value distributed** | | | | |
| Operating costs including wages | $105 | $97 | $112 | $104 |
| Payments to providers of capital [1] | $109 | $100 | $126 | $117 |
| Investments [2] | $278 | $396 | $278 | $398 |
| Stock market performance (share market price as at December 31) | $19.5 | $14.46 | | |

[1] Includes the Interest paid, the Distributions made to non-controlling shareholders, and the Dividends paid to shareholders of Boralex.

[2] Includes the Business acquisitions, the Additions to property, plant and equipment, and Others investments.

# EMPLOYEES

At Boralex, the outstanding quality of our people is our greatest strength. Our employees work hard every day to execute on our corporate mission and meet our environmental, social and economic goals. They are the driving force behind our growth, champions of our high environmental standards and their application, and front-line ambassadors in local communities.

Like everything else at Boralex, our corporate HR culture and practices are guided by a vision of long-term sustainability, promoting creativity, organizational agility and adaptability. This vision reflects the spirit and culture brought to life by each of our employees and defines the fundamental values of our organization:

**RESPECT, TEAM SPIRIT**, **INNOVATION**, **COMMUNICATION** and **ENTREPRENEURSHIP**. These values drive the Corporation's development, decision-making and actions.

**Occupational Health and Safety (OHS)** is a priority for Boralex, for both our employees and our partners and suppliers. Boralex has implemented a continuous improvement plan for its OHS programs and mechanisms, articulated by action plans backed by hands-on training. Our organization takes a proactive approach by addressing any OHS concerns early on in project development, well before ground is broken.

## Occupational health and safety performance (Disclosure GRI 403-2)

| | | |
|---|---|---|
| **Total hours worked** | **Hours** | **538,784** |
| **Injury rate** | **Ratio** | **1.1** |
| **Occupational disease rate** | **Ratio** | **0** |
| **Fatalities** | **Total** | **0** |
| **Lost day rate** | **Ratio** | **20** |

Injury and occupational disease rates are expressed in total incidents per 200,000 hours worked, as required by the U.S. Occupational Safety and Health Administration (OSHA).

# Message to shareholders

The past year marked another decisive milestone for Boralex. Over half a billion dollars was invested in 2016 and early 2017 to expand our installed capacity in operation by 25%, add 400 MW to our project portfolio and pave the way for new development opportunities in North America and Europe. Building on the strength and flexibility of our financial position, this new wave of expansion prompted us to raise our 2020 year-end objective for contracted and installed capacity to 2,000 MW, and upgrade our financial outlook and shareholder compensation accordingly.

## 2016 ACHIEVEMENTS

### Investing to create short-, medium- and long-term economic value

In September 2016, the acquisition of a portfolio of approximately 200 MW of wind power projects in Europe afforded Boralex an additional platform to pursue its expansion in France while garnering a potential development base in Scotland. Including this acquisition, cash totalling nearly $300M was invested in 2016 to commission wind farms in France and Canada, pursue our various projects in advanced stages of development and explore new business opportunities.

In December 2016, we announced the largest acquisition in our history: that of Enercon's total economic interest in the 230 MW Niagara Region Wind Farm, commissioned in November 2016 in Ontario, Canada. The acquisition transaction was closed on January 18, 2017 for a cash consideration of $232 million and the assumption by Boralex of debt totalling $798 million, which amounts to a total enterprise value of over $1 billion. This vast wind farm has become the largest asset in the Corporation's portfolio. It will produce significant cash flows generated by high-quality assets, particularly since we have developed in-depth knowledge of the wind farm, having taken part in its development, construction and commissioning over the past two years. This acquisition will accrete significant value added as of fiscal 2017, including an anticipated contribution to EBITDA(A) of approximately $84 million and an expected additional contribution of approximately $20 million to its discretionary cash flows.

### Further improving results and maintaining a solid financial position to support the anticipated growth in Boralex's operations

Boralex pursued its financial growth in 2016 while building the foundations for an even brighter future. In spite of unfavourable weather conditions in France throughout most of the year, the Corporation reported good results for the fiscal year ended December 31, 2016, including a $20M increase in EBITDA(A), which reached $189M ($231 million on a proportionate consolidation basis), an $9M improvement in its net result, and cash flows from operations of $128M ($144M under proportionate consolidation).

During fiscal 2016, Boralex continued to adapt its capital structure and credit capacity to its recent and future expansion. In particular, our revolving credit facility was refinanced and twice increased, to a total authorized amount of $460M. Furthermore, new long-term financing of $308M was arranged under favourable terms in 2016, in connection with our projects under development in France and Canada. Lastly, in December 2016, Boralex completed an offering of 10.4 million subscription receipts for gross proceeds of $173M. The subscription receipts were exchanged on a one-for-one basis for common shares of Boralex upon closing of the acquisition of Niagara Region Wind Farm in January 2017.

These financing and refinancing transactions reflect the significant, sustained and diversified growth Boralex has recorded over the past several years and attest to its credibility with capital markets. They have substantially increased Boralex's financial flexibility and capacity, providing us with additional latitude to inject the necessary funds into projects consistent with our growth objectives. Coupled with cash flows from operations, they also contributed to Boralex's solid year-end financial position. As at December 31, 2016, the Corporation had short-term cash resources on hand of $293M ($302M under proportionate consolidation), including the restricted cash destined to various projects and the partial financing of the acquisition that closed in January 2017.

### Generating growing economic value for Boralex shareholders

Boralex's ability to meet its commitments and carry on well-structured expansion projects, capable of generating immediate value added, continues to drive its stock market performance.

Boralex share price appreciated 32% between December 31, 2015 and 2016, and has more than doubled over the past four years.

Also considering the introduction of a dividend at the beginning of 2014, shareholder return has amounted to 132% since the beginning of 2013. Coupled with the issue of subscription receipts in 2016, subsequently exchanged for common shares in January 2017, the growth in Boralex share price has pushed its total market capitalization over the $1.5 billion mark as of the date hereof.

During fiscal 2016, we announced two increases totalling over 15% in our shareholder dividend, to reflect the upgraded growth outlook for Boralex. The annual dividend now stands at $0.60 per share as of 2017, the equivalent of $0.15 per quarter.

## OUTLOOK

### 2017–2020: Upgraded objectives

Boralex has begun fiscal 2017 with an installed capacity in operation of 1,365 MW, representing a 270 MW addition compared with the beginning of 2016. These new assets will be fully accretive to results for fiscal 2017, which will also benefit from the partial contributions from new sites totalling 92 MW to be commissioned throughout 2017. Accordingly, and assuming normal weather conditions in our key markets, we expect approximately $330M in EBITDA(A) for fiscal 2017 ($375M under proportionate consolidation) on an annualized basis.

In addition to the commissioning of new production sites,

our efforts in 2017 will largely focus on the pursuit of our expansion strategy in the wind power segment in Europe and North America, including work on projects totalling 110 MW in advanced stages of development, scheduled for completion in 2018 and 2019. In the relatively near future, we also expect to complete other potential projects totalling approximately 350 MW included in Boralex's current portfolio, in addition to keeping a close eye on growth opportunities in our target markets. We are confident we will reach or exceed our target of 2,000 MW in installed capacity by fiscal 2020 year-end, representing expansion of nearly 50% compared to our current level, with growth in EBITDA(A) and discretionary cash flows expected to follow suit.

**Favourable longer-term outlook**

Although the global business environment has become more competitive in recent years, general trends in the renewable energy industry remain conducive to the long-term growth of Boralex. In particular, significant technological breakthroughs in the wind and solar power segments over the past five years have enhanced equipment performance, resulting in a sharp decline in the capital expenditures required per MWh of energy produced. In fact, wind energy has reached parity in terms of marginal cost with more conventional energy production methods and is increasingly recognized, not only as an appropriate eco-friendly choice, but also as one of the most economic vehicles for new energy generation.

Thus, we look forward to the long-term future of Boralex with confidence, determined to leverage our solid position in two major markets, Canada and France, and our portfolio of potential projects totalling some 1,000 MW.

Following its fast-paced development in Canada since 2009, Boralex now ranks among the country's top 4 renewable energy producers in terms of installed capacity. We are solidly established in Québec and Ontario, which account for the lion's share of our Canadian installed capacity. Boralex is currently developing projects totalling 35 MW to be commissioned in Ontario by 2019, and has been selected by the Innu Nation in Québec to develop a 200 MW partnership project. In Western Canada, in addition to one asset in operation and several projects in advanced stages of development in British Columbia, we entered into a partnership in 2016 with an Alberta developer to jointly bid on a 400 MW tender to be launched shortly in this province, which is determined to step up energy production from renewable sources.

Boralex pursues several development initiatives in Europe as well, banking on a 700 MW portfolio of potential projects. France remains a particularly attractive territory, where Boralex has become the largest independent producer of onshore wind power with an asset base in operation of 518 MW. Despite recent changes to the regulatory framework for public procurement in the renewable energy sector, Boralex has secured a highly favourable market position over the past 15 years, with a presence in all regions of France and solid relationships with banks, politicians, local communities and other stakeholders.

In addition, Boralex owns 87 MW in ready-to-build projects covered by 15-year indexed, fixed-price sales contracts in France. It has also secured a feed-in tariff and applied for authorization to build 235 MW in additional projects, a large part of which we are confident to bring to fruition. All such projects to be completed in France in a near future should offer very competitive returns for many years to come.

Boralex is in the process of tapping into other European markets, such as Scotland, where we acquired the rights to projects totalling 150 MW, and Denmark where we have been studying the opportunity to develop a 240 MW nearshore wind power project with a local partner since 2014. Lastly, we constantly monitor international markets boasting attractive renewable energy potential and favourable legal and regulatory environments. We are paying special attention to the U.S. market, more specifically New England and other East Coast regions with heavy populations and ambitious goals for the development of renewable energy.

In the coming years, we will continue to draw on our distinctive strengths to adapt to changes in market conditions and to remain both competitive and profitable. We will particularly bank on our organization's agility and entrepreneurial culture, as well as our rigorous finance and risk management. We also believe that our outstanding track record for the social acceptability of our projects, built on our collaborative and respectful approach with local stakeholders, will continue to make partnering with Boralex the natural choice for local communities.

Finally, we will fully leverage Boralex exceptional advantage afforded by the diversity and depth of our expertise in the development, acquisition, financing, construction and low-cost operation of renewable energy assets to adjust and package our offering according to the changing needs in our target markets.

As in the past, all our strategic choices will remain based on our commitment to generate substantial and sustainable value over the long term for Boralex shareholders and other stakeholders, including our employees, partners and local communities.

(s) Patrick Lemaire
**Patrick Lemaire**
President and Chief Executive Officer

(s) Robert F. Hall
**Robert F. Hall**
Chairman of the Board

March 2017

# Management's Discussion and Analysis

For the year ended December 31, 2016

## Table of Contents

# Introductory Comments

## General

This Management's Discussion and Analysis ("MD&A") reviews the operating results the three-month period and fiscal year ended December 31, 2016, compared with the corresponding periods of 2015, the cash flows for the year ended December 31, 2016 compared with the year ended December 31, 2015, as well as the Corporation's financial position as at December 31, 2016 compared with December 31, 2015. 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, 2016.

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 2, 2017, 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 34, 1, Presentation of Financial Statements, and contain comparative figures for 2015.

This MD&A includes a section, *Proportionate Consolidation*, where the results of Seigneurie de Beaupré 2 and 3 Wind Farms ("Joint Venture Phase I") and Seigneurie de Beaupré Wind Farm 4 ("Joint Venture Phase II") (collectively, "the Joint Ventures," "Joint Ventures Phases I and II") owned at 50% 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, the items *Interests in the Joint Ventures* and *Share in earnings (loss) of the Joint Ventures* are eliminated and replaced by Boralex's share (50%) in all items in the financial statements (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 has considered 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.

As discussed under *Non-IFRS Measures*, this MD&A also contains information consisting of non-IFRS measures. The Corporation uses "EBITDA(A)," "cash flows from operations," "ratio of net debt," "discretionary cash flows" and "payout ratio" to assess the operating performance of its power stations. 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.

## 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. These statements are characterized by the use of positive or negative verbs, such as plan, anticipate, evaluate, estimate, believe and other related expressions. They are based on Boralex management's expectations, estimates and assumptions as at March 2, 2017. Boralex would like 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 projections 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 the selling prices of energy, the Corporation's financing capacity, negative changes in general market conditions, the regulations governing the industry and raw material price increases and availability, as well as other factors described later in *Outlook and Development Objectives* and *Risk Factors and Uncertainties* in this MD&A.

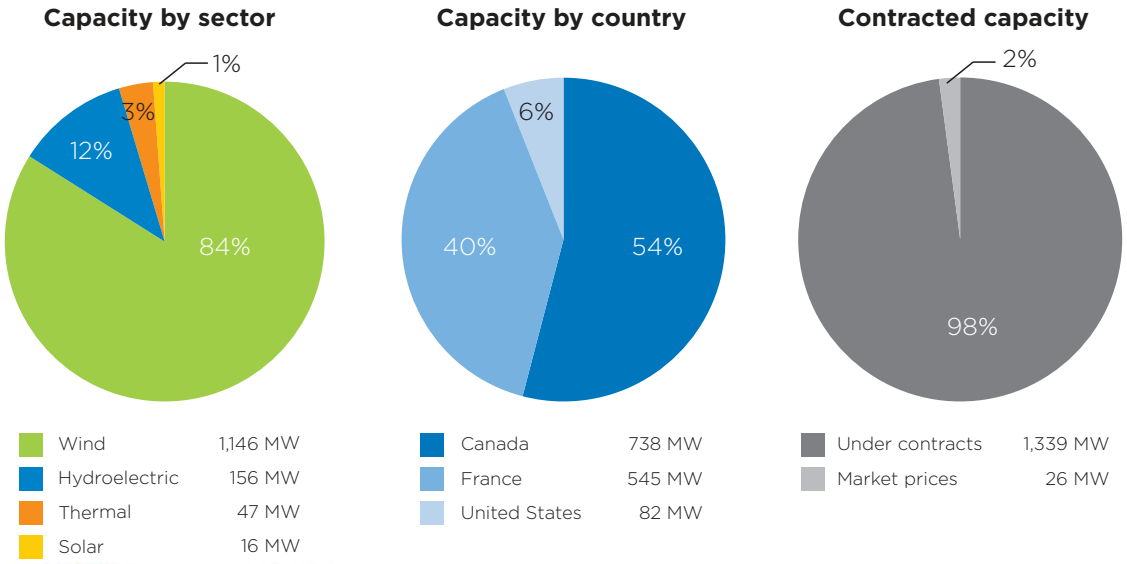
Unless otherwise specified by the Corporation, the forward-looking statements do not take into account the possible impact on its activities, transactions, non-recurring items or other exceptional items announced or occurring after the statements are made. There can be no assurance as to the materialization 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 power producer that develops, constructs and operates renewable energy power stations. With staff of around 300 employees, the Corporation operated an asset base as at December 31, 2016 with an installed capacity totalling 1,535 megawatts ("MW"), of which 1,365 MW[(1)] was under its control. That total included the 230 MW wind farm in Ontario, Canada, whose acquisition was announced by Boralex in December 2016 and completed in January 2017. The installed capacity under Boralex's control consists of 738 MW in Canada, 545 MW in France and 82 MW in the Northeastern United States. In addition, Boralex currently has new projects under development representing an additional 202 MW, to be commissioned by the end of 2019.

- As at December 31, 2016, Boralex operated a **1,146 MW**[(1)] **wind power** portfolio of assets in France and Canada. Over the past 15 years, Boralex has become France's leading independent onshore wind power producer with 518 MW in operation and an additional 152 MW to be commissioned by the end of 2019. In addition, three major acquisitions in Europe since December 2014 have provided Boralex with a potential portfolio of wind power projects, primarily in France, in various phases of development totalling about 700 MW, which comprises considerable short-, medium- and long-term growth potential for the Corporation. Since 2009, Boralex has also become a well-established wind power operator in Canada with an installed capacity of 798 MW (including 628 MW under its control) in Québec, Ontario and Alberta. The Corporation is pursuing a range of other wind power development projects and opportunities in those provinces as well as in British Columbia. More specifically, projects in advanced stages of development totalling 34 MW will be commissioned in Ontario and B.C. by the end of 2019. Boralex was also chosen as a partner by the Innu Nation in a 200 MW wind power project to be developed in Québec over the coming years and recently entered into a joint arrangement to take part in future requests for proposals ("RFPs") for wind power projects in Alberta.
- Boralex has been a **hydroelectric power** producer for over 20 years, operating **156 MW** in Québec and British Columbia, Canada, and in the Northeastern United States. The Corporation also has a 16 MW hydroelectric power station currently under construction in Ontario, Canada, to be commissioned in 2017.
- Boralex owns two **thermal power** stations with a total installed capacity of **47 MW**, consisting of a 35 MW wood-residue power station in Québec and a 12 MW natural gas cogeneration power station in France.
- Boralex operates three **solar power** facilities in France and Canada with an installed capacity of **16 MW**.

The following charts[(1)] provide information about the makeup of the Corporation's energy portfolio in operation as at December 31, 2016, including the acquisition of the 230 MW wind farm in Ontario announced on December 8, 2016 and completed in early fiscal 2017. As shown, one of Boralex's driving forces is its geographic and segment diversification. In addition, substantially all of its assets in operation are covered by long-term indexed, fixed-price energy sales contracts: a cornerstone of its strategy. That is also the case for 100% of its sites under development.




**TOTAL: 1,365 MW**

**Weighted Average remaining contractual term: 16 years**

(1) These data, and all of the data contained in this MD&A, reflect Boralex's share in various assets and exclude, accordingly, its partner's 50% share in the Joint Ventures operating the Seigneurie de Beaupré Wind Farms in Québec with a total installed capacity of 340 MW.

Boralex's shares, 20.1% of which are held by Cascades Inc. ("Cascades") as at December 31, 2016, or 17.4% following the closing of the acquisition of the **Niagara Region Wind Farm** ("NRWF"), and convertible debentures are listed on the Toronto Stock Exchange under the ticker symbols BLX and BLX.DB.A, respectively.

# Executive Summary

Our operating results for fiscal 2016, and more specifically, the fourth quarter, were affected by much less favourable weather conditions than in 2015 at our French wind power stations and our hydroelectric power stations in the Northeastern United States. However, this impact was offset by a series of factors, including the commissioning of the additional 158 MW in 2015 and 40 MW in 2016, excellent operating results during the first quarter, which was the most profitable in Boralex's history, and favourable performance by Boralex's Canadian-based assets. In light of the foregoing, Boralex ended the year with increases of 13% in revenues from energy sales and 12% in EBITDA(A) (increases of 9% and 10%, respectively, under proportionate consolidation), whereas net loss attributable to shareholders improved by $7 million (under both IFRS and proportionate consolidation). Moreover, Boralex pursued its growth strategy by completing the largest acquisition in its history: a 230 MW wind farm in operation in Ontario, as well as an acquisition in Europe, which provided the Corporation with an additional project pipeline totalling 200 MW.

## Financial Highlights

### For the three-month periods ended December 31

| | IFRS | | Proportionate Consolidation[1] | |
|---|---|---|---|---|
| (in millions of dollars, except production, EBITDA(A) margin and per share amounts) | 2016 | 2015 | 2016 | 2015 |
| Power production (GWh) | 596 | 643 | 730 | 774 |
| Revenues from energy sales | 74 | 81 | 89 | 95 |
| EBITDA(A)[2] | 47 | 53 | 57 | 64 |
| EBITDA(A) margin (%) | 63% | 66% | 64% | 67% |
| Net earnings (loss) | (4) | 6 | 2 | 6 |
| Net earnings (loss) attributable to shareholders of Boralex | (5) | 6 | 1 | 6 |
| Per share (basic) | ($0.07) | $0.09 | $0.02 | $0.09 |
| Net cash flows related to operating activities | 29 | 30 | 34 | 46 |
| Cash flows from operations[2] | 28 | 37 | 36 | 46 |

## Financial Highlights

### For the years ended December 31

| | IFRS | | Proportionate Consolidation[1] | |
|---|---|---|---|---|
| (in millions of dollars, except production, EBITDA(A) margin and per share amounts) | 2016 | 2015 | 2016 | 2015 |
| Power production (GWh) | 2,441 | 2,186 | 2,953 | 2,733 |
| Revenues from energy sales | 299 | 266 | 354 | 324 |
| EBITDA(A)[2] | 189 | 169 | 231 | 211 |
| EBITDA(A) margin (%) | 63% | 64% | 65% | 65% |
| Net earnings (loss) | 2 | (8) | 2 | (8) |
| Net earnings (loss) attributable to shareholders of Boralex | (2) | (11) | (2) | (11) |
| Per share (basic) | ($0.03) | ($0.21) | ($0.03) | ($0.21) |
| Net cash flows related to operating activities | 148 | 114 | 162 | 127 |
| Cash flows from operations[2] [3] | 128 | 128 | 144 | 132 |

(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 $15 million in distributions received from the Joint Ventures for the year ended December 31, 2016 ($29 million for the year ended December 31, 2015).

# Growth Strategy

To lay the foundations of above-average, balanced and sustainable financial growth, Boralex has been executing its strategy since 2009 to develop its asset base as well as to increase and further stabilize its revenue and cash flow streams, while lowering its business risk exposures. As a result, the Corporation has undertaken the following strategic choices and actions:

## Acquisition and Development of Renewable Energy Assets Covered by Long-Term Indexed, Fixed-Price Energy Sales Contracts

Substantially all of the energy assets acquired or developed by Boralex since 2009 have been covered by long-term indexed, fixed-price energy sales contracts. For assets currently in operation, the weighted average remaining contractual term for Boralex is 16 years, which ensures relatively predictable long-term cash flows for the Corporation, excluding changes in weather conditions and other factors beyond the Corporation's control. Accordingly, Boralex's installed capacity in operation covered by long-term energy sales contracts grew to 98% today from 51% in 2009.

## Focus on Renewable Energy Assets with Above-Average Profit Margins, Particularly in Wind, Hydroelectric and Solar Power

Dynamic and orderly execution of this strategy has resulted first in a surge in the development of Boralex's wind power segment, which in less than eight years, has increased its installed capacity sevenfold to 1,146 MW. In addition, the segment has a large potential pipeline of wind power projects totalling approximately 1,000 MW in Europe and North America, a number of which are at advanced stages of development. The hydroelectric power segment has also been expanding its operating base over the same period, poised to increase shortly to 172 MW from an original 40 MW. Boralex made its first foray into solar energy production, with its three solar power stations in operation totalling just 16 MW. In contrast, Boralex disposed of a large portion of its thermal power stations particularly to reduce its exposure to price fluctuations of the fuels used in this type of production, namely natural gas and wood residues, and to the risks related to their supply and availability.

As a result, the wind, hydroelectric and solar power segments, which generate higher profit margins than the thermal power segment, now account for nearly 97% of total assets, compared with 48% in 2009.

## Focus of Development Initiatives Mainly in North America and Europe

Development initiatives in recent years have significantly strengthened the Corporation's presence in Canada and France, which account for 54% and 40% of Boralex's installed capacity in operation, respectively. As a result, Boralex is now Canada's 4th largest renewable energy producer by installed capacity, and France's leading independent producer of onshore wind power.

Boralex's execution of its growth strategy started accelerating in 2013. Since then, the Corporation has nearly doubled its total installed capacity, commissioning and acquiring assets that increased its operating base by about 890 MW, and adding about 900 MW to its project portfolio, significantly boosting its growth potential.

Boralex considers the main financial benefits of its development strategy to be as follows:

- Higher operating profit margins for the Corporation resulting from 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, the matching of maturities of debt related to various production sites with the expiry dates of their energy sales contracts and greater geographical 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. Given its solid growth in recent years and confidence in its prospects for the future in view of its large potential project pipeline and disciplined approach to development, the Corporation introduced-and has since twice increased-a dividend in 2014.

With the introduction of a dividend in early 2014, shareholder return on equity since the beginning of 2013 stands at about 132%, which helped increase market capitalization to $1.5 billion as of the date of this MD&A, taking into account the issuance of subscription receipts in 2016, which were converted into common shares in January 2017.

# Key Developments in the Past Three Fiscal Years

## 2014

### Growth of 289 MW or 44% in Assets in Operation and Expansion of the Project Portfolio

#### *Assets Acquired (+186 MW in operation)*

On December 18, 2014, Boralex acquired **Enel Green Power France S.A.S**., renamed "Boralex Énergie Verte" ("BEV"), for a consideration of €280 million ($400 million), with €132 million ($189 million) in cash. This acquisition resulted in a 25% increase in the Corporation's installed capacity. More specifically, with the BEV acquisition, Boralex's portfolio was expanded by 11 wind farms in operation totalling 186 MW and a 10 MW wind farm on which construction began in 2015; all of these assets are covered by long-term energy sales contracts with Électricité de France ("EDF"). The new assets added over €25 million ($35 million) to EBITDA(A) in the first full year following their acquisition, which was fiscal 2015. Moreover, the BEV acquisition afforded Boralex a significant portfolio of wind power projects at various stages of development.

#### *Assets Commissioned (+103 MW in operation)*

In France:

- French wind farm **Fortel-Bonnières** (23 MW), covered by a 15-year energy sales contract with EDF, was commissioned in October and November 2014.

In Canada:

- The **Jamie Creek** hydroelectric power station (22 MW) in British Columbia was commissioned in May 2014, covered by a 40-year energy sales contract with BC Hydro, with a 20-year renewal option;
- **Joint Venture Phase II**'s Seigneurie de Beaupré Wind Farm in Québec commissioned on December 1, 2014, totalling 68 MW (Boralex's share: 34 MW) covered by a 20-year energy sales contract with Hydro-Québec; and
- The **Témiscouata I** 24 MW community wind farm developed jointly with Témiscouata Regional County Municipality ("RCM") in Québec was also commissioned on December 1, 2014. This power station is covered by a 20-year contract with Hydro-Québec.

The new assets commissioned in France and in Canada during fiscal 2014 added approximately $21 million to EBITDA(A) in the first full year following their acquisition, which was fiscal 2015.

### Significant Financial Transactions

The BEV acquisition was funded with available cash and the following:

- A €180 million ($255 million) borrowing facility with a 15-year term at an annual interest rate of approximately 3%;
- A $45 million increase in the existing revolving credit facility bringing its limit to $175 million; and
- A $100 million bridge facility, repaid in the first quarter of 2015 out of the proceeds from the Boralex common share offering (see the section pertaining to events in fiscal 2015 below).

### Introduction of a Dividend Policy

On February 19, 2014, Boralex declared the first dividend in its history with a quarterly dividend of $0.13 per outstanding common share, for an annual total of $0.52 per share. The first quarterly dividend was paid on March 17, 2014.

The introduction of a dividend policy reflects management's confidence in the Corporation's future development, in light of its strong cash position, supported by significant cash flows generated by high quality assets under long-term indexed, fixed-price energy sales contracts.

In the medium term, under its dividend policy, 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 (as defined in the *Non-IFRS Measures* section of this MD&A) less capital investments required to maintain operations, non-current project debt payments and distributions paid to non-controlling shareholders, excluding development costs. Boralex may adjust this calculation for any special items unrelated to current operations to ensure comparable ratios between periods.

## 2015

### Growth of 158 MW or 17% in Assets in Operation and Addition of 350 MW to the Project Portfolio

#### *Assets Acquired in Europe (+350 MW of projects)*

On December 28, 2015, Boralex Inc. acquired the 350 MW Ecotera wind power project portfolio in Northern France. Included in the portfolio were ready-to-build projects totalling 57 MW to be ultimately commissioned in 2017. An additional 30 MW will commissioned in 2018, and projects totalling 87 MW with authorization for construction, preferred connection and a fixed rate will be added and commissioned at various points in the coming years. All projects slated for eventual commissioning will have indexed, fixed prices in place.

### *Assets Commissioned (+158 MW in operation)*

In France, 57 MW covered by 15-year and 20-year energy sales contracts for wind and solar power, respectively:

- On March 9 and April 13, 2015, the 23 MW **St-François** wind farm was commissioned;
- On April 13, 2015, the 10 MW **Comes de l'Arce** wind farm was commissioned;
- On October 2, 2015, the 10 MW **Les Cigalettes** solar power facility was commissioned; and
- On December 6, 2015, the 14 MW **Calmont** wind farm was commissioned.

In Canada, 101 MW covered by 20-year energy sales contracts:

- On October 16, 2015, the less than 1 MW **Vaughan** solar power facility in Ontario consisting of solar rooftop panels was commissioned. While marginal in terms of installed capacity, this project represents Boralex's first foray into Canada's solar power market;

  On November 11, 2015, the 52 MW **Témiscouata II** wind farm, wholly owned by Boralex, was commissioned.
- On November 19, 2015, the 24 MW **Côte-de-Beaupré** wind farm, developed jointly with La Côte-de-Beaupré RCM, was commissioned. This wind farm is located on Seigneurie de Beaupré lands and benefits from logistical synergies with the other wind farms totalling 340 MW operated by Boralex in that region; and
- On December 15, 2015, the 24 MW **Frampton** community wind farm was commissioned. The facility, which is 33% owned the Municipality of Frampton and 67% owned by Boralex, is located on private lands in the Municipality of Frampton, in Québec's Chaudière-Appalaches region.

Together, these new sites generated an additional $35 million to consolidated EBITDA(A) in fiscal 2016, which was their first full year of operations.

### Significant Financial Transactions

In January 2015, Boralex issued 9,505,000 **new common shares** at a price of $13.05 per share, for gross proceeds of $124 million and net proceeds of $118 million after issuance costs, which were mainly used to repay the $100 million bridge facility contracted in December 2014 at the time of the BEV acquisition.

On February 27, 2015, Boralex repurchased the 25% equity interest of **Cube Energy SCA** ("Cube") in Boralex Europe S.A., with Cube agreeing to exchange its entire equity interest for loans. Accordingly, in addition to an initial payment of €16 million ($24 million) made to Cube in December 2015, the Corporation contracted two loans payable to Cube totalling €40 million ($57 million) bearing interest at a fixed rate of 6.5%, with no repayments prior to maturity in January 2019. Note that the transaction was aimed at strengthening the leadership position of Boralex in the French market, which it sees as a particularly promising source of development in the European wind power industry. As a result, the Corporation now enjoys greater leverage to implement its growth strategy in Europe.

In June 2015, the Corporation issued **new convertible unsecured subordinated debentures** in a total amount of $144 million ($137 million net of transaction costs). These debentures bear interest at an annual rate of 4.5% payable semi-annually as of December 31, 2015.

On August 31, 2015, Boralex committed itself to make a cash redemption on September 30, 2015 of a $150 million principal amount (out of a $244 million total principal amount) on its **2010 6.75% convertible unsecured subordinated debentures**, which would not have been converted as of the redemption date. Between August 31, 2015 and September 29, 2015, debentures with a total principal amount of $197 million were converted by their holders into 16,864,000 Class A shares of Boralex. The $47 million outstanding balance of the debenture principal amount was redeemed by the Corporation plus accrued and unpaid interest up to September 29, 2015. The total redemption price amounted to $48 million. The 2010 debentures were delisted from the Toronto Stock Exchange at the close of business on September 30, 2015.

In terms of the immediate financial impact, the issuance of the 2015 debentures, followed by the conversion and redemption of the 2010 debentures, generated approximately $11 million in financing cost savings during the first nine months of fiscal 2016.

## 2016

### Growth of 270 MW or 25% in Assets in Operation and Addition of 400 MW to the Project Portfolio

### *Acquisition of the NRWF in Ontario, Canada (+230 MW in operation)*

On December 8, 2016, Boralex announced it has entered into binding agreements with Enercon Canada Inc. ("Enercon") to make the largest acquisition in its history, consisting of all of Enercon's economic interest in the 230 MW **NRWF** wind farm, commissioned on November 2, 2016. Note that on the same date, Boralex first announced its decision to exercise a purchase option (the "Option") it held to purchase a 25% economic interest in this wind farm, after having coordinated its development, construction and commissioning over the preceding two years and being selected to assume responsibility for its future operation and management. The exercising of the Option by Boralex was then replaced by its decision to acquire control of **NRWF**.

Located in Ontario's Niagara region, this large wind farm comprises 77 leading-edge turbines and is covered by a 20-year feed-in tariff contract entered into under favourable terms with the provincially owned Independent Electricity System Operator ("IESO"). With this favourable contract in place, Boralex's new asset base will contribute substantial operating revenues and cash flow streams, generated by very high quality assets. In addition, the strong knowledge of **NRWF** developed by Boralex during its construction and commissioning will enable the Corporation to reduce its future operational risk exposure.

The acquisition transaction was closed on January 18, 2017 for a cash consideration of $232 million, subject to adjustments under the acquisition agreements and Boralex assuming a debt totalling $798 million, for a total enterprise value of over $1 billion. 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 which were exchanged for an equivalent number of Boralex common shares at the closing of the acquisition in January 2017.

The **NRWF** project was developed by Enercon and Boralex in partnership with the Six Nations of the Grand River Band. On October 12, 2016, the project secured ring-fenced project financing totalling $828 million from a syndicate of international financial institutions. The financing consists of a $789 million 18-year term loan bearing interest at a rate of less than 4% and a $39 million letter of credit facility.

This acquisition affords Boralex a number of major benefits:

- This single transaction increased Boralex's installed capacity by over 20%, adding a high-quality wind farm, which became Boralex's largest asset.
- Including this major contract in Boralex's portfolio increased the weighted average contract portfolio term to 16 years from 15 years.
- In financial terms, the acquisition will generate significant value added as of fiscal 2017, including additional EBITDA(A) estimated at some $84 million and expected accretion to discretionary cash flows per share of over 10%. Note that Boralex will receive substantially all of the cash flows generated by **NRWF**, net of a distribution paid to the Six Nations.

### *Assets Acquired in Europe (+200 MW of projects)*

On September 16, 2016, Boralex announced the closing of a major transaction through which the Corporation acquired a portfolio of wind power projects totalling about 200 MW in France and Scotland, along with land amounting to some 8,500 hectares on which the projects will be developed. The transaction was concluded for a cash amount of €70 million ($104 million), paid from Boralex's available cash and revolving credit facility and incurred acquisition costs of €1 million ($2 million). In addition, Boralex obtained a bridge loan of €46 million ($64 million) with a 24-month term from BNP Paribas S.A.

With this acquisition, Boralex not only continues its expansion in the French wind power market, but secures a base for development in Scotland, a region which enjoys strong wind power potential and a political environment favourable to renewable energies, including onshore wind power. More specifically, the acquisition involved the following assets:

- The **Moulins du Lohan** 51 MW wind power project in Brittany, France. Construction on this site has already begun with a view to commissioning in the second half of fiscal 2018, which will require total investments estimated at approximately €97 million ($142 million). Since the required equity investments are included in the purchase price, the remaining investment will be financed by debt;
- A 24 MW project in an advanced stage of development located in Scotland; and
- Various projects totalling 126 MW, also in Scotland, which are in the preliminary stages of development.

Boralex will continue to study and develop projects in Scotland consistently with the country's prevailing medium-term regulatory framework. Additionally, a decision will be made in the coming months concerning the potential sale of the acquired land, in which case the Corporation will nonetheless retain the land and other rights associated with the future development of the related wind power projects.

### *Assets Commissioned and Acquired (+40 MW in operation)*

In France, 26 MW covered by 15-year energy sales contracts:

- On August 1, 2016, the 14 MW **Touvent** wind farm in France was commissioned; and
- On December 23, 2016, the 12 MW Phase I of the **Plateau de Savernat** wind farm was commissioned (with the 4 MW Phase II to be commissioned in the first half of fiscal 2017).

In Canada:

- On December 8, 2016, the 10 MW **Port Ryerse** wind farm was commissioned in Ontario and is covered by a 20-year energy sales contract with the IESO; and
- On December 15, 2016, in connection with the partnership discussed below, Boralex acquired the 4 MW **Oldman** wind farm.

### *New Joint Arrangements in Canada*

On September 8, 2016, Boralex announced it had been chosen by the Innu Nation as a partner in carrying out the 200 MW **Apuiat** wind power project, located on public lands in the municipality of Port-Cartier, in Québec's Côte-Nord region. To successfully complete this large-scale project, Boralex will partner with Renewable Energy Systems Canada Inc. ("RES") to share the respective experience and know-how of the two companies in the development, design and construction of renewable energy projects. The Innu Nation, Boralex and RES have begun the public consultation and information process with the community and the key stakeholders, to ensure that their interests are taken into account in developing the project and thereby enhance project outcome. This new development typifies Boralex's proactive and respectful approach to local communities and First Nations.

On December 15, 2016, Boralex and the Alberta Wind Energy Corporation ("AWEC") announced the creation of a new partnership, **Alberta Renewable Power Limited Partnership**, 52% owned by Boralex and 48% owned by AWEC. At the same time, as mentioned above, Boralex added the **Oldman** wind farm in Alberta with 4 MW in operation to its asset base. Boralex intends to leverage this partnership to tap into the Alberta market, currently embarking on a transition from fossil fuels to green energy. Boralex and AWEC will be able to leverage their mutual expertise in the development, construction and operation of wind and solar power projects to submit joint bids under 400 MW renewable energy RFPs to be launched shortly by the Alberta government.

## Significant Financial Transactions

On April 28, 2016, the Corporation **refinanced and increased its revolving credit facility** resulting in a total authorized amount of $360 million. The new financing facility, comprising a $300 million revolving credit facility and a $60 million letter of credit facility guaranteed by Export Development Canada, replaced the $175 million revolving credit facility maturing in June 2018. This refinancing reflects the strong and sustained growth recorded by the Corporation since a number of years and demonstrates its credibility in capital markets. The refinancing has significantly increased Boralex's financial flexibility and capacity, allowing it to allocate capital to new projects in line with its growth objectives.

On May 4, 2016, the Corporation and its partner announced the **closing of ring-fenced refinancing for Joint Venture Phase I** for a total amount of the $618 million 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. 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 and a two-year term decrease for its covered tranche. 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. Management considers this major transaction to be a recognition of the capital markets' trust in the Corporation and, more specifically, the potential of its wind power segment.

On December 23, 2016, 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 in **NRWF** 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 $232 million. In addition, with a view to maintaining the strength of its statement of financial position, Boralex obtained a $100 million increase in its revolving credit facility to a total authorized amount of $460 million. These financial transactions allow the Corporation to maintain significant financial flexibility.

During fiscal 2016, Boralex also closed **financing or refinancing for specific wind and hydroelectric power assets**.

In France, the Corporation closed long-term financing in January 2016 in an amount of €21 million ($29 million) for the **Touvent** wind farm and refinanced the outstanding balance of the initial loan for the **St-Patrick** wind farm, which stood at €28 million ($42 million), with new financing amounting to €42 million ($60 million) under more favourable terms. This refinancing freed up cash for reinvestment in the Corporation's development projects in France. In June 2016, Boralex obtained long-term financing in the amount of €18 million ($25 million) for the **Plateau de Savernat** wind farm as well as a €3 million ($4 million) facility for the **Avignonet II** wind farm. These two financing facilities also offer favourable conditions for Boralex. On October 25, 2016, the Corporation announced the closing of long-term financing for the **Mont de Bagny**, **Artois** and **Voie des Monts** wind farms in France for a total amount of €100 million ($142 million), including €11 million ($16 million) for a bridge VAT financing facility. The loan consists of a €52 million ($74 million) tranche to bear interest at a fixed rate of 0.8% over a 10-year term and a €37 million ($52 million) tranche to bear interest at a variable rate of approximately 2.5% over a 15-year term. With the interest rate swap entered into in January 2017, the average interest rate will be fixed at about 1.5%.

In Canada, Boralex closed the financing in December 2016 of its 16 MW **Yellow Falls** hydroelectric power station project in Ontario, slated for commissioning in the second half of 2017. This $74 million financing consists of a first tranche of $9 million amortized over a 10-year term and a second tranche of $65 million to be amortized over a 29-year term upon full repayment of the first tranche. In the aggregate, the two tranches will bear a fixed average interest rate of approximately 5% over the life of the loans.

### Dividend Enhancement: Increases of over 15%

On February 24, 2016, Boralex announced an 7.7% increase in the annual dividend to $0.56 per share (or $0.14 per quarter) starting in the second quarter of 2016. This decision was warranted by the steady growth in the Corporation's results since the introduction of a dividend in 2014 and the confidence of management and the Board of Directors in its prospects for the future.

In addition, on December 8, 2016, concurrently with the announcement of the acquisition of **NRWF**, Boralex announced a further increase in the annual dividend of 7.1%, as of the first quarter of 2017, for a total of $0.60 per share, or the equivalent of $0.15 per quarter. This decision was made in light of the Corporation's stronger prospects for the future owing to the benefits expected from the aforementioned transaction.

Boralex has maintained its medium-term objective of paying common share dividends on an annual basis representing a ratio of 40% to 60% of its discretionary cash flows, as previously discussed in this section. Management expects discretionary cash flows for the fiscal year ending December 31, 2017 to total approximately $95 million (on an annualized basis), such that the payout ratio as at that date is expected to fall within its target range.

Note that following the **NRWF** acquisition, management revised upwards its discretionary cash flow forecast for fiscal 2017 by $20 million to $95 million from $75 million (on an annual basis of twelve months).

# Outlook and Development Objectives

## Projects in Development Stage

Within the extensive pipeline of projects recently acquired or launched by the Corporation, primarily in the wind power segment, certain projects are in the advanced development stage and will be commissioned before the end of 2019. These projects are shown in the table below.

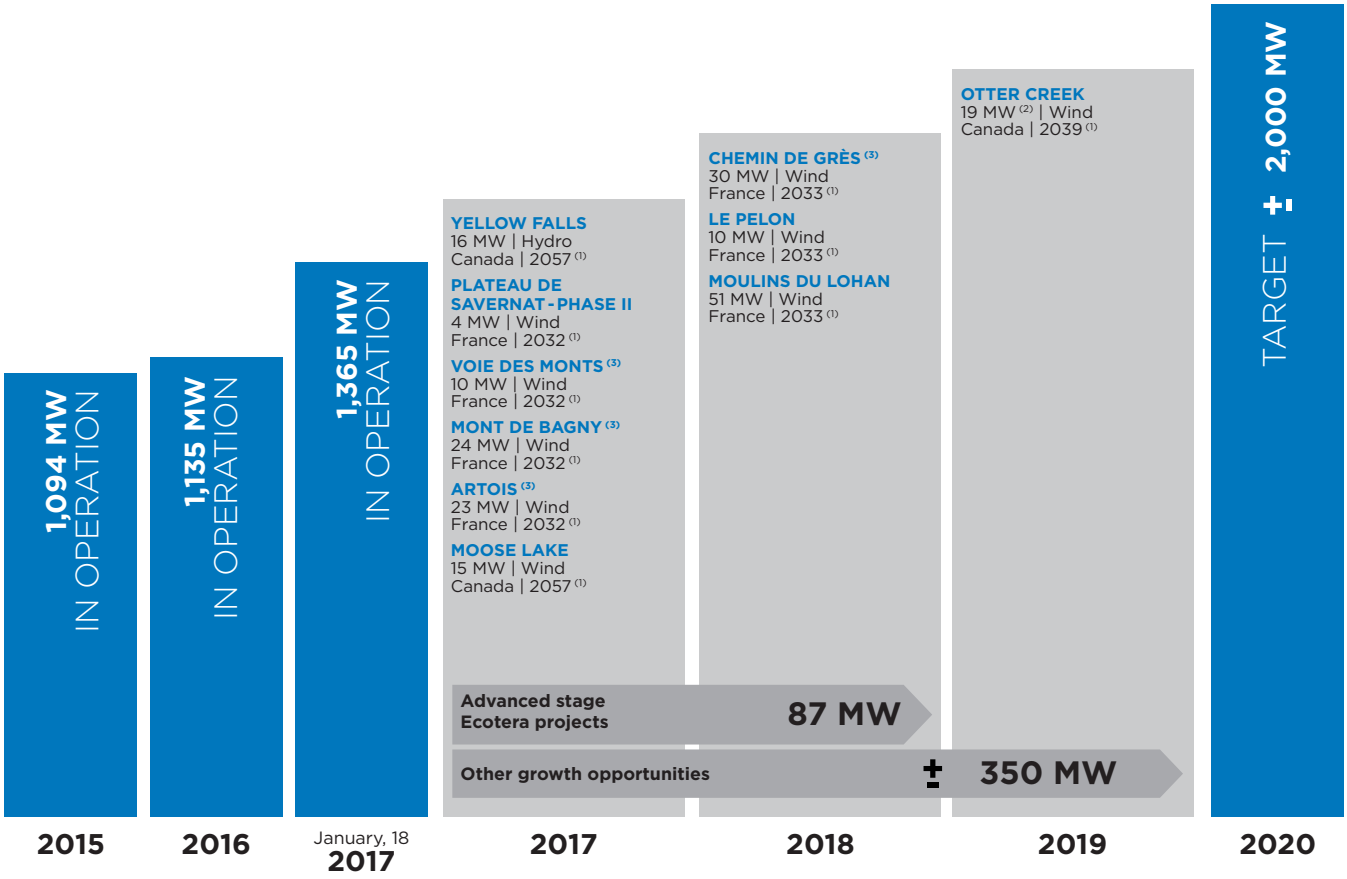
| Project name | Net capacity (MW) | Segment/ Country | Energy contract term | Ownership (%) | Expected commissioning date | Total project investment | Estimated annual EBITDA(A)[1] |
|---|---|---|---|---|---|---|---|
| Plateau de Savernat (Phase II) | 4 | Wind/France | 15 years with EDF | 100% | 1st half of 2017 | $32 million | $4 million |
| Voie des Monts | 10 | Wind/France | 15 years with EDF | 100% | 1st half of 2017 | $28 million | $3 million |
| Yellow Falls | 16 | Hydro/ Canada | 40 years with IESO [2] | 100% | 2nd half of 2017 | $92 million | $7 million |
| Mont de Bagny | 24 | Wind/France | 15 years with EDF | 100% | 2nd half of 2017 | $66 million | $8 million |
| Artois | 23 | Wind/France | 15 years with EDF | 100% | 2nd half of 2017 | $60 million | $7 million |
| Moose Lake | 15 | Wind/Canada | 40 years with BC Hydro | 70% | 2nd half of 2017 | $64 million | $5 million |
| Chemin de Grès | 30 | Wind/France | 15 years with EDF | 100% | 1st half of 2018 | $76 million | $8 million |
| Moulins du Lohan | 51 | Wind/France | 15 years with EDF | 100% | 2nd half of 2018 | $142 million | $14 million |
| Le Pelon | 10 | Wind/France | 15 years with EDF | 100% | 2nd half of 2018 | $24 million | $3 million |
| Otter creek [3] | 19 | Wind/Canada | 20 years with IESO | 38% | 2nd half of 2019 | $56 million | $6 million |

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

(2) The initial 20-year contract includes four renewal options, each for a five-year period, at Boralex's discretion.

(3) Boralex owns 38% or 19 MW of the 50 MW Otter Creek wind power project. The total project investment and estimated annual EBITDA(A) amounts represent Boralex's net share only, which is 38%.

## Growth Path




(1) Represent, in order: project name, installed capacity, segment, country and contract end-date.

(2) Boralex owns 38% of the 50 MW Otter Creek Wind Farm Project or 19 MW on a net basis

(3) Part of the Ecotera wind power portfolio

## Wind

Currently accounting for 84% of Boralex's total installed capacity, the wind power segment has been Boralex's top growth driver in recent years. Starting in fiscal 2013 in particular, this segment has quadrupled the size of its operating asset base by integrating, on average, over 200 MW in operation annually through acquisitions and the commissioning of greenfield projects, in addition to the acquisition of a vast portfolio of projects. This segment will continue to spearhead Boralex's expansion in the years to come. Besides the team's expertise and skills in identifying, financing, developing and operating high-quality wind farms, some of which are very large in scale, Boralex has a unique development strategy based on two geographic areas: Europe and North America. This strategy affords it geographic and climate diversification that has a smoothing effect on its results, but also gives it access to a wider range of growth opportunities and the latitude to adjust to its differently evolving target markets.

### Fiscal 2017

In January 2017, Boralex's wind power segment had additional installed fiscal capacity of 270 MW, compared with one year earlier, which will fully contribute to its operating and financial performance in 2017. According to management, the 230 MW Niagara site in Ontario alone, whose acquisition was completed on January 18, 2017, is expected to generate an additional annual contribution of about $84 million to Boralex's EBITDA(A) and of about $20 million to its discretionary cash flows. In addition, sites totalling 40 MW commissioned or acquired during fiscal 2016, namely **Touvent**, **Plateau de Savernat I**, **Port Ryerse** and **Oldman**, will make a full contribution in fiscal 2017 while sites totalling 76 MW whose commissioning will be spread over fiscal 2017, namely **Plateau de Savernat II**, **Voie des Monts**, **Mont de Bagny** and **Artois** in France, as well as **Moose Lake** in Canada (these projects are described in the table at the beginning of this section), will make partial contributions.

Regarding development, other than the above-mentioned commissioned projects, fiscal 2017 will be dedicated to continuing Boralex's expansion strategy of the wind power segment in Europe and North America, including advancing work on projects totalling 110 MW which will be commissioned in 2018 and 2019 in France and Canada. As shown in the previous table, all these projects are also covered by long-term energy sales contracts with fixed and indexed prices.

## Medium- and Long-Term Outlook

### General Wind Power Industry Trends

The wind power industry has undergone significant changes in recent years, owing primarily to **technological developments** which have considerably improved equipment performance while causing a sharp fall in the investment required per MWh of production. As a result, the wind power sector now finds itself on an equal footing with and even in a more advantageous situation in terms of marginal cost than more traditional energy production sectors such as coal, hydro, natural gas and nuclear. According to an article published in January 2017 in the Canadian newspaper *The Globe and Mail*, the U.S. Department of Energy estimates that the production cost of onshore wind energy has declined by 41% since 2008. Given continuing technological advances, wind power will soon be widely recognized as one of the most economical new energy sources. Furthermore, new technologies currently under development will make it possible to store a portion of the energy produced by wind and solar equipment, making their power supply stable regardless of weather conditions and thereby further reducing our societies' dependence on fossil fuels.

On the demand side, the December 2015 Paris Agreement on climate change, increasing public awareness of the dangers of global warming and development of technologies that consume clean energy such as the electrification of transportation are all factors promoting the establishment of a legislative and regulatory framework conducive to renewable energy development across the world. This is all the more true to the extent that these types of energy, particularly wind energy, establish themselves not only as inevitable ecological choices but also as advantageous economic solutions.

Boralex's wind power segment has also been undergoing a transformation of its **competitive environment** in recent years as governments are increasingly resorting to open market-based requests for proposals to purchase renewable energy. This trend, which partly reflects the changes described above, shows that the wind power industry has now reached a certain degree of maturity. The recent changes to regulations in France, discussed later in this section, is one such example. Another sign of market maturity is the **consolidation** that took place in recent years, as a result of which small- and medium-sized acquisition targets are increasingly rare.

Boralex believes that it is well placed to hold its own in this more intense competitive environment given its diversification and strong position in the two major markets of Europe and Canada, its expertise in developing and operating assets at economical cost and its proven capacity to adjust quickly to challenges and market opportunities. These strengths combined with interest rates that remain very advantageous despite recent upside pressures make management confident about continuing to deliver high returns on its wind power assets in future years.

### Trends in Boralex's Key Markets

#### *Canada*

Canada is now host to 55% of Boralex's wind power segment installed capacity. Provincial governments in Canada generally support wind power although the nature and the terms of their commitment vary depending on the region while the procurement processes used to award power contracts are particularly competitive. One of the specific features of the Canadian market is that wind power projects must often be developed in partnership with local communities or First Nations.

Boralex has adapted to these conditions over the past eight years by building an operating asset base of 738 MW under its control, making it the fourth largest producer of renewable energy in Canada. Boralex has also set itself apart as a pioneer in Québec by developing projects in partnership with local communities, and as one of the largest wind power producers in Ontario working in partnership with First Nations.

In **Québec**, where Boralex is currently operating approximately 300 MW of wind power under its control, the government unveiled the main highlights of new energy policy in early 2016, including a clear commitment to replacing hydrocarbon fuels by renewable energies as well as the export of its clean energy. Québec is also playing a pioneering role in Canada with its intention to promote and invest in the electrification of public transportation and vehicle fleet. Development of this path represents a considerable potential for renewable energy production in Québec and could in particular contribute to reversing the current situation of electricity supply exceeding demand. Boralex is currently working on several wind power development projects in Québec, including the 200 MW **Apuiat** project on the Côte-Nord, for which it has been chosen as partner by the Innu Nation. Project development is underway with commissioning expected before the end of 2020.

It's in **Ontario** that Boralex made its initial foray into the Canadian wind power market, in 2009, and it's also in Ontario that it operates, since January 2017, the largest asset in its portfolio, namely the 230 MW **NRWF**. Boralex's wind power segment installed capacity in this province now totals 330 MW. Boralex is also developing the 50 MW **Otter Creek** site, to be commissioned in 2019. Boralex's interest in this project is currently 38% which is the equivalent of 19 MW.

During 2016, under public pressure resulting from the increase in electricity prices in the province, the Ontario government suspended the LRP II procurement process underway for the purchase of 930 MW of renewable energy by IESO. This turnaround was mostly motivated by the relatively widely held opinion that renewable energy development, particularly wind and solar power, was responsible for the spike in electricity prices in Ontario. However, it has been demonstrated since then that clean energy only accounted for 6% of the price increase while the major portion of the increase was attributable to the development of nuclear power stations and the refurbishment of energy infrastructures that have been neglected for too long. Boralex is of the opinion that this new reality, combined with the downward trend in the marginal cost of wind power production, will soon recreate conditions conducive to wind power development in Ontario.

In **Alberta**, the government has initiated an energy diversification strategy aimed at reducing its dependence on oil sands development. As part of this transition, more than $3 billion will be invested over the coming years to develop 5,000 MW of renewable energy, bioenergy and other clean technologies by 2030. A request for proposals for 400 MW will be held in spring 2017. It is with this in mind that Boralex recently partnered with developer AWEC to enter the wind and solar power markets in Alberta.

Lastly, Boralex is currently developing its first wind power project in British Columbia, namely the 15 MW **Moose Lake** wind farm which will be commissioned in late 2017.

Boralex considers that the North American market offers sound development potential for its wind power segment. *Enerdata* (2016) estimates the average annual growth for wind power between now and 2030 at 5%. Given wind power's increasing competitiveness in economic and ecological terms, this sector should receive a significant portion of new investments.

### *Europe*

Since 2005, **France** has been a fertile ground for Boralex's wind power segment where it has built an operating asset base of 518 MW through well-targeted acquisitions of sites in operation or under development and the completion of greenfield projects. Although the regulatory framework for awarding contracts has changed since recently, the Corporation believes that France continues to offer significant development opportunities for its wind power segment. France is also committed, in line with European Union objectives, to increase the share of renewable energy in domestic electricity production to 23% by 2020 and to 32% by 2030. Having operated in this market for 15 years, Boralex already ranks as France's largest private onshore wind power producer. As a result, the Corporation benefits from a favourable positioning in the acquisitions market as well as solid relationships with banks, elected officials, equipment suppliers and other players.

On the regulatory front, new rules have been introduced recently whereby the projected rates for future contracts will be set according to electricity market prices, plus additional compensation. However, under transition rules, applications filed before the end of 2016 benefited from a rate that is equivalent to the currently applicable rate for fixed-rate power purchase agreements prior to this decision. Boralex benefited from this rule for 87 MW of ready-to-build projects with building permits that cannot be revoked and signed technical and financial proposal, ensuring connection to the grid at a fixed rate. Moreover, before the end of 2016, Boralex simultaneously filed an application to secure a fixed rate and an application for building permits for other projects in France totalling 235 MW. Although the development stages of these projects are less advanced than for the 87 MW mentioned previously, management is confident that a large portion of projects will be completed. Boralex therefore expects all the projects completed in France to offer, for many years to come, a return in line with or higher than the average for its energy portfolio and for the industry.

For rate applications made after December 31, 2016, the principle of additional compensation will be maintained. It is also highly likely that, in conjunction with this change to the support mechanism, France will adopt a system based on the principle of tenders. Boralex will assess the possibilities offered by the new rules as they continue to be refined and, as it has always done in the past, it will keep leveraging the organization's agility, discipline and creativity to adapt to and capitalize on the new laws in the French market. Boralex is currently studying positioning alternatives that may be contemplated following expiration of its sales contracts with EDF, barring their renewal, which include opportunities in the open market.

Also in Europe, Boralex continues to evaluate the potential of new geographic markets using its profitability criteria and a sound assessment of the risks they represent. For instance, the acquisition of a portfolio of projects in September 2016 gives Boralex potential entry into the wind power market in Scotland, where it now holds the rights to a large portfolio of projects totalling some 150 MW, including a 24 MW project at an advanced stage of development. Boralex is developing these projects with a view to capitalizing on opportunities that will arise in this market in the years to come and which meet its economic criteria.

Furthermore, because it sees **Denmark** as a welcoming and favourable market for wind power development, Boralex and a Danish developer entered in July 2014 into an equally owned joint venture to develop nearshore and offshore wind power projects in Denmark over a three- to five-year horizon. Under this partnership, Boralex and its partner have prequalified for the nearshore/open-door program for the development of about 240 MW of wind power. Boralex and its partner will go ahead with this project only when everything is in place to ensure an economic return in line with the Corporation's objectives.

To sum up, the reputation Boralex has earned in Europe since 2005 as an efficient and low-cost developer and operator of wind power assets, the solid team it has put together and its pipeline of projects totalling some 700 MW are other important strengths that should continue to drive sustained and profitable development of Boralex's wind power segment in France and elsewhere in Europe.

## Other

Boralex is continuously monitoring international markets for potential opportunities to export its know-how and expertise, that is, markets with a real potential for renewable energy, a favourable legal and regulatory framework and a structure that allows Boralex to develop niches that are both competitive and profitable.

Boralex management is paying particular attention to the **United States**, the world's second largest producer of renewable energy after China. Although the new federal administration is less favourable than its predecessor to a transition towards renewable energy, it is clear that energy policies in the United States are above all set by the States themselves and not by the federal government. In this perspective, the New England and East Coast States, which have large populations and are open to renewable energy, represent attractive market potential for Boralex.

### Competitive Advantages of Boralex's Wind Power Segment

Boralex's management team generally believes that the quality of the wind power segment's medium- and long-term outlook is also largely based on the Corporation's intrinsic strengths, such as:

- Its solid and flexible financial position;
- Its geographic diversification across all regions of France, as well as the main Canadian provinces;
- The scope and quality of its assets in operation and its projects under development, which are all covered by long-term energy sales contracts;
- Its potential pipeline of projects totalling approximately 1,000 MW;
- Its highly skilled, multidisciplinary and entrepreneurial team with the capacity to quickly adapt to market changes and a constant eye out for the best development opportunities;
- Its expertise in project development, financing, construction and operation of wind farms, based on rigorous financial management, and proactive and disciplined operational management;
- Its established reputation in world financial markets as a credible, highly efficient developer and operator of increasingly large-scale wind power facilities; and
- Its growing credibility with local communities and First Nations as a proactive economic, social and environmentally conscious partner.

## Hydroelectric

It's in the hydroelectric power segment that Boralex earned its first stripes as a renewable energy producer about 25 years ago. In the second half of 2017, it will commission **Yellow Falls**, its first hydroelectric power station in Ontario, Canada, which will generate annual EBITDA(A) of approximately $7 million. This 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. Combined with other hydroelectric power stations already operated by Boralex in Québec, British Columbia and Northeastern United States, the commissioning of Yellow Falls will bring to 172 MW the total installed capacity of Boralex's hydroelectric power segment.

Over the past three years, Boralex has invested $12 million in its **Buckingham** power station in Québec, Canada, to comply with the Dam Safety Act. The Corporation plans to invest additional amounts to expand the power station's installed capacity. Given the completion of detailed design work, the power station's optimal capacity will be increased to approximately 16 MW in 2019.

Also, following negotiations taking place over several quarters, Boralex recently entered into an agreement with Hydro-Québec to renew sales contracts for two of its hydroelectric power stations in Québec, namely the **Beauport** and **Forestville** power stations.

The Corporation continues to review a number of acquisition opportunities to grow its hydroelectric power segment in markets in which it has an established presence so as to generate operating synergies. With its long experience in hydroelectric power, a skilled team and high-quality assets, Boralex believes it is poised to make further inroads into this market. The Corporation has a large hydroelectric power base with good geographic distribution, attractive profit margins, and significant cash flows. This balanced profile softens the impact on segment results of weather or economic conditions, including fluctuations in open market selling prices in the United States that could affect its five power stations without long-term energy sales contracts, and U.S. and Canadian dollar exchange rate fluctuations. Given the quality of the assets and the ongoing maintenance program underway at all Boralex hydroelectric power stations, there is no indication that production will not be in line with historical averages. In addition, Canadian power stations will continue to benefit from indexation under energy sales contracts, throughout the contract terms.

## Thermal

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

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

### Senneterre Power Station - Canada

Under an agreement entered into with Hydro-Québec for fiscal 2014 to 2018 inclusively, the Senneterre power station generates electricity eight months of the year, from December to March and June to September, and receives financial compensation to maintain comparable profitability relative to previous years. As shown by its results recorded since this agreement came into effect, the Senneterre power station benefits from operating conditions conducive to more stable and predictable profitability. An agreement in principle entered into in 2016 extends the initial agreement, which was due to terminate in 2018, until contract expiry in 2027.

### Blendecques Power Station - France

The power station's performance has met management's expectations since the 2014 modernization and the new energy sales contract entered into with EDF in 2013.

## Solar

In June 2011, Boralex inaugurated its first photovoltaic solar power facility, namely the 5 MW **Avignonet-Lauragais** power station in Southeastern France. Two other solar power sites were added in 2015, including **Les Cigalettes**, a second photovoltaic solar power facility of 10 MW, also located in the south of France, and the **Vaughan** solar power station of less than 1 MW in Ontario with solar rooftop panels.

These three sites' performance has met management's expectations since their commissioning and they have allowed the Corporation to quickly develop expertise in solar power production.

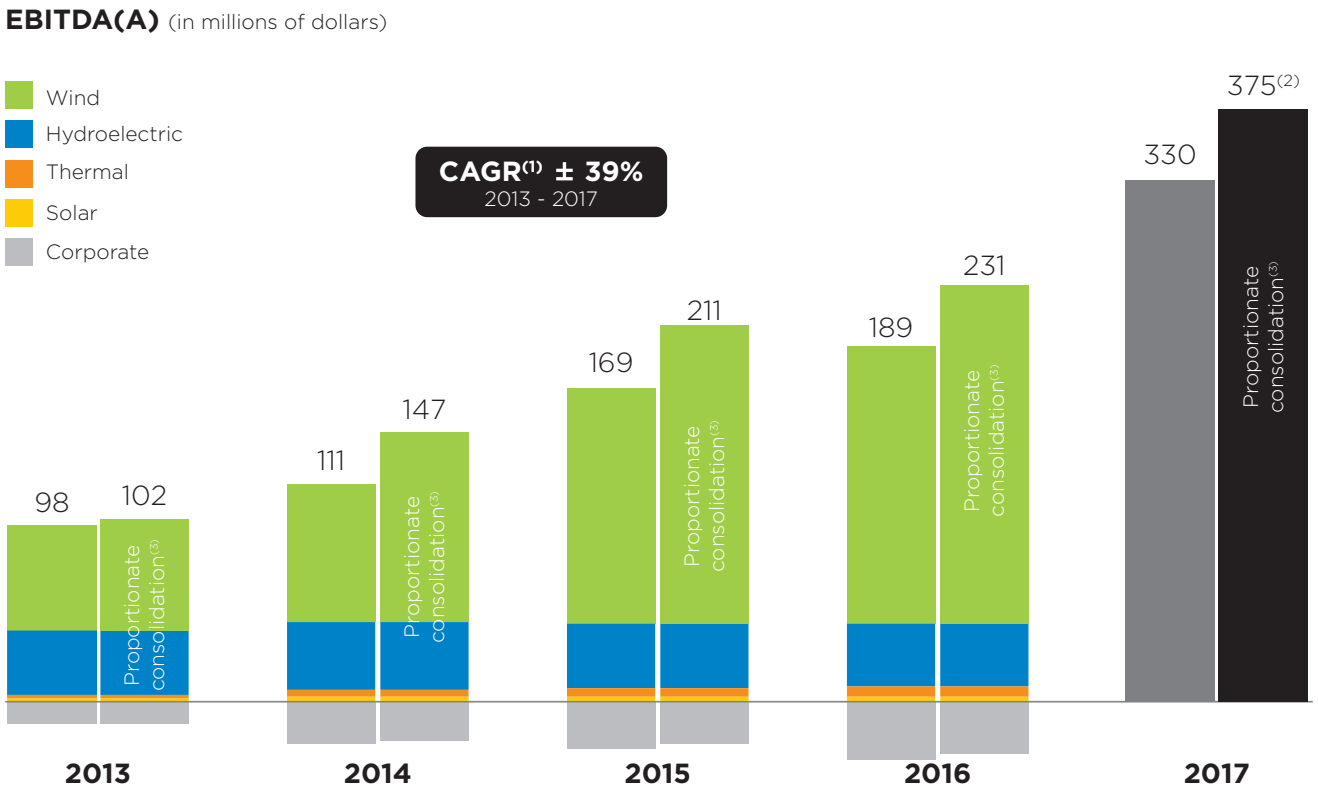
Like the wind power industry, the solar power industry has experienced remarkable technological developments in recent years, making it much more efficient and competitive. According to the above mentioned January 2017 article in the *Globe and Mail*, the U.S. Department of Energy estimates that the production cost of solar power has declined by 64% since 2008. In regions benefiting from bright sunlight, this power production method has even achieved parity with traditional production methods in terms of marginal cost per MWh of production. For this reason, and also considering that it will soon be possible to store this type of energy as well as the advantage of the proximity of power station to consumers, the solar power industry is bound to enjoy strong growth in the coming decades.

Boralex intends to capitalize on the growth potential of this clean and abundant source of renewable energy. To do so, Boralex can draw on a skilled solar power project development team, particularly particularly in France where it holds the rights to certain projects under development.

## Boralex Upgrades its Growth Outlook

As shown in the *Growth Path* table above and the following chart *Financial Target*, Boralex's outlook is closely linked to prospects in the wind power industry, given its dominant position in the Corporation's current energy portfolio and the strong growth potential of its project pipeline. Since 2013, the Corporation has generated sustained and strong growth in EBITDA(A), driven essentially by the significant development of its wind power assets, and supported by its healthy and flexible financial position as well as the expertise of its teams. Following the acquisition of NRWF, Boralex management revised upwards its growth targets for the years from 2017 to 2020, including its objective for total contracted installed capacity, which is now **2,000 MW** by the end of 2020.

### Financial Target




(1) Compounded annual growth rate
(2) In line with the growth path. Represents a year-end estimated run rate EBITDA(A)
(3) EBITDA(A) according to proportionate consolidation basis (see Reconciliations between IFRS and Proportionate consolidation of the 2015 and 2016 Annual Report)

### 2017 - 2020 Outlook: Disciplined and Profitable Growth

In January 2017, Boralex owned total installed capacity of 1,365 MW (including NRWF), up 25% from the January 2016 level. This strong growth, stemming primarily from the acquisition of Enercon's interest in the NRWF wind farm, has prompted management to increase its financial targets as follows:

- Annualized EBITDA(A) target for 2017 for a 12-month period increases from $245 million to $330 million under IFRS (from $290 million to $375 million under proportionate consolidation); and
- Annualized discretionary cash flows target for a 12-month period increases from $75 million to $95 million under proportionate consolidation.

Note also that the confidence inspired by this outlook has prompted Boralex management to increase the dividend paid to shareholders by 7.1% starting in the first quarter of 2017.

Apart from the 270 MW of additional installed capacity acquired and developed in 2016 or in early 2017, Boralex's performance in fiscal 2017 will benefit from the additional contribution of new sites totalling 92 MW which will be commissioned in 2017.

New sites will be commissioned in upcoming fiscal years, more specifically 40 MW in 2018 and 70 MW in 2019. Boralex also intends to complete projects in advanced stages of development totalling 87 MW in France, all covered by long-term fixed price energy sales contracts while developing other potential projects of about 350 MW. Combined with other growth opportunities via acquisitions that could very well arise in the meantime, as they have done in the past, this growth agenda makes Boralex management confident that the Corporation's installed capacity will total 2,000 MW or more by the end of fiscal 2020, representing average annual growth of 10%.

To support execution of its various projects and to compensate its shareholders, Boralex can rely on its solid financial position, whose makeup and flexibility were considerably strengthened in 2016 by the:

- Issuance of subscription receipts in the amount of $173 million in December 2016;
- Refinancing and increasing of the revolving credit facility to $460 million;
- $40 million return of capital to Boralex upon refinancing of Joint Venture Phase I;
- Significant cash flows generated by operations; and
- Protection against interest rate fluctuation resulting from the matching of maturities of fixed interest rate debt related to various assets with the maturities of energy sales contracts covering these assets.

As at December 31, 2016, Boralex had short-term cash resources of $293 million ($302 million under proportionate consolidation) including amounts earmarked for various projects and for partial payment of the cost of the **NRWF** acquisition completed in January 2017.

Given its expertise acquired over many years in the development, financing, construction on budget and on time, commissioning and profitable operation of increasingly large-scale energy assets, Boralex is confident its full slate of projects under development and construction will be delivered successfully.

## 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. As in previous years, Boralex will continue to create such value through the right mix of strategic, operating and financial conditions to increase profits and cash flows, ensure its long-term future and development, continue expansion, support its dividend policy and promote growth in its share price.

The Corporation will continue to prioritize the integration of operating assets 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 remaining on the lookout for new technologies.

Boralex believes that along with its solid presence in the markets conducive to further expansion, it commands strong competitive advantages to continue seizing market opportunities in terms of asset quality and available development projects, in line with its strategy. The Corporation's main strengths lie in its robust finances, its growing ability to generate cash flows from operations, its targeted development approach, its solid multidisciplinary team and its entrepreneurial culture. It is thus able to act on arising business opportunities with speed and precision and complete increasingly large-scale projects while meeting budgets, deadlines and financial performance targets.

To meet its growth goals and maintain its operating and development capacity, Boralex will remain a solid and innovative organization, driven by clear objectives with rigorous attention to meeting target returns and guided by a long-term vision setting out its sources of production, its target markets and its approach to project development. It will continue to strengthen its business model based on:

- Maintaining comprehensive in-house expertise in developing and operating renewable energy production assets, supported by leading-edge management tools;
- A disciplined and targeted development approach based on meeting financial performance targets in step with the risks inherent in each project; and
- Maintaining sound capital management and sufficient financial flexibility to seize potential growth opportunities, compensate its shareholders and ensure uninterrupted access to capital markets.

# Seasonal Factors

| (in millions of dollars, except GWh, per share amounts and number of shares outstanding) | 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 | 2 | 2 | 1 | 4 |
| | 89 | 47 | 35 | 57 | 226 |
| Corporate and eliminations | (9) | (9) | (10) | (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 (BASIC) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX** | $0.32 | ($0.11) | ($0.16) | ($0.07) | ($0.03) |
| **NET EARNINGS (LOSS) PER SHARE (DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX** | $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** | 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 |

# Seasonal Factors

| (in millions of dollars, except GWh, per share amounts and number of shares outstanding) | Three-month periods ended | | | | Year ended |
|---|---|---|---|---|---|
| | March 31, 2015 | June 30, 2015 | September 30, 2015 | December 31, 2015 | December 31, 2015 |
| **POWER PRODUCTION (GWh)** | | | | | |
| Wind power stations | 386 | 301 | 258 | 450 | 1,396 |
| Hydroelectric power stations | 114 | 206 | 149 | 158 | 626 |
| Thermal power stations | 59 | 16 | 49 | 31 | 155 |
| Solar power stations | 1 | 2 | 2 | 4 | 9 |
| | 560 | 525 | 458 | 643 | 2,186 |
| **REVENUES FROM ENERGY SALES** | | | | | |
| Wind power stations | 49 | 37 | 33 | 59 | 178 |
| Hydroelectric power stations | 13 | 17 | 14 | 15 | 58 |
| Thermal power stations | 11 | 3 | 6 | 6 | 27 |
| Solar power stations | — | 1 | 1 | 1 | 3 |
| | 73 | 58 | 54 | 81 | 266 |
| **EBITDA(A)** | | | | | |
| Wind power stations | 45 | 31 | 23 | 51 | 149 |
| Hydroelectric power stations | 9 | 13 | 9 | 10 | 41 |
| Thermal power stations | 5 | (1) | 1 | 1 | 6 |
| Solar power stations | — | 1 | 1 | 1 | 3 |
| | 59 | 44 | 34 | 63 | 199 |
| Corporate and eliminations | (7) | (8) | (6) | (10) | (30) |
| | 52 | 36 | 28 | 53 | 169 |
| **NET EARNINGS (LOSS)** | 7 | (6) | (15) | 6 | (8) |
| **NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX** | 5 | (6) | (15) | 6 | (11) |
| **NET EARNINGS (LOSS) PER SHARE (BASIC AND DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX** | $0.11 | ($0.13) | ($0.32) | $0.09 | ($0.21) |
| **NET CASH FLOWS RELATED TO OPERATING ACTIVITIES** | 49 | 13 | 22 | 30 | 114 |
| **CASH FLOWS FROM OPERATIONS** | 40 | 19 | 32 | 37 | 128 |
| Weighted average number of shares outstanding (basic) | 47,759,276 | 47,951,885 | 48,770,481 | 64,829,112 | 52,364,710 |

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. Only five hydroelectric power stations in the United States, and a wind farm in Alberta, which account for less than 2% of the Corporation's total installed capacity in operation, sell their production in the market where prices are more volatile.

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 totals 1,146 MW, wind conditions are usually more favourable in the winter, which falls during Boralex's first and fourth quarters, both in France and Canada. However, in winter there is a greater risk of lower production caused by weather conditions, such as icing. In general, management estimates that approximately 60% of annual production in its wind power segment is generated in the first and fourth quarters and 40% in the second and third quarters.

The wind power segment now accounts for 84% of Boralex's aggregate installed capacity and represents by far the Corporation's key driver of revenues, EBITDA(A) and cash flows. This segment will account for an even larger share of the Corporation's energy portfolio in coming years, with the development, construction and commissioning of the wind farms comprising the significant pipeline of projects Boralex has created and acquired in recent years, whose potential amounts to about 1,000 MW worldwide. Within this portfolio, 186 MW of projects are under construction or ready to build, and will be commissioned by the end of 2019. Boralex therefore expects the development of this pipeline, combined with other expansion opportunities arising in the coming years, will intensify the impact of the seasonal factors of this type of power generation on Boralex's overall performance, such that an increasing proportion of the Corporation's revenues will be generated in the first and fourth quarters.

## Hydroelectric

For Boralex's hydroelectric assets in operation which will total 172 MW in the next year, power output depends on water flow, which in Canada and the Northeastern United States is typically at a maximum in spring and high in the fall, in Boralex's second and fourth quarters. Historically, water flow tends to decrease in winter and summer. However, these long-term trends may vary from year to year due to short-term weather conditions. In general, management estimates that approximately 60% of annual production in its hydroelectric power segment is generated in the second and fourth quarters and 40% in the first and third quarters. Note that apart from four hydroelectric power stations whose water flow is regulated upstream yet not under the Corporation's control, Boralex's other hydroelectric facilities do not have reservoirs that would permit water flow regulation during the year.

The five U.S. power stations, which have a total installed capacity of 22 MW, representing less than 2% of the Corporation's overall capacity, sell their power on the open market in the State of New York. These facilities are more vulnerable to seasonal fluctuations which, in addition to influencing power production volumes, also have an impact on selling prices obtained, which are partly affected by the seasonal nature of demand, traditionally higher during the winter and summer seasons. Historically, power stations obtain generally higher average prices during these periods. Moreover, the price of natural gas, which is volatile, has an influence on New York State electricity selling prices.

## Thermal

Boralex owns and operates two thermal power stations for an aggregate 47 MW of installed capacity. Of the two, the Senneterre power station in Québec, Canada is fuelled by wood-residue and is covered by a Hydro-Québec energy sales contract expiring in 2027. The Corporation has entered into an agreement with Hydro-Québec until contract expiry in 2027, under which the Senneterre power station is limited to producing power 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 which will allow it to anticipate profitability akin to recent-year performance.

Boralex also operates a natural gas-fired power station located in Blendecques, France. For the past several years, due to specific market conditions, the Corporation operates this cogeneration plant 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 continues to be produced for the power station's industrial client using an auxiliary boiler.

## Solar

The solar power facilities totalling 16 MW in operation by the Corporation are all covered by long-term energy sales contracts. They benefit from sunlight conditions that are usually more favourable in the spring and summer, which fall during Boralex's second and third quarters. In view of these weather conditions, management estimates that approximately 65% of the annual production at its solar power stations will be generated in the second and third quarters.

Generally, while Boralex's production in a given fiscal year is exposed to seasonal cycles and other cyclical factors, substantially all of its revenues are derived from indexed fixed-price contracts, thereby mitigating the volatility of revenues from energy sales. The Corporation also capitalizes on diversification in its power generation sources and favourable geographic positioning. Furthermore, Boralex exercises sound capital management to ensure financial health and flexibility to effectively manage the seasonality of its business. These factors will contribute to strong, stable results for Boralex in the coming years.

# Selected Annual Information

## Operating Results Data

| (in millions of dollars, except GWh, per share amounts and number of shares outstanding) | Years ended December 31, 2016 | 2015 | 2014 |
|---|---|---|---|
| **POWER PRODUCTION (GWh)** | 2,441 | 2,186 | 1,604 |
| **REVENUES FROM ENERGY SALES** | 299 | 266 | 193 |
| **EBITDA(A)** | 189 | 169 | 111 |
| **NET EARNINGS (LOSS)** | 2 | (8) | (11) |
| **NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX** | | | |
| Continuing operations | (2) | (11) | (15) |
| Discontinued operations | — | — | 3 |
| | (2) | (11) | (12) |
| **NET EARNINGS (LOSS) PER SHARE (BASIC AND DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX** | | | |
| Continuing operations | ($0.03) | ($0.21) | ($0.38) |
| Discontinued operations | — | — | $0.07 |
| | ($0.03) | ($0.21) | ($0.31) |
| **NET CASH FLOWS RELATED TO OPERATING ACTIVITIES** | 148 | 114 | 52 |
| **CASH FLOWS FROM OPERATIONS** | 128 | 128 | 54 |
| Weighted average number of shares outstanding (basic) | 65,199,024 | 52,364,710 | 38,283,988 |

## Statement of Financial Position Data

| (in millions of dollars, except per share amounts) | As at December 31, 2016 | As at December 31, 2015 | As at December 31, 2014 |
|---|---|---|---|
| Total cash, including restricted cash | 293 | 103 | 88 |
| Property, plant and equipment | 1,668 | 1,556 | 1,211 |
| Total assets | 2,702 | 2,449 | 1,950 |
| Subscription receipts | 173 | — | — |
| Debt, including non-current debt and current portion of debt | 1,540 | 1,421 | 1,161 |
| Liability component of convertible debentures | 135 | 133 | 233 |
| Total liabilities | 2,188 | 1,890 | 1,613 |
| Total equity | 514 | 559 | 336 |
| Dividends paid on common shares | 36 | 27 | 20 |
| Dividends paid per common share | $0.55 | $0.52 | $0.52 |
| Net debt to market capitalization ratio | 50% | 55% | 53% |

# Financial Highlights

| (in millions of dollars, except GWh, per share amounts and number of shares outstanding) | Three-month periods ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **POWER PRODUCTION (GWh)** | | | | |
| Wind power stations | 418 | 450 | 1,624 | 1,396 |
| Hydroelectric power stations | 140 | 158 | 632 | 626 |
| Thermal power stations | 34 | 31 | 163 | 155 |
| Solar power stations | 4 | 4 | 22 | 9 |
| | 596 | 643 | 2,441 | 2,186 |
| **REVENUES FROM ENERGY SALES** | | | | |
| Wind power stations | 54 | 59 | 212 | 178 |
| Hydroelectric power stations | 12 | 15 | 57 | 58 |
| Thermal power stations | 7 | 6 | 25 | 27 |
| Solar power stations | 1 | 1 | 5 | 3 |
| | 74 | 81 | 299 | 266 |
| **EBITDA(A)** | | | | |
| Wind power stations | 46 | 51 | 176 | 149 |
| Hydroelectric power stations | 9 | 10 | 40 | 41 |
| Thermal power stations | 1 | 1 | 6 | 6 |
| Solar power stations | 1 | 1 | 4 | 3 |
| | 57 | 63 | 226 | 199 |
| Corporate and eliminations | (10) | (10) | (37) | (30) |
| | 47 | 53 | 189 | 169 |
| **NET EARNINGS (LOSS)** | (4) | 6 | 2 | (8) |
| **NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX** | (5) | 6 | (2) | (11) |
| **NET EARNINGS (LOSS) PER SHARE (BASIC AND DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX** | ($0.07) | $0.09 | ($0.03) | ($0.21) |
| **NET CASH FLOWS RELATED TO OPERATING ACTIVITIES** | 29 | 30 | 148 | 114 |
| **CASH FLOWS FROM OPERATIONS** | 28 | 37 | 128 | 128 |
| **DIVIDENDS PAID ON COMMON SHARES** | 9 | 8 | 36 | 27 |
| **DIVIDENDS PAID PER COMMON SHARE** | $0.14 | $0.13 | $0.55 | $0.52 |
| Weighted average number of shares outstanding (basic) | 65,297,899 | 64,829,112 | 65,199,024 | 52,364,710 |

# Analysis of Operating Results for the Three-Month Period Ended December 31, 2016

## Consolidated

In contrast to the usual trend whereby the fourth quarter is generally one of the most productive of the year, wind conditions were exceptionally unfavourable across all Boralex wind farms in France during the three-month period ended December 31, 2016 while water flow was also unfavourable for the hydroelectric power stations in the United States. These factors were however partly offset by the contribution of new wind farms commissioned during the past year and by generally sound performance of Boralex's energy assets located in Canada. The Corporation's net earnings (loss) was also affected by items not related to current operations totalling $13 million, although the major portion of these items did not impact Boralex's cash position.

The following table shows major changes in net earnings (loss) attributable to shareholders of Boralex:

| | Net earnings (loss) (in millions of $) | Per share (in $, basic) |
|---|---|---|
| **THREE-MONTH PERIOD ENDED DECEMBER 31, 2015** | 6 | $0.09 |
| EBITDA(A) | (6) | ($0.11) |
| Reversal of the excess of distributions received over the share in net earnings of the Joint Ventures | (9) | ($0.14) |
| Amortization | (3) | ($0.05) |
| Financing costs | (5) | ($0.07) |
| Other losses | (2) | ($0.03) |
| Change in foreign exchange losses and gains | 1 | $0.02 |
| Income taxes | 14 | $0.22 |
| Non-controlling shareholders | (1) | — |
| Change | (11) | ($0.16) |
| **THREE-MONTH PERIOD ENDED DECEMBER 31, 2016** | (5) | ($0.07) |

For the three-month period ended December 31, 2016, Boralex recorded a net loss attributable to shareholders of $5 million or $0.07 per share (basic), compared with net earnings attributable to shareholders of $6 million or $0.09 per share (basic) for the same quarter of 2015, which represents an unfavourable change of $11 million or $0.16 per share. This change results partly from the $6 million decrease in EBITDA(A), which is discussed later in this section. Operating results, which declined, could not fully absorb the higher amortization expense and financing costs resulting from the significant expansion of Boralex's asset base by 198 MW in 2015 and 2016. Items not related to current operations also affected the net result.

First, during the fourth quarter, Boralex reversed the $9 million adjustment recorded during the third quarter as *Excess of distributions received over the share in net earnings of the Joint Ventures*. 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 of net earnings*. Subsequently, if the carrying amount of the interest becomes positive again, Boralex must reverse such adjustment up to the cumulative amount previously recorded as an excess amount, which is what occurred during the second half of fiscal 2016. An adjustment was recorded in the third quarter following a significant distribution made by the Joint Ventures as a result of which the carrying amount of Boralex's interest therein became negative. In the fourth quarter, the change in fair value of the Joint Venture's financial instruments caused the carrying amount of Boralex's interest to become positive, giving rise to the reversal of the initial adjustment. Note that, with regard to annual results, these two accounting entries offset each other and had no impact on the Corporation's cash flows.

Second, the financing costs of the fourth quarter include an amount of $4 million for interest on state aid recorded in France. In 2016, the French Council of State annulled the 2008 decree setting out the conditions for purchasing electricity produced by facilities using mechanical energy generated by wind. The Council of State also directed France's government to recover from all the beneficiaries the interest they would have paid had the amount of the aid granted under the 2008 decree been borrowed on the market. This interest is recovered based on the portion of amounts that qualify as aid, from the date the aid was received up to March 27, 2014. This interest was invoiced to Boralex and paid by it during the fourth quarter.

Note also that this is a non-recurring expense for Boralex and that all renewable energy producers in France had to deal with the same situation. Excluding this specific item, financing costs for the fourth quarter increased by $1 million from the same period in 2015 owing to the expansion of Boralex's asset base.

Last, Boralex recorded an income tax recovery of $10 million for the three-month period ended December 31, 2016, which stems primarily from the reduction in the tax rate in France from 33% to 28% for 2019 and subsequent years.

The following table shows major differences in revenues from energy sales and EBITDA(A):

| | Revenues from energy sales | EBITDA(A) |
|---|---|---|
| | (in millions of $) | (in millions of $) |
| **THREE-MONTH PERIOD ENDED DECEMBER 31, 2015** | 81 | 53 |
| Power stations commissioned[1] | 6 | 5 |
| Volume | (12) | (12) |
| Foreign exchange effect | (1) | (1) |
| Share of the Joint Ventures[2] | — | 1 |
| Other | — | 1 |
| Change | (7) | (6) |
| **THREE-MONTH PERIOD ENDED DECEMBER 31, 2016** | 74 | 47 |

(1) Commissioning of 40 MW in 2016: In France, 14 MW Touvent (August 1, 2016) and 12 MW Plateau de Savernat I (December 23, 2016) wind farms; in Canada, 10 MW Port Ryerse wind farm (December 8, 2016) in Ontario and 4 MW Oldman wind farm (December 15, 2016) in Alberta. Commissioning of 115 MW in the last quarter of 2015: In France, Calmont wind farm (December 2015); in Canada, Vaughan solar power facility (October 2015) in Ontario; Côte-de-Beaupré (November 2015), Témiscouata II (November 2015) and Frampton (December 2015) wind farms in Québec.

(2) Excluding the $9 million expense recorded as the reversal of the excess of distributions received over the share in net earnings of the Joint Ventures.

## Revenues from Energy Sales

For the three-month period ended December 31, 2016, revenues from energy sales totalled $74 million, down $7 million or 8% from the same quarter in 2015. As shown in the table above, this decline resulted from a $12 million unfavourable volume effect coupled with a $1 million unfavourable foreign exchange effect, owing to the strengthening of the Canadian dollar against the euro. However, the lower production volume at existing sites was partly offset by the $6 million in additional contributions from new sites commissioned starting in the fourth quarter of 2015 which are listed in the notes to the table above. Note that since the 230 MW NRWF started contributing to Boralex's results only in January 2017, it does not appear in the notes to the table above or in the 2016 results.

Broken down by segment, the changes in quarterly revenues are as follows:

- The wind power segment generated 72% of consolidated revenues or $54 million, compared with $59 million in the last quarter of 2015. In France, revenues at existing wind power sites declined $11 million owing to unfavourable wind conditions across virtually all of the country compared with excellent wind conditions during the same period of 2015. The impact of difficult weather conditions in France was partly offset by a near $2 million increase in revenues generated by existing power stations in Canada, particularly those in Québec. In addition, the commissioning of new sites in 2016 and during the fourth quarter of 2015 generated additional revenues of $6 million, of which 76% were from assets in Québec, particularly the Frampton and Témiscouata II wind farms.
- Revenues of the hydroelectric power segment declined $3 million to $12 million, representing 17% of quarterly consolidated revenues. The Canadian power stations reported higher production, up 7% compared with the previous year but output at power stations in the United States declined 25%, falling 33% below the historical average, due to weak water flow during the fourth quarter of 2016.
- The thermal power segment generated revenues of $7 million for the fourth quarter of 2016, comparable with revenues of $6 million in the last quarter of 2015.
- The solar power segment maintained its revenues compared with last year at $1 million.

In total, Boralex generated 596 GWh of electricity in the fourth quarter of 2016 (excluding its share of the production of the Joint Ventures), down 7% from the same period of 2015. Excluding the contribution of sites commissioned starting in the fourth quarter of 2015 and listed in the notes to the table above, production at existing sites declined 18%.

## EBITDA(A) and EBITDA(A) Margin

Quarterly consolidated EBITDA(A) amounted to $47 million, down $6 million or 12% from the same quarter of 2015, owing to the negative volume effect described previously, and to a lesser extent, the unfavourable foreign exchange effect. These items were however offset by the $5 million contribution to consolidated EBITDA(A) from new sites and a $1 million increase in Boralex's share in the results of the Joint Ventures (excluding the charge related to the reversal of the excess of distributions received over the share of net earnings of the Joint Ventures). Boralex also benefited from various other favourable items totalling $1 million, primarily higher average selling prices and a decrease in certain expenses.

Broken down by segment, the changes in quarterly EBITDA(A) are as follows:

- Excluding the Joint Ventures, the wind power segment generated EBITDA(A) of $46 million or 81% of consolidated EBITDA(A) (before corporate and eliminations) for the quarter, but was down $5 million compared with the previous year EBITDA(A) due to the same factors that affected segment revenues.
- The hydroelectric power segment recorded EBITDA(A) of $9 million, down from $10 million for the previous year, owing to lower production at U.S. power stations.
- The thermal power segment recorded EBITDA(A) of $1 million, comparable with last year.
- The solar power segment generated EBITDA(A) of $1 million.

For the three-month period ended December 31, 2016, EBITDA(A) margin as a percentage of revenues decreased to 63% from 66% for the same period of 2015, primarily as a result of lower production at wind farms in France and U.S. hydroelectric power stations.

## Amortization

Amortization expense for the fourth quarter of 2016 increased $3 million to $29 million, owing primarily to the commissioning of sites during the fourth quarter of 2015 and in 2016 as listed in the notes to the table above.

## Financing Costs

Financing costs for the fourth quarter of 2016 climbed $5 million to $22 million, due primarily to the inclusion under this item of $4 million in interest on state aid incurred in France, as discussed at the beginning of this section. Excluding this non-recurring item, financing costs for the quarter totalled $18 million, up $1 million from the same period of 2015, mainly as a result of debt contracted in connection with the sites commissioned over the past 12 months. However, the increase in financing costs was curtailed by a decline in the debt related to existing power stations and lower interest on the debt contracted from Cube following repayment of a part thereof in December 2015.

## Net Earnings (Loss)

Boralex ended the fourth quarter of 2016 with a net loss of $4 million compared with net earnings of $6 million for the same period of 2015. The net loss attributable to shareholders of Boralex amounted to $5 million or $0.07 per share (basic), compared with net earnings attributable to shareholders of $6 million or $0.09 per share in 2015.

# Analysis of Operating Results for the Year Ended December 31, 2016

## Consolidated

Despite relatively unfavourable weather conditions during most of 2016 for the wind power segment in France and the hydroelectric power stations in the United States, Boralex reported growth in operating results and net earnings for fiscal 2016, due to exceptional performance in the first quarter. For fiscal 2016 as a whole, Boralex recorded revenues and EBITDA(A) growth of 13% and 12%, respectively, driven primarily by the Corporation's expansion strategy in the wind power segment and a sustained generally sound performance of existing assets located in Canada. Boralex's net earnings (loss) attributable to shareholders improved by $9 million.

The following table shows major changes in net earnings (loss) attributable to shareholders of Boralex:

| | Net loss (in millions of $) | Per share (in $, basic) |
|---|---|---|
| **YEAR ENDED DECEMBER 31, 2015** | (11) | ($0.21) |
| EBITDA(A) | 20 | $0.41 |
| Amortization | (19) | ($0.39) |
| Other losses | (1) | ($0.03) |
| Financing costs | (3) | ($0.06) |
| Change in foreign exchange gains and losses | (1) | ($0.02) |
| Financial instruments | 3 | $0.07 |
| Income taxes | 8 | $0.16 |
| Loss on redemption of convertible debentures | 3 | $0.06 |
| Non-controlling shareholders | (1) | ($0.02) |
| Change | 9 | $0.18 |
| **YEAR ENDED DECEMBER 31, 2016** | (2) | ($0.03) |

For the fiscal year ended December 31, 2016, Boralex generated a net loss attributable to shareholders of $2 million or $0.03 per share (basic), compared with a net loss attributable to shareholders of $11 million or $0.21 per share (basic) in 2015. This improvement of $9 million or $0.18 per share stemmed largely from the $20 million growth in EBITDA(A) driven mainly by the expansion in the Corporation's operating asset base in 2015 and 2016, although this increase was insufficient to absorb the $22 million combined increase of amortization and financing costs.

Nonetheless, and despite the $1 million unfavourable change in foreign exchange gains and losses, the change in Boralex's net profitability was driven by a $3 million favourable change in net losses on financial instruments and the $3 million loss on redemption of the 2010 convertible debentures incurred in 2015.

Note also that for the first nine months of 2016, Boralex benefited from substantial savings in its financing costs, owing primarily to the conversion and redemption of the 2010 convertible debentures during the third quarter of fiscal 2015. The savings of nearly $11 million more than offset the interest on state aid of $4 million recorded under financing costs for the fourth quarter.

Last, for the year ended December 31, 2016, Boralex reported an income tax recovery of $9 million, resulting mainly from the reduction in the corporate tax rate in France from 33% to 28% for 2019 and subsequent years.

The following table shows major differences in revenues from energy sales and EBITDA(A):

| | Revenues from energy sales | EBITDA(A) |
|---|---|---|
| | (in millions of $) | (in millions of $) |
| **YEAR ENDED DECEMBER 31, 2015** | 266 | 169 |
| Power stations commissioned[(1)] | 42 | 36 |
| Pricing | (4) | (4) |
| Volume | (11) | (12) |
| Foreign exchange effect | 6 | 4 |
| Raw material costs | — | 2 |
| Development - prospection | — | (3) |
| Share of the Joint Ventures | — | (3) |
| Change | 33 | 20 |
| **YEAR ENDED DECEMBER 31, 2016** | 299 | 189 |

(1) Commissioning of 158 MW in 2015 and 40 MW in 2016: In France, St-François (March and April 2015), Comes de l'Arce (April 2015), Calmont (December 2015), Touvent (August 2016), Plateau de Savernat I (December 2016) wind farms, and Les Cigalettes solar power facility (October 2015); in Canada, Côte-de-Beaupré (November 2015), Témiscouata II (November 2015) and Frampton (December 2015) wind farms in Québec; Vaughan solar power facility (October 2015) and Port Ryerse wind farm (December 2016) in Ontario; and Oldman wind farm (December 2016) in Alberta.

## Revenues from Energy Sales

During the year ended December 31, 2016, revenues from energy sales totalled $299 million, up $33 million or 13%. As shown in the previous table, this growth resulted from the $42 million in additional revenues generated by the 12 new wind and solar power stations totalling 198 MW during fiscal 2015 and 2016 as listed in the note to the table above. The three wind farms commissioned in Québec during the fourth quarter of 2015 made a particularly significant contribution to fiscal 2016 revenues (the performance of each segment is discussed in detail in the next section of this MD&A). Secondly, the growth in revenues included a favourable foreign exchange effect of $6 million resulting mainly from fluctuations in exchange rates between the euro and the Canadian dollar.

These favourable factors offset the $11 million unfavourable volume effect mainly attributable to wind farms in France and the $4 million unfavourable price effect associated primarily with the cogeneration plant in France.

Note that in accordance with IFRS, revenues from energy sales do not include Boralex's $55 million ($58 million in 2015) share in the revenues generated by the Joint Ventures, the performance of which is discussed in the *Proportionate Consolidation* section of this MD&A.

In total, Boralex generated 2,441 GWh of electricity during fiscal 2016 (excluding its share of the production of the Joint Ventures), up 12% from 2,186 GWh in 2015. This increase resulted from the full contribution of 12 sites totalling 198 MW commissioned and acquired in 2015 and 2016. Excluding these new assets, the existing sites recorded an overall decrease of 4% in their annual production.

## EBITDA(A) and EBITDA(A) Margin

Consolidated EBITDA(A) totalled $189 million in 2016, up $20 million or 12% from the same period in 2015 while EBITDA(A) margin as a percentage of revenues changed very little, decreasing to 63% in 2016 from 64% in 2015. EBITDA(A) growth was largely driven by additional EBITDA(A) of $36 million generated by the 12 new sites added in 2015 and 2016, particularly those totalling 125 MW commissioned in the fourth quarter of 2015. Combined with the $4 million favourable foreign exchange effect and the $2 million decrease in raw material costs, primarily natural gas costs, the significant contribution from the new sites more than offset the unfavourable volume effect of $12 million on EBITDA(A), resulting largely from the wind farms in France.

The Corporation's profitability was hurt by the following:

- A $4 million unfavourable price effect attributable to the cogeneration plant in France and the U.S. hydroelectric power stations;
- A $3 million increase in development and prospection costs, owing mainly to the stepping up of Boralex's development efforts in France and Canada; and
- A $3 million decrease in Boralex's share in the net earnings of the Joint Ventures owing mainly to near normal wind conditions in that region of Québec during the first half of fiscal 2016 compared with better-than-average conditions in 2015.

## Amortization

Amortization expense for the year ended December 31, 2016 increased $19 million to $116 million, resulting essentially from the sites commissioned in 2015 and 2016.

## Financing Costs, Foreign Exchange Gains, Net Losses on Financial Instruments and Other

Financing costs climbed $3 million to $76 million. This relatively limited increase despite the significant investments made in 2015 and 2016 was attributable to the $11 million in savings generated by the conversion and redemption in 2015 of all of the 2010 debentures. Financing costs were also partly offset by the lower debt related to existing assets and the transaction with Cube. The combination of these favourable factors largely offset the increase in financing costs resulting from the expansion in the Corporation's operating asset base, the interest on state aid recorded during the fourth quarter and the unfavourable foreign exchange effect.

Boralex recognized a net foreign exchange gain in the total amount of $1 million related to forward foreign exchange contracts compared with a $2 million gain for previous year. The Corporation also recognized a net loss on financial instruments of $4 million compared with $7 million in 2015. Note that the 2015 amount largely comprised losses on undesignated financial instruments resulting from fair value remeasurement adjustments. At present, all the financial instruments used by Boralex are designated for specific development projects. As it is generally the case, *Net loss on financial instruments* for 2016 includes amounts related to the remeasurement of fair value and the ineffective portion of financial instruments. Although all of the financial instruments used by Boralex are highly effective, they always include a small ineffective portion.

Last, note that Boralex had recorded a $3 million loss on the redemption of the 2010 convertible debentures in the third quarter of 2015.

## Net Earnings (Loss)

Boralex ended fiscal 2016 with net earnings of $2 million compared with a net loss of $8 million in 2015. The net loss attributable to shareholders of Boralex amounted to $2 million or $0.03 per share (basic), which compares favourably with a loss of $11 million or $0.21 per share in 2015.

# Review of Operating Segments

## Wind

By far Boralex's primary business and main growth driver, the wind power segment's share of production volume, revenues and consolidated EBITDA(A) (excluding corporate and eliminations) amounted to 67%, 71% and 78%, respectively, for fiscal 2016, even without factoring in the significant contribution of the Joint Ventures. The growth in Boralex's operating results in 2016 was almost entirely driven by the wind power segment. This performance speaks to the soundness of the expansion strategy carried out with consistency and discipline over several years by Boralex, the capacity of its team to effectively integrate and optimize the newly acquired or commissioned assets and last, the benefits of the wind power segment's geographic diversification in France and in Canada, since the sound performance of Canadian sites offset the impact of unfavourable wind conditions in France during most of 2016.

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

| | Revenues from energy sales | EBITDA(A) |
|---|---|---|
| | (in millions of $) | (in millions of $) |
| **YEAR ENDED DECEMBER 31, 2015** | 178 | 149 |
| Power stations commissioned[(1)] | 41 | 34 |
| Pricing | 1 | 1 |
| Volume | (11) | (11) |
| Foreign exchange effect | 4 | 3 |
| Share of the Joint Ventures | — | (3) |
| Other | (1) | 3 |
| Change | 34 | 27 |
| **YEAR ENDED DECEMBER 31, 2016** | 212 | 176 |

(1) Commissioning of 147 MW in 2015 and 40 MW in 2016: In France, St-François (March and April 2015), Comes de l'Arce (April 2015), Calmont (December 2015), Touvent (August 2016) and Plateau de Savernat I (December 2016); in Canada, Côte-de-Beaupré (November 2015), Témiscouata II (November 2015) and Frampton (December 2015) in Québec; Port Ryerse (December 2016) in Ontario and Oldman (December 2016) in Alberta.

### Operating Results for Fiscal 2016

#### Production

For the year ended December 31, 2016, the wind power segment produced 1,624 GWh, up 16% from 1,396 GWh in 2015 (excluding the 512 GWh and 547 GWh contributions in 2016 and 2015, respectively, from the Joint Ventures as discussed in the *Proportionate Consolidation* section of this MD&A). This increase resulted from the contributions of ten sites totalling 187 MW commissioned and acquired in Canada and in France in 2015 and 2016. However, production volume at existing sites declined 7% owing to unfavourable wind conditions in France during the last nine months of 2016, compared with much more favourable wind conditions throughout 2015. In Canada, wind conditions in Ontario and Québec were in line with the average level, but slightly lower than in 2015, particularly in Ontario. Also, nearly all of the Corporation's wind farms in Europe as well as in Canada recorded excellent equipment availability rates.

Broken down geographically, the changes in production are as follows:

- Following an excellent first quarter, the sites in France experienced significantly weaker wind conditions than in 2015, even below average, particularly in the fourth quarter which is generally favourable for wind power production. Production therefore declined 3% despite the full contribution of St-François, Comes de l'Arce and Calmont wind farms commissioned in 2015, and the partial contribution of the Touvent and Plateau de Savernat I sites commissioned in August and December 2016. The 9% decline in production of existing wind farms was offset by the contribution of new sites.
- In Canada, wind power segment production (excluding the Joint Ventures) rose 77%, due mainly to the commissioning of the Côte-de-Beaupré, Témiscouata II and Frampton sites in the fourth quarter of 2015, while the contribution of the Port Ryerse and Oldman facilities were only limited to a few days in 2016. Production at existing wind farms Thames River and Témiscouata I was stable compared with 2015.

### Revenues from Energy Sales

Wind power segment revenues totalled $212 million in 2016, up $34 million or 19% from 2015 (excluding the $55 million and $58 million contributions in 2016 and 2015, respectively, from the Joint Ventures as discussed in the *Proportionate Consolidation* section of this MD&A). As shown in the previous table, this growth was driven by the additional contributions totalling $41 million from the ten new wind farms, combined with favourable foreign exchange and price effects totalling $5 million. Together, these factors largely offset the $11 million unfavourable volume effect attributable to existing sites in France.

Broken down geographically, 63% of annual wind power segment revenues were generated in France and 37% in Canada (excluding the Joint Ventures). Excluding the foreign exchange effect, revenues in euros from our French wind farms were down 4%, whereas revenues at our Canadian facilities increased 77%.

### EBITDA(A)

For the year ended December 31, 2016, wind power segment EBITDA(A) grew $27 million or 17% to $176 million (excluding the $39 million and $40 million contributions in 2016 and 2015, respectively, from the Joint Ventures as discussed in the *Proportionate Consolidation* section of this MD&A). This growth was driven primarily by Boralex's expansion strategy since the sites added in 2015 and 2016 generated additional EBITDA(A) of $34 million. This contribution largely offset the $11 million unfavourable volume effect caused by lower production at existing French sites and the $3 million decrease of the share in earnings of the Joint Ventures resulting from the less favourable wind conditions in that region of Québec during the first half of 2016 compared with the same period of 2015. Note that even with this decrease, production levels at the Joint Ventures remain in line with expectations.

The higher EBITDA(A) also stemmed from the $3 million favourable foreign exchange effect attributable to the fluctuations of the euro against the Canadian dollar, a $1 million favourable price effect and a $2 million favourable change in various other items, including the re-allocation of certain expenses to the corporate segment upon the integration of entities acquired from BEV at the end of 2014 and the non-recurrence of certain costs incurred in 2015.

Broken down geographically, EBITDA(A) at our French operations fell 4% in euros, while at Canadian operations, it grew 55% (excluding the Joint Ventures).

EBITDA(A) margin stood at 83% in 2016 compared with 84% in 2015.

## Hydroelectric

Boralex's second-largest segment, the hydroelectric power segment, has always been a significant and reliable source of profits and cash flows for Boralex, due to the Corporation's long-established expertise in the production of this renewable energy and the quality of its assets. During fiscal 2016, despite less favourable weather conditions in the United States and a lower average selling price than in 2015, the segment contributed $40 million to Boralex's consolidated EBITDA(A).

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

| | Revenues from energy sales | EBITDA(A) |
|---|---|---|
| | (in millions of $) | (in millions of $) |
| **YEAR ENDED DECEMBER 31, 2015** | 58 | 41 |
| Pricing | (2) | (2) |
| Volume | (1) | (1) |
| Foreign exchange effect | 1 | 1 |
| Development - prospection | — | 1 |
| Other | 1 | — |
| Change | (1) | (1) |
| **YEAR ENDED DECEMBER 31, 2016** | 57 | 40 |

The following table shows recent and historical statistical data concerning hydroelectric power segment production:

| | Years ended December 31 | | | | |
|---|---|---|---|---|---|
| | Actual | | | Change | |
| **HYDROELECTRIC PRODUCTION (MWh)** | **2016** | **2015** | Historical average[1] | vs. 2015 | vs. historical average |
| Canada | 313 | 295 | 285 | **+ 6%** | **+ 10%** |
| United States | 319 | 331 | 391 | **- 4%** | **- 18%** |
| | 632 | 626 | 676 | **+ 1%** | **- 6%** |

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

## Operating Results for Fiscal 2016

### Production

During the year ended December 31, 2016, hydroelectric power segment production held relatively steady overall, rising 1% to 632 GWh from 626 GWh, yet 6% shy of the historical average.

Despite reporting excellent productivity for the first quarter, the U.S. power stations were disadvantaged by poor water flow conditions in the last nine months of the year, which is why, for the full year, production volume was down 4% compared with 2015, a result 18% below the historical average. Weather conditions at the Canadian power stations were more favourable than in 2015, demonstrating strong performance in 2016, with production increases of 6% from last year and 10% compared with the historical average.

### Revenues from Energy Sales

For the year ended December 31, 2016, hydroelectric power segment revenues eased slightly, down $1 million or 2% to $57 million compared with 2015. The decline originated mostly from the U.S. power stations with a revenue shortfall of $1 million, while revenues at Canadian facilities were only marginally lower.

More specifically, the decline in hydroelectric power segment revenues resulted from the $1 million unfavourable volume effect caused by the aforementioned drop in production at U.S. power stations as well as the $2 million unfavourable price effect due to lower average selling prices at the five U.S. facilities which, lacking energy sales contracts, sell power in the New York State market.

These two factors were largely offset by some favourable factors totalling $2 million, including the $1 million favourable exchange effect as a result of U.S. dollar movements relative to Canada's currency and other less significant factors.

### EBITDA(A)

Hydroelectric power segment EBITDA(A) also fell $1 million or 2% to $40 million owing to the same key factors that weighed on revenues, namely unfavourable price and volume effects totalling $3 million, offset in part by the favourable exchange effect. In addition, segment profitability was improved by a $1 million decline in development and prospection costs.

Broken down geographically, EBITDA(A) was up 6% at the Canadian power stations, while it fell 7% at the U.S. facilities.

## Thermal

As discussed in the *Seasonal Factors* section of this MD&A, the Senneterre power station in Québec operated for eight months in 2016 and 2015, while the Blendecques power station in France operated cogeneration equipment for five months in 2016 and 2015, but supplied steam to its industrial client for all of 2016 and 2015. Boralex's thermal power segment contributed positively to the Corporation's profitability again this year, yielding $6 million in EBITDA(A) in 2016.

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

| | Revenues from energy sales | EBITDA(A) |
|---|---|---|
| | (in millions of $) | (in millions of $) |
| **YEAR ENDED DECEMBER 31, 2015** | 27 | 6 |
| Pricing | (3) | (3) |
| Volume | 1 | — |
| Foreign exchange effect | 1 | — |
| Raw material costs | — | 2 |
| Other | (1) | 1 |
| Change | (2) | — |
| **YEAR ENDED DECEMBER 31, 2016** | 25 | 6 |

## Operating Results for Fiscal 2016

### Production

The thermal power segment generated 163 GWh of power in fiscal 2016, up 5% on production increases at both facilities, the wood-residue power station in Senneterre, Québec, and the natural gas cogeneration power station in Blendecques, France. An incremental increase in steam production for Blendecques's industrial client was also recorded.

### Revenues from Energy Sales

Annual revenues in the thermal power segment totalled $25 million, down $2 million or 7% compared with 2015. The decline is attributable to the Blendecques power station where revenues were down more than $2 million owing primarily to an unfavourable price effect sparked by a lower steam selling price and, to a lesser extent, a lower average electricity selling price. These unfavourable items were partly offset by a $1 million increase in production volume and a $1 million favourable foreign exchange effect.

Meanwhile, the Senneterre power station reported a 5% increase in revenues, driven by the combined effect of higher production, capacity premiums and selling price indexation.

### EBITDA(A)

Thermal power segment EBITDA(A) totalled $6 million in 2016, the same amount as in 2015, in spite of a $3 million unfavourable price effect from the French facility. This steady performance was driven in part by the $2 million favourable effect of sharply lower fuel costs. This once again underscores the Blendecques power station's natural protection against market price fluctuations since the decline in selling prices for steam and electricity was largely offset by lower natural gas costs. An aggregate $1 million in other less significant favourable factors also improved profitability, particularly at Senneterre, including lower maintenance costs, higher capacity premiums, insurance proceeds and non-recurring costs relative to 2015.

In total, EBITDA(A) was up 18% at Senneterre, while it fell 26% at Blendecques.

## Solar

Since October 2015, Boralex's solar power segment comprises two main power stations in Southern France with a total installed capacity of 15 MW and a third power station in Ontario, Canada, rated at 1 MW. The higher results in 2016 was attributable to the two facilities added in the fourth quarter of 2015. Although this segment remains marginal in Boralex's portfolio in terms of size and financial contribution, it allows the Corporation to fine-tune its expertise in an area of renewable energy production expected to grow in future years.

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

| | Revenues from energy sales | EBITDA(A) |
|---|---|---|
| | (in millions of $) | (in millions of $) |
| **YEAR ENDED DECEMBER 31, 2015** | 3 | 3 |
| Power stations commissioned[(1)] | 2 | 2 |
| Other | — | (1) |
| Change | 2 | 1 |
| **YEAR ENDED DECEMBER 31, 2016** | 5 | 4 |

(1) Commissioned: In France, the 10 MW Les Cigalettes facility (October 2015) and in Canada, the 1 MW Vaughan facility (October 2015) in Ontario.

### Operating Results for Fiscal 2016

For the year ended December 31, 2016, the solar power segment generated 22 GWh compared with 9 GWh the year before, with the contribution from the newly added Les Cigalettes and Vaughan facilities more than offsetting a 3% decline in production at the Corporation's inaugural facility.

Commissioning the two new facilities boosted solar power segment revenues by $2 million or 67% to $5 million and EBITDA(A) by $1 million or 33% to $4 million. EBITDA(A) margin stood at 85% compared with 87% a year earlier, particularly as a result of the lower rate obtained by our new French facility due to general market trends, which show that the significant drop in the cost of solar panels has driven down solar energy selling rates over the past few years.

Management is satisfied with performance at its three solar facilities and is closely monitoring developments in this promising industry.

# Cash Flows

Changes in cash flows for year ended December 31, 2016 mainly highlighted dynamic inroads under Boralex's expansion strategy, supported by its strong cash flows from operations, capital market access and capacity to secure favourable terms from lenders. In 2016, Boralex invested nearly $300 million in cash in expansion and development, in addition to laying the groundwork for an enterprise value acquisition of over $1 billion (including $232 million in cash) that closed a few days after year-end. In just over a year's time, the Corporation has injected more than half a billion dollars in cash to grow its installed capacity in operation by 25%, add 400 MW to its potential pipeline of project and pursue its prospection and market development initiatives. To drive this growth, Boralex raised $170 million in new capital and significantly increased its credit facilities. In addition, the $40 million return of capital upon refinancing Joint Venture Phase I was an extraordinary lever to drive strategic development, while maintaining a solid financial position. These major events have considerably boosted Boralex's growth and value creation prospects, including as a result of a new dividend increase effective since early fiscal 2017. The Corporation now seeks to expand its contracted installed capacity to 2,000 MW or more by 2020.

| | Year ended December 31 | |
|---|---|---|
| (in millions of dollars) | **2016** | **2015** |
| Cash flows from operations[1] | 128 | 128 |
| Change in non-cash items related to operating activities | 20 | (14) |
| Net cash flows related to operating activities | 148 | 114 |
| Net cash flows related to investing activities | (258) | (389) |
| Net cash flows related to financing activities | 114 | 294 |
| Translation adjustment on cash and cash equivalents | (4) | 6 |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | — | 25 |
| **CASH AND CASH EQUIVALENTS - END OF PERIOD** | 100 | 100 |

[1] See the *Non-IFRS Measures* section.

## Analysis of Cash Flows for the Year Ended December 31, 2016

### Operating Activities

During the year ended December 31, 2016, Boralex's cash flows from operations totalled $128 million which is identical to 2015. Excluding non-cash items related to operating activities, this slight decrease in cash flows from operations, despite the $20 million improvement in EBITDA(A), resulted from the following main items:

- A $14 million reduction in the distributions received from the Joint Ventures owing primarily to a special distribution received in 2015 upon conversion of the term loan for Joint Venture Phase I; and
- A combined increase of $8 million in taxes and interest paid.

The change in non-cash items related to operating activities generated additional cash totalling $20 million in 2016 (compared with an outflow of $14 million in 2015). The cash inflows in 2016 resulted primarily from a $39 million increase in amounts due recorded under *Trade and other payables* relating to the day-to-day operations of the Corporation as well as the development and construction of production facilities (changes in *Trade and other payables* are discussed in greater detail in the following section).

In light of the foregoing, operating activities generated cash flows totalling $148 million during fiscal 2016, up $34 million from $114 million for the previous year.

### Investing Activities

One of the key investment transactions for the year was the September 16, 2016 acquisition of a 200 MW portfolio of wind power projects in France and Scotland, as well as land totalling some 8,500 hectares on which the projects are to be developed. This acquisition was discussed earlier in this MD&A. The acquisition required a cash outlay, net of cash acquired, of $104 million, including $72 million to acquire property, plant and equipment and $32 million to acquire the 51 MW Moulins du Lohan project covered by an energy sales contract, whose construction has begun with commissioning scheduled for the second half of 2018.

In addition to this acquisition, Boralex invested additional funds of $151 million in new assets as follows:

- An amount of $110 million in the wind power segment, primarily to finalize and fine-tune wind farms commissioned in recent quarters and move ahead with projects to be commissioned in the near future;
- An amount of $33 million in the hydroelectric power segment, in large part to build the Yellow Falls power station in Ontario, Canada, as well as for infrastructure upgrades at existing facilities; and
- Approximately $8 million allocated for infrastructure upgrades in the corporate and thermal and solar power segments.

The other main investments for fiscal 2016 are detailed as follows:

- $16 million of contingent consideration disbursed in connection with the acquisition of projects from the company Ecotera. These amounts pertain in large part to French wind farms Mont de Bagny, Artois and Voie des Monts;
- An additional injection of $20 million into restricted cash, relating primarily to the upcoming commissioning of the Yellow Falls hydroelectric power station; and
- An amount of $7 million allocated to reserve funds and development projects.

Note that the refinancing of Joint Venture Phase I completed in the second quarter of 2016 allowed Boralex to receive a $40 million return of capital.

## Financing Activities

Financing activities generated total net cash inflows of $114 million.

### New Financing Arrangements and Repayments on Existing Debt

During fiscal 2016, new non-current debt contracted by Boralex totalled $308 million (net of financing costs), primarily to finance expansion in its asset base and project portfolio. Conversely, the Corporation repaid $151 million in existing debt, including the early repayment of $42 million from the Saint-Patrick loan described below.

In November 2016, Boralex was granted a 24-month bridge loan amounting to €46 million ($64 million) by BNP Paribas S.A. to finance a portion of the cost of the acquisition of the 200 MW project portfolio which closed on September 16, 2016, paid out of the Corporation's cash on hand and drawdowns under its revolving credit facility.

During fiscal 2016, the Corporation also closed financing or refinancing for wind and hydroelectric power assets, consisting primarily of the following:

- In January 2016, Boralex obtained €63 million ($89 million) in new financing in France, including a €42 million ($60 million) loan to refinance its existing loan for its St-Patrick wind farm under more favourable terms and a €21 million ($29 million) loan, excluding the value-added tax (VAT) bridge financing facility, to finance construction and development at the Touvent wind farm. As at December 31, 2016, the St-Patrick loan had been fully drawn down and an amount of €20 million ($29 million) had been drawn down under the Touvent loan.
- In June 2016, Boralex secured €18 million ($25 million) in long-term financing, excluding VAT bridge financing, for its Plateau de Savernat wind farm and €3 million ($4 million) in financing for Avignonet II. These two facilities were financed under favourable terms for Boralex. As at December 31, 2016, an amount of €10 million ($15 million) was drawn down under the Plateau de Savernat wind farm loan, excluding VAT, while the Avignonet II loan was fully drawn down.
- In October 2016, the Corporation announced the closing of long-term financing for the Mont de Bagny, Artois and Voie des Monts wind farms in France for a total amount of €100 million ($142 million), including €11 million ($16 million) for a VAT bridge financing facility. The loan consists of a tranche of €52 million ($77 million) bearing interest at a fixed rate of 0.8% over a 10-year period and a tranche of €37 million ($54 million) bearing interest at a variable rate of approximately 2.5% over a 15-year term. With the interest rate swap entered into in January 2017, the average interest rate will be fixed at about 1.5%. As at December 31, 2016, an amount of €34 million ($48 million) had been drawn down.
- In Canada, Boralex closed financing in December 2016 for its 16 MW Yellow Falls hydroelectric power station in Ontario, slated for commissioning in the second quarter of 2017. The $74 million financing consists of a $9 million 10-year tranche and $65 million tranche to be amortized over a 29-year term upon repayment of the $9 million obligation. As a whole, the two tranches will bear a fixed average interest rate of approximately 5% over the life of the loans. As at December 31, 2016, an amount of $48 million had been drawn down.
- In 2016, the Corporation used a net amount of $28 million on its revolving credit facility and drew the balance from certain available project financing amounts for a total of approximately $16 million.

### Dividends and Other

During the year ended December 31, 2016, the Corporation paid dividends to shareholders totalling $36 million ($27 million in 2015) or the equivalent of $0.13 per share in the first quarter and $0.14 per share in the second, third and fourth quarters, following the 8% dividend increase decided by Corporation in February 2016. Readers are reminded that a new increase of 7.1% has been adopted and will be effective for fiscal 2017, boosting the quarterly dividend to $0.15 per share for an annual total in 2017 of $0.60 per share.

Among the other cash outlays for the year, the Corporation distributed dividends totalling $7 million to the non-controlling shareholders of the Témiscouata I, Frampton and Côte-de-Beaupré wind farms in Québec, Canada, and paid $4 million for the early redemption of financial instruments upon unwinding the interest rate swaps related to the initial loan for the St-Patrick wind farm in France. Conversely, the Corporation received $4 million upon exercise of stock options.

### Offering of Subscription Receipts

On December 23, 2016, as discussed in further detail in the *Key Developments in the Last Three Fiscal Years* section of this MD&A, Boralex completed the public offering of 10,361,500 subscription receipts for proceeds of $170 million, net of transactions costs of $3 million attributable to the compensation of underwriters disbursed in 2016. The proceeds were recorded as restricted cash in anticipation of the closing of the acquisition of Enercon's interest in the 230 MW NRWF, which occurred in January 2017.

### Refinancing of and Increases in the Revolving Credit Facility

On April 28, 2016, the Corporation refinanced and increased its revolving credit facility for a total authorized amount of $360 million. This refinancing, consisting of a $300 million revolving credit facility and a $60 million letter of credit facility guaranteed by Export Development Canada, replaced the $175 million revolving credit facility maturing in June 2018.

On January 18, 2017, after announcing its acquisition of Enercon's interest in NRWF, Boralex obtained an additional $100 million increase in its revolving credit facility, resulting in an authorized amount of $460 million. Coupled with the recent offering of $173 million in subscription receipts, these transactions demonstrate Boralex's credibility in the capital markets. They afford Boralex significant financial flexibility, such as the ability to inject capital into new projects that meet its growth objectives, and help preserve the strength of its statement of financial position.

## Net Change in Cash and Cash Equivalents

In the aggregate, cash movements in fiscal 2016 had no material impact on the balance of cash and cash equivalents, which remained unchanged at $100 million.

# Financial Position

In addition to the significant contribution from cash from operations, the key changes in the financial position of Boralex between December 31, 2015 and 2016 primarily reflected its major investments to acquire development projects and property, plant and equipment, the effect of new financing and re-financing, including new capital raised ahead of the major acquisition that closed in January 2017, the $40 million return of capital by Joint Venture Phase I to Boralex and the effect of amortization.

The following table shows condensed information from the Consolidated Statements of Financial Position:

| (in millions of dollars) | As at December 31, 2016 | As at December 31, 2015 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | 100 | 100 |
| Restricted cash | 193 | 3 |
| Miscellaneous current assets | 96 | 98 |
| CURRENT ASSETS | 389 | 201 |
| Property, plant and equipment | 1,668 | 1,556 |
| Intangible assets | 426 | 430 |
| Goodwill | 124 | 128 |
| Interests in the Joint Ventures | 22 | 67 |
| Miscellaneous non-current assets | 73 | 67 |
| NON-CURRENT ASSETS | 2,313 | 2,248 |
| TOTAL ASSETS | 2,702 | 2,449 |
| **LIABILITIES** | | |
| CURRENT LIABILITIES | 452 | 280 |
| Non-current debt | 1,439 | 1,276 |
| Convertible debentures | 135 | 133 |
| Miscellaneous non-current liabilities | 162 | 201 |
| NON-CURRENT LIABILITIES | 1,736 | 1,610 |
| TOTAL LIABILITIES | 2,188 | 1,890 |
| **EQUITY** | | |
| TOTAL EQUITY | 514 | 559 |
| TOTAL LIABILITIES AND EQUITY | 2,702 | 2,449 |

## Assets

Boralex's Total assets rose $253 million in fiscal 2016 to $2,702 million as at December 31, 2016.

*Current assets* were up $188 million due to $190 million increase in total restricted cash, which arose primarily from the transfer into restricted cash of $170 million in net proceeds from the issue of subscription receipts completed in December 2016, coupled with the injection of additional funds totalling $20 million in connection with the construction of the Yellow Falls power station.

*Non-current assets* were up $65 million owing to the following changes:

- A $112 million increase in *Property, plant and equipment* following the aforementioned acquisitions for the year (net of amortization), including the September 2016 acquisition in Europe which included land and a series of buildings; and
- A $45 million decrease in *Interests in the Joint Ventures* resulting primarily from the $40 million return of capital carried out in the second quarter.

## Liabilities

*Current liabilities* amount to $452 million as at December 31, 2016, compared with $280 million a year earlier. The $172 million increase resulted from the following key items:

- The temporary addition in *Current liabilities* of the $173 million in gross proceeds from the offering of subscription receipts that closed on December 23, 2016, in anticipation of the closing of the NRWF acquisition which took place on January 18, 2017. This liability was converted into capital stock as of the date of this MD&A; and
- A $39 million increase in *Trade and other payables* resulting in part from amounts due in connection with the construction and day-to-day operations of the Corporation, as previously discussed.

These items, in addition to the $6 million increase in *Other current financial liabilities* resulting from fair value remeasurement to financial instruments were offset by a $44 million reduction in the current portion of debt, primarily as a result of repaying the $42 million balance of the St-Patrick loan in connection with the wind farm's refinancing.

Total *Non-current liabilities* grew $126 million, owing primarily to a $163 million net increase in *Non-current debt* resulting in large part from the $64 million bridge credit facility granted by BNP Paribas S.A. and new non-current debt contracted to pursue various projects under development at Boralex (net of repayments for the period).

Breaking down the Corporation's non-current debt geographically as at December 31, 2016, 46% originated in Canada, 49% in France and 5% in the United States, compared with 41%, 52% and 7%, respectively, as at December 31, 2015.

As at December 31, 2016, Boralex had contracted but undrawn debt totalling $116 million, as well as $114 million under the revolving credit facility. A total amount of $44 million would also be available under the letter of credit facility.

## Working Capital

As at December 31, 2016, the Corporation had a working capital deficit of $63 million with a ratio of 0.86:1 compared with a working capital deficit of $79 million and a ratio of 0.72:1 as at December 31, 2015. Note that following the December 23, 2016 closing of the subscription receipts offering, in addition to the $170 million net proceeds from the offering into restricted cash, a $173 million amount was temporarily recognized in current liabilities in anticipation of the closing of the NRWF acquisition. Excluding these two amounts from current assets and liabilities, the working capital deficit amounted to $60 million as at December 31, 2016 for a ratio of 0.78:1.

Note also that the working capital deficit resulted in part from $46 million in *Other current financial liabilities* net of *Other current financial assets* as at December 31, 2016 ($40 million as at December 31, 2015), consisting primarily of the fair value of financial instruments. Despite their short-term maturities, Boralex intends to request an extension for these financial instruments as they continue to be effective for managing the interest rate risk of projects that are expected to be financed in the coming year.

Excluding that item as well, Boralex's working capital position reflected a deficit of $14 million for a ratio of 0.94:1 as at December 31, 2016, compared with a deficit of $39 million and a ratio of 0.8:1 a year earlier.

Accordingly, the $25 million improvement in working capital as at December 31, 2016 from as at December 31, 2015 resulted primarily from the $20 million increase in restricted cash related to the Corporation's development projects.

## Equity

Total equity fell $45 million during fiscal 2016 to $514 million as at December 31, 2016. The decline was primarily as a result of the payment of dividends and by the change in *Accumulated other comprehensive loss* following the fair value remeasurement of financial instruments.

## Debt Ratios

Net debt, as defined under *Non-IFRS Measures*, amounted to $1,442 million as at December 31, 2016 compared with $1,342 million as at December 31, 2015.

As a result, the net debt ratio, based on market capitalization, as defined under *Non-IFRS Measures*, went to 50% as at December 31, 2016 from 55% as at December 31, 2015.

## Information about the Corporation's Equity

As at December 31, 2016, Boralex's capital stock consisted of 65,365,911 Class A shares issued and outstanding (64,829,112 as at December 31, 2015) including the issuance of 536 799 shares following the exercise of stock options during 2016. The number of shares outstanding as at December 31, 2016 excludes the 10,361,500 subscription receipts issued in December 2016 which were exchanged on a one-for-one basis for Class A shares of Boralex on January 18, 2017 upon closing of the acquisition by Boralex of all of Enercon Canada Inc.'s economic interest in the 230 MW NRWF.

There were 1 182 883 outstanding stock options as at December 31, 2016, of which 932 554 were exercisable.

As at December 31, 2016, Boralex had 1,437,500 issued and outstanding convertible debentures (1,437,500 as at December 31, 2015).

From January 1, 2017 to March 2, 2017, no new shares were issued on exercise of stock options or in connection with 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 year ended December 31, 2016, revenues from this agreement were not material.

The Corporation has entered into a four-year consulting agreement with Bernard Lemaire, a major shareholder of Cascades, an entity exercising significant influence over the Corporation. This agreement began in May 2013, and the amount for 2016 is not material.

Cascades provides the Corporation with various IT, engineering, transportation, maintenance and building repair services. For the year ended December 31, 2016, these services totalled $1 million ($1 million for the corresponding period of 2015).

## Transactions with the Joint Ventures

### Joint Venture Phase I

For the year ended December 31, 2016, Joint Venture Phase I reported net earnings of $13 million ($19 million in 2015), with Boralex's share amounting to $7 million ($9 million in 2015). Amortization of the unrealized loss on financial instruments generated an expense of $3 million ($2 million in 2015). Accordingly, for the period, the Corporation's Share in earnings of the Joint Venture Phase I amounted to $4 million ($7 million in 2015).

For the year ended December 31, 2016, Boralex also charged back $1 million in salaries, management fees and other costs to this joint venture in connection with operation of the wind farm ($1 million in 2015).

### Joint Venture Phase II

For the year ended December 31, 2016, Joint Venture Phase II reported net earnings of $2 million ($1 million in 2015), with Boralex's share amounting to $1 million ($1 million in 2015).

# Interests 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 Loss.

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, where the results of the Joint Ventures are proportionately consolidated instead of being accounted for using the equity method as required by IFRS. Under the proportionate consolidation method, which is no longer 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 is added to make it easier for investors to understand the concrete impacts of strategic and operating decisions made by the Corporation.

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.

# Seasonal Factors

| (in millions of dollars, except GWh, per share amounts and number of shares outstanding) | Three-month periods ended | | | | Year ended |
|---|---|---|---|---|---|
| | March 31, 2016 | June 30, 2016 | September 30, 2016 | December 31, 2016 | December 31, 2016 |
| **POWER PRODUCTION (MWh)** | | | | | |
| Wind power stations | 733 | 468 | 383 | 552 | 2,136 |
| Hydroelectric power stations | 171 | 191 | 130 | 140 | 632 |
| Thermal power stations | 65 | 12 | 52 | 34 | 163 |
| Solar power stations | 4 | 7 | 7 | 4 | 22 |
| | 973 | 678 | 572 | 730 | 2,953 |
| **REVENUES FROM ENERGY SALES** | | | | | |
| Wind power stations | 94 | 58 | 47 | 69 | 267 |
| Hydroelectric power stations | 17 | 15 | 12 | 12 | 57 |
| Thermal power stations | 10 | 2 | 5 | 7 | 25 |
| Solar power stations | 1 | 2 | 2 | 1 | 5 |
| | 122 | 77 | 66 | 89 | 354 |
| **EBITDA(A)** | | | | | |
| Wind power stations | 80 | 45 | 34 | 55 | 215 |
| Hydroelectric power stations | 13 | 11 | 8 | 9 | 40 |
| Thermal power stations | 4 | (1) | 1 | 1 | 6 |
| Solar power stations | 1 | 1 | 1 | 1 | 4 |
| | 98 | 56 | 44 | 66 | 265 |
| Corporate and eliminations | (8) | (8) | (9) | (9) | (34) |
| | 90 | 48 | 35 | 57 | 231 |
| **NET EARNINGS (LOSS)** | 23 | (7) | (16) | 2 | 2 |
| **NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX** | 21 | (7) | (17) | 1 | (2) |
| **NET EARNINGS (LOSS) PER SHARE (BASIC) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX** | $0.32 | ($0.11) | ($0.26) | $0.02 | ($0.03) |
| **NET EARNINGS (LOSS) PER SHARE (DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX** | $0.30 | ($0.11) | ($0.26) | $0.02 | ($0.03) |
| **NET CASH FLOWS RELATED TO OPERATING ACTIVITIES** | 82 | 33 | 10 | 34 | 162 |
| **CASH FLOWS FROM OPERATIONS** | 70 | 28 | 9 | 36 | 144 |
| Weighted average number of shares outstanding (basic) | 65,032,645 | 65,200,423 | 65,263,335 | 65,297,899 | 65,199,024 |

# Seasonal Factors

| (in millions of dollars, except GWh, per share amounts and number of shares outstanding) | Three-month periods ended | | | | Year ended |
|---|---|---|---|---|---|
| | March 31, 2015 | June 30, 2015 | September 30, 2015 | December 31, 2015 | December 31, 2015 |
| **POWER PRODUCTION (GWh)** | | | | | |
| Wind power stations | 560 | 439 | 363 | 581 | 1,943 |
| Hydroelectric power stations | 114 | 206 | 149 | 158 | 626 |
| Thermal power stations | 59 | 16 | 49 | 31 | 155 |
| Solar power stations | 1 | 2 | 2 | 4 | 9 |
| | 734 | 663 | 563 | 774 | 2,733 |
| **REVENUES FROM ENERGY SALES** | | | | | |
| Wind power stations | 67 | 52 | 44 | 73 | 236 |
| Hydroelectric power stations | 13 | 17 | 14 | 15 | 58 |
| Thermal power stations | 11 | 3 | 6 | 6 | 27 |
| Solar power stations | — | 1 | 1 | 1 | 3 |
| | 91 | 73 | 65 | 95 | 324 |
| **EBITDA(A)** | | | | | |
| Wind power stations | 54 | 41 | 33 | 61 | 189 |
| Hydroelectric power stations | 9 | 13 | 9 | 10 | 41 |
| Thermal power stations | 5 | (1) | 1 | 1 | 6 |
| Solar power stations | — | 1 | 1 | 1 | 3 |
| | 68 | 54 | 44 | 73 | 239 |
| Corporate and eliminations | (6) | (7) | (6) | (9) | (28) |
| | 62 | 47 | 38 | 64 | 211 |
| **NET EARNINGS (LOSS)** | 7 | (6) | (15) | 6 | (8) |
| **NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX** | 5 | (6) | (15) | 6 | (11) |
| **NET EARNINGS (LOSS) PER SHARE (BASIC AND DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX** | $0.11 | ($0.13) | ($0.32) | $0.09 | ($0.21) |
| **NET CASH FLOWS RELATED TO OPERATING ACTIVITIES** | 47 | 27 | 8 | 46 | 127 |
| **CASH FLOWS FROM OPERATIONS** | 43 | 27 | 17 | 46 | 132 |
| Weighted average number of shares outstanding (basic) | 47,759,276 | 47,951,885 | 48,770,481 | 64,829,112 | 52,364,710 |

# Selected Annual Information

## Operating Results Data

| (in millions of dollars, except GWh, per share amounts and number of shares outstanding) | Years ended December 31 2016 | 2015 | 2014 |
|---|---|---|---|
| **POWER PRODUCTION (GWh)** | 2,953 | 2,733 | 2,030 |
| **REVENUES FROM ENERGY SALES** | 354 | 324 | 240 |
| **EBITDA(A)** | 231 | 211 | 147 |
| **NET EARNINGS (LOSS)** | 2 | (8) | (11) |
| **NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX** | | | |
| Continuing operations | (2) | (11) | (15) |
| Discontinued operations | — | — | 3 |
| | (2) | (11) | (12) |
| **NET EARNINGS (LOSS) PER SHARE (BASIC AND DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX** | | | |
| Continuing operations | ($0.03) | ($0.21) | ($0.38) |
| Discontinued operations | — | — | $0.07 |
| | ($0.03) | ($0.21) | ($0.31) |
| **NET CASH FLOWS RELATED TO OPERATING ACTIVITIES** | 162 | 127 | 102 |
| **CASH FLOWS FROM OPERATIONS** | 144 | 132 | 78 |
| Weighted average number of shares outstanding (basic) | 65,199,024 | 52,364,710 | 38,283,988 |

## Statement of Financial Position Data

| (in millions of dollars, except per share amounts) | As at December 31, 2016 | As at December 31, 2015 | As at December 31, 2014 |
|---|---|---|---|
| Total cash, net of restricted cash | 302 | 112 | 107 |
| Property, plant and equipment | 2,053 | 1,963 | 1,640 |
| Total assets | 3,084 | 2,807 | 2,321 |
| Subscription receipts | 173 | — | — |
| Debt, including non-current debt and current portion of debt | 1,865 | 1,719 | 1,477 |
| Liability component of convertible debentures | 135 | 133 | 233 |
| Total liabilities | 2,570 | 2,248 | 1,985 |
| Total equity | 514 | 559 | 336 |
| Dividends paid on common shares | 36 | 27 | 20 |
| Dividends paid per common share | $0.55 | $0.52 | $0.52 |
| Net debt to market capitalization ratio | 56% | 60% | 60% |

# Financial Highlights

| (in millions of dollars, except GWh, per share amounts and number of shares outstanding) | Three-month periods ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **POWER PRODUCTION (GWh)** | | | | |
| Wind power stations | 552 | 581 | 2,136 | 1,943 |
| Hydroelectric power stations | 140 | 158 | 632 | 626 |
| Thermal power stations | 34 | 31 | 163 | 155 |
| Solar power stations | 4 | 4 | 22 | 9 |
| | 730 | 774 | 2,953 | 2,733 |
| **REVENUES FROM ENERGY SALES** | | | | |
| Wind power stations | 69 | 73 | 267 | 236 |
| Hydroelectric power stations | 12 | 15 | 57 | 58 |
| Thermal power stations | 7 | 6 | 25 | 27 |
| Solar power stations | 1 | 1 | 5 | 3 |
| | 89 | 95 | 354 | 324 |
| **EBITDA(A)** | | | | |
| Wind power stations | 55 | 61 | 215 | 189 |
| Hydroelectric power stations | 9 | 10 | 40 | 41 |
| Thermal power stations | 1 | 1 | 6 | 6 |
| Solar power stations | 1 | 1 | 4 | 3 |
| | 66 | 73 | 265 | 239 |
| Corporate and eliminations | (9) | (9) | (34) | (28) |
| | 57 | 64 | 231 | 211 |
| **NET EARNINGS (LOSS)** | 2 | 6 | 2 | (8) |
| **NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX** | 1 | 6 | (2) | (11) |
| **NET EARNINGS (LOSS) PER SHARE (BASIC AND DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX** | $0.02 | $0.09 | ($0.03) | ($0.21) |
| **NET CASH FLOWS RELATED TO OPERATING ACTIVITIES** | 34 | 46 | 162 | 127 |
| **CASH FLOWS FROM OPERATIONS** | 36 | 46 | 144 | 132 |
| **DIVIDENDS PAID ON COMMON SHARES** | 9 | 8 | 36 | 27 |
| **DIVIDENDS PAID PER COMMON SHARE** | $0.14 | $0.13 | $0.55 | $0.52 |
| Weighted average number of shares outstanding (basic) | 65,297,899 | 64,829,112 | 65,199,024 | 52,364,710 |

# Analysis of Operating Results for the Three-Month Period Ended December 31, 2016

## Consolidated

For the fourth quarter ended December 31, 2016, the differences in the financial results calculated based on proportionately consolidating the results of Joint Ventures compared with the IFRS equity method are reflected mainly in Boralex's production volume, revenues, EBITDA(A) and cash flows from operations. They are also reflected in net loss and net loss per share under *Reversal of the excess of distributions received over the share of net earnings of the Joint Ventures* reported in the financial statements under IFRS for the fourth quarter.

The table below shows the major changes in revenues from energy sales and EBITDA(A) for the three-month period ended December 31, 2016, as well as eliminating *Share of Joint Ventures*, proportionate consolidation primarily affected *Volume*, which in turn was reflected in revenues and EBITDA(A).

| | Revenues from energy sales | EBITDA(A) |
|---|---|---|
| | (in millions of $) | (in millions of $) |
| **THREE-MONTH PERIOD ENDED DECEMBER 31, 2015** | 95 | 64 |
| Power stations commissioned[(1)] | 6 | 5 |
| Volume | (12) | (12) |
| Foreign exchange effect | (1) | (1) |
| Other | 1 | 1 |
| Change | (6) | (7) |
| **THREE-MONTH PERIOD ENDED DECEMBER 31, 2016** | 89 | 57 |

(1) Commissioning of 40 MW in 20016: In France, 14 MW Touvent and 12 MW Plateau de Savernat 1 wind farms on August 1, 2016 and December 23, 2016, respectively; in Canada, 10 MW Port Ryerse wind farm in Ontario on December 8, 2016 and 4 MW Oldman wind farm in Alberta on December 15, 2016. Commissioning of 115 MW in the last quarter of 2015: In France, Calmont wind farm (December 2015); in Canada, Vaughan solar power facility (October 2015) in Ontario; Côte-de-Beaupré (November 2015), Témiscouata II (November 2015) and Frampton (December 2015) wind farms in Québec.

## Operating Results for the Three-Month Period

### Production

Joint Ventures Phases I and II performed well in the fourth quarter of fiscal 2016, due to favourable wind conditions and excellent equipment availability rates. For the three-month period ended December 31, 2016, Boralex's 50% share in the production of the Joint Ventures totalled 134 GWh, up 2% compared with the same quarter of 2015.

Note that during the fourth quarter of 2016, proportionate consolidation of the production of the Joint Ventures represented an added 23% compared with Boralex's total quarterly production based on the equity method under IFRS.

### Revenues from Energy Sales

As shown in the table, Boralex's revenues totalled $89 million under proportionate consolidation compared with $95 million for the same quarter of 2015, down 7% (compared with a decline of 8% under IFRS). As discussed in the main section of this MD&A, the decline in Boralex's consolidated revenues during the fourth quarter compared with the same period the previous year is mainly due to weak wind conditions in France and unfavourable water flow conditions in the Northeastern United States.

Boralex's share in the revenues of the Joint Ventures amounted to $15 million for the fourth quarter of 2016 compared with $14 million for the same period of 2015, up 4% owing to higher production and selling price indexation.

Proportionately consolidating revenues from the Joint Ventures for the fourth quarter of 2016 represented an additional 19% contribution to consolidated revenues reported under IFRS.

## EBITDA(A)

| (in millions of dollars) | Three-month periods ended December 31 2016 | 2015 |
|---|---|---|
| EBITDA(A) (IFRS) | 47 | 53 |
| Less: Share in earnings of the Joint Ventures Phases I and II[(1)] | 2 | 1 |
| Plus: EBITDA(A) of the Joint Ventures Phases I and II | 12 | 12 |
| EBITDA(A) (Proportionate Consolidation) | 57 | 64 |

(1) Excluding the $9 million charge as reversal of the excess of distributions received over the share in net earnings of the Joint Ventures.

In the fourth quarter of 2016, Boralex's share of EBITDA(A) of the Joint Ventures under proportionate consolidation amounted to $12 million.

Under proportionate consolidation, as shown in the first table in this section, the Corporation's EBITDA(A) was down $7 million, or 10% (down 12% under IFRS), compared with the fourth quarter of 2015, totalling $57 million. Consolidated EBITDA(A) margin accordingly decreased to 64% in 2016 from 67% in 2015 (compared with 63% and 66%, respectively, under IFRS). Consistent with the key factors set out in the table and commented in detail in the main section of this MD&A, *Analysis of Results and Financial Position - IFRS*, the decrease in EBITDA(A) resulted in large part from the unfavourable volume effect mainly attributable to the French wind farms and, to a lesser extent, the hydroelectric power stations in the United States. These items were not fully offset by the contribution from the new sites commissioned after September 30, 2015.

However, as shown in the table above, proportionate consolidation had a net favourable effect of $10 million, or 23%, on consolidated EBITDA(A) in the fourth quarter of 2016 compared with IFRS. Apart from the addition of EBITDA(A) from the Joint Ventures, this difference resulted from eliminating *Share in earnings of Joint Ventures Phases I and II*, which included costs not related to EBITDA(A) of the Joint Ventures, such as amortization, financing costs and other gains and losses.

## Net Earnings (Loss)

| (in millions of dollars) | Three-month periods ended December 31 2016 | 2015 |
|---|---|---|
| Net earnings (loss) attributable to shareholders of Boralex (IFRS) | (5) | 6 |
| Plus: Reversal of excess of distributions received over the share in net earnings of the Joint Ventures, net of income taxes | 6 | — |
| Net earnings attributable to shareholders of Boralex (Proportionate consolidation) | 1 | 6 |

Proportionately consolidating the results of the joint ventures decreased the quarterly net loss by $5 million, or $0.10 per share (basic) compared with reporting under IFRS, representing the elimination of the $6 million expense (net of related taxes) recognized under IFRS in the fourth quarter to reverse the positive entry in the same amount recognized in the third quarter as *Excess of distributions received over the share in net earnings of the Joint Ventures* (see the analysis of consolidated results under IFRS for the three-month period ended December 31, 2016). As a result, under proportionate consolidation, Boralex recorded $1 million in net earnings attributable to shareholders compared with a net loss attributable to shareholders of $5 million or $0.07 per share (basic) under IFRS.

# Analysis of Operating Results for the Year Ended December 31, 2016

## Consolidated

For all of the fiscal year ended December 31, 2016, the differences in the financial results calculated by proportionately consolidating the results of the Joint Ventures, compared with the IFRS equity method, are reflected mainly in Boralex's production volume, revenues, EBITDA(A) and cash flows from operations.

In the table below, which shows the major changes in revenues from energy sales and EBITDA(A) for the fiscal year ended December 31, 2016, proportionate consolidation primarily affected *Volume*, which in turn was reflected in revenues and EBITDA (A):

| | Revenues from energy sales | EBITDA(A) |
|---|---|---|
| | (in millions of $) | (in millions of $) |
| **YEAR ENDED DECEMBER 31, 2015** | 324 | 211 |
| Power stations commissioned[(1)] | 42 | 36 |
| Pricing | (4) | (4) |
| Volume | (15) | (16) |
| Foreign exchange effect | 6 | 4 |
| Raw material costs | — | 2 |
| Development - prospection | — | (3) |
| Other | 1 | 1 |
| Change | 30 | 20 |
| **YEAR ENDED DECEMBER 31, 2016** | 354 | 231 |

(1) Commissioning of 158 MW in 2015 and 40 MW in 2016: In France, St-François (March and April 2015), Comes de l'Arce (April 2015), Calmont (December 2015), Touvent (August 2016), Plateau de Savernat I (December 2016) wind farms and Les Cigalettes solar power facility (October 2015); in Canada, Oldman wind farm (December 2016) in Alberta; Vaughan solar power facility (October 2015) and Port Ryerse wind farm (December 2016) in Ontario; Côte-de-Beaupré (November 2015), Témiscouata II (November 2015) and Frampton (December 2015) wind farms in Québec.

## Operating Income

### Production

For the fiscal year ended December 31, 2016, Boralex's 50% share in the production of Joint Ventures amounted to an additional 512 GWh compared with 547 GWh in 2015. This 6% decline was due to the occurrence of exceptionally favourable weather conditions in this region of Québec during winter 2015 and slightly better than normal conditions during spring and summer 2015, whereas they were closer to normal for fiscal 2016 as a whole. Despite these changes in weather conditions, we note that production at these two facilities in 2016 was consistent with management's expectations owing in particular to excellent equipment availability.

For fiscal 2016, proportionately consolidating the production of the Joint Ventures added 21% to production reported under IFRS.

### Revenues from Energy Sales

Boralex's share in the revenues of the Joint Ventures amounted to $55 million in 2016, which is comparable to 2015, as the slight decline in production was offset by selling price indexation at the Joint Ventures. Note further that these two facilities generated revenues in line with management's expectations.

As shown in the table, Boralex's revenues for fiscal 2016 totalled $354 million under proportionate consolidation, up $30 million or 9% from 2015. This increase resulted primarily from the facilities commissioned in 2015 and 2016 listed in the footnote to the table and, to a lesser degree, the favourable foreign exchange effect. The significant contribution from the new sites more than offset the unfavourable volume effect originating in large part from the wind farms in France and the hydroelectric power stations in the United States, and the unfavourable foreign exchange effect related primarily to the French thermal power station.

Proportionately consolidating revenues from the Joint Ventures for fiscal 2016 represented an additional 18% contribution to revenues reported under IFRS.

### EBITDA(A)

| (in millions of dollars) | Year ended December 31 2016 | 2015 |
|---|---|---|
| EBITDA(A) (IFRS) | 189 | 169 |
| Less: Share in earnings of the Joint Ventures Phases I and II | 5 | 8 |
| Plus: EBITDA(A) of the Joint Ventures Phases I and II | 47 | 50 |
| EBITDA(A) (Proportionate Consolidation) | 231 | 211 |

During fiscal 2016, Boralex's share in the EBITDA(A) of the Joint Ventures under proportionate consolidation amounted to $47 million, compared with $50 million for the same period of 2015, down 6% due mainly to lower production. As shown in the first table in this section, the Corporation's EBITDA(A) totalled $231 million under proportionate consolidation, up 10% compared with the previous year (up 12% under IFRS). Consolidated EBITDA(A) margin remained stable compared with 2015 at 65%, while declining from 64% to 63% under IFRS.

Consistent with the key factors set out in the table and commented in detail earlier in this MD&A, EBITDA(A) growth resulted in large part from the facilities commissioned in 2015 and 2016, combined with the foreign exchange effect and lower raw material costs, primarily for the natural gas consumed by the French thermal power station. These favourable factors more than offset the unfavourable volume and price effects and the increase in certain expenses, including development and prospecting costs.

However, as shown in the above table, despite the easing in EBITDA(A) of the Joint Ventures, proportionate consolidation had a net favourable effect of $42 million or 22% on consolidated EBITDA(A) for 2016 compared with reporting under IFRS. Apart from the addition of EBITDA(A) from the Joint Ventures, this difference resulted from eliminating *Share in earnings (losses) of Joint Ventures Phases I and II*, which included costs not related to EBITDA(A) of the joint ventures.

### Net Earnings (Loss)

For the fiscal year ended December 31, 2016, the proportionate consolidation of the results of Joint Ventures had no effect on net loss and net loss per share (basic) compared with the equity method under IFRS. As a result, under both proportionate consolidation and IFRS, Boralex recorded a net loss attributable to shareholders of $2 million or $0.03 per share, compared with a net loss attributable to shareholders of $11 million or $0.21 per share (basic) in 2015.

## Wind

The following table shows major changes in revenues from energy sales and EBITDA(A) for the year ended December 31, 2016:

| | Revenues from energy sales (in millions of $) | EBITDA(A) (in millions of $) |
|---|---|---|
| **YEAR ENDED DECEMBER 31, 2015** | 236 | 189 |
| Power stations commissioned [(1)] | 41 | 34 |
| Pricing | 1 | 1 |
| Volume | (15) | (15) |
| Foreign exchange effect | 4 | 3 |
| Other | — | 3 |
| Change | 31 | 26 |
| **YEAR ENDED DECEMBER 31, 2016** | 267 | 215 |

(1) Commissioning of 147 MW in 2015 and 40 MW in 2016: In France, St-François (March and April 2015), Comes de l'Arce (April 2015), Calmont (December 2015), Touvent (August 2016) and Plateau de Savernat I (December 2016) wind farms; in Canada, Oldman wind farm (December 2016) in Alberta; Port Ryerse wind farm (December 2016) in Ontario; Côte-de-Beaupré (November 2015), Témiscouata II (November 2015) and Frampton (December 2015) wind farms in Québec.

## Operating Income

### Production

For all of fiscal 2016, the addition of Boralex's share of 512 GWh in the production of the Joint Ventures represented an additional contribution of 32% to total wind power production reported under IFRS. Under proportionate consolidation, wind power segment production grew 10% compared with fiscal 2015, totalling 2,136 GWh in fiscal 2016. As mentioned previously, this increase resulted in large part from the contributions of the ten facilities totalling 187 MW commissioned in 2015 and 2016, as production at the existing sites declined 7%, which is essentially attributable to the French operations.

### Revenues from Energy Sales

As shown in the preceding table, including the $55 million share in revenues of the Joint Ventures for fiscal 2016 ($58 million in 2015), wind power segment revenues totalled $267 million in 2016 under proportionate consolidation, up $31 million or 13% from fiscal 2015. This increase resulted in large part from the addition from the new facilities, together with the favourable foreign exchange effect and selling price indexation. Proportionately consolidating revenues from the Joint Ventures for fiscal 2016 represented an additional 26% contribution to segment revenues when compared to those reported under IFRS. Under proportionate consolidation, 50% of wind power segment revenues were generated in Canada and 50% in France, compared with 37% and 63%, respectively, under IFRS. This reflects a better balance between the wind power segment's geographic markets and, by the same token, a better hedge against chance weather conditions which can affect any given region, as was the case in 2016.

### EBITDA(A)

| (in millions of dollars) | Years ended December 31 2016 | 2015 |
|---|---|---|
| EBITDA(A) (IFRS) | 176 | 149 |
| Less: Share in earnings of the Joint Ventures Phases I and II | 8 | 10 |
| Plus: EBITDA(A) of the Joint Ventures Phases I and II | 47 | 50 |
| EBITDA(A) (Proportionate Consolidation) | 215 | 189 |

In fiscal 2016, including the $47 million share of EBITDA(A) of the Joint Ventures under proportionate consolidation ($50 million in 2015), wind power segment EBITDA(A) totalled $215 million, up $25 million or 14% from fiscal 2015. Proportionately consolidating wind power segment EBITDA(A) for fiscal 2016 had a net favourable impact of $39 million or 23% when compared to segment EBITDA(A) reported under IFRS. Wind power segment EBITDA(A) margin rose to 81% in 2016 from 80% in 2015 under proportionate consolidation (margins of 83% and 84% in 2016 and 2015, respectively, under IFRS). Boralex management is pleased with results to date at the two large-scale facilities of the Joint Ventures, and productivity and profitability bode well for the future.

# Cash Flows

Under proportionate consolidation, cash flows from operations for the year ended December 31, 2016 amounted to $144 million, compared with $128 million under IFRS, for a positive difference of $16 million. This is mainly due to the addition of EBITDA(A) from the Joint Ventures, net of distributions received from the latter and payments related to financing costs. In addition, cash generated by non-cash items related to operating activities was comparable under both proportionate consolidation and IFRS. As a result, cash generated by operating activities for fiscal 2016 was $16 million higher under proportionate consolidation, for a total of $162 million, compared with $148 million under IFRS.

Under proportionate consolidation, net cash used in investing activities totalled $297 million compared with $258 million under IFRS. This $39 million change resulted from the return of capital in the same amount to Boralex by Joint Venture Phase I upon refinancing of Joint Venture Phase I. This amount is eliminated under proportionate consolidation. Cash flows generated by financing activities were $26 million higher under proportionate consolidation than under IFRS, owing primarily to the $41 million increase in non-current debt due to the May 2016 refinancing of Joint Venture Phase I, net of repayments on existing debt during the fiscal year.

Under proportionate consolidation, the balance of cash and cash equivalents increased by $1 million between December 31, 2015 and 2016, compared with a stable balance under IFRS.

# Financial Position

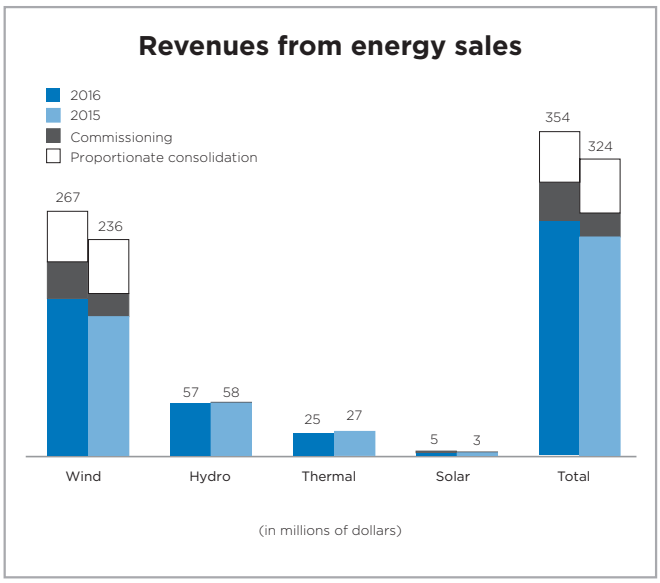
The main changes in the statement of financial position owing to differences between proportionate consolidation and IFRS are as follows:

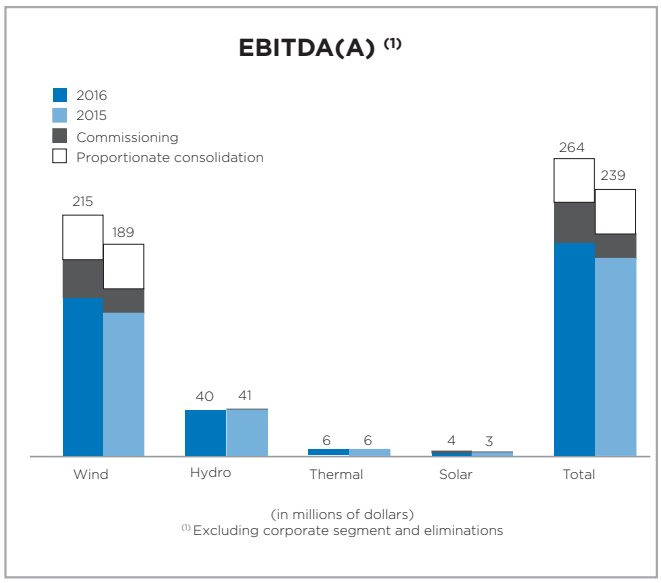
- A $17 million increase in total current assets, including $9 million in the total of cash and cash equivalents amount and $7 million in *Trade and other receivables*;
- A $365 million increase in total non-current assets, owing primarily to a $385 million increase in the total net value of property, plant and equipment, partly offset by the elimination of *Interests in the Joint Ventures*, in the amount of $22 million;
- A $20 million increase in total current liabilities, including a $15 million increase in the current portion of non-current debt and a $5 million increase in *Trade and other payables*; and
- A $362 million increase in total non-current liabilities, consisting mainly of a $310 million increase in non-current debt, a $22 million increase in other non-current financial liabilities and the addition of $28 million in deferred revenues included under *Other non-current liabilities*.

Accordingly, cash and cash equivalents and restricted cash as at December 31, 2016 totalled $302 million under proportionate consolidation, compared with $293 million under IFRS.

# Segment and Geographic Breakdown from Results for the Years Ended December 31, 2016 and 2015

## Segment Breakdown




The following is a discussion of changes in segment breakdown of revenues and EBITDA(A) for the year ended December 31, 2016 compared with the fiscal 2015 under proportionate consolidation (see the *Non-IFRS Measures* and *Reconciliations between IFRS and Proportionate Consolidation* sections).

### Wind

For fiscal 2016, wind power segment revenues grew 13% from the previous year, boosting its share of consolidated revenues to 75% in 2016 from 73% in 2015. Revenue growth was driven essentially by the addition of 147 MW in 2015 (St-François, Comes de l'Arce and Calmont in France and Côte-de-Beaupré, Témiscouata II and Frampton in Canada) and of 40 MW in 2016 (Touvent and Plateau de Savernat I in France and Port Ryerse and Oldman in Canada), combined with continued strong overall performance at existing wind farms in Canada. However, the positive effect of these factors was offset by the significant decline in production at existing sites in France, which was caused by the significantly less favourable wind conditions than in 2015.

EBITDA(A) for fiscal 2016 rose 14% from 2015 in the wind power segment, increasing its share of consolidated EBITDA(A) (before corporate segment and eliminations) to 81% in 2016 from 79% in 2015, thereby strengthening its position as Boralex's largest source of EBITDA(A). The segment's EBITDA(A) margin is also higher than the average for Boralex's energy asset portfolio, at approximately 81% in 2016 (80% in 2015).

Boralex expects its wind power segment to grow significantly in 2017 given the January 2017 acquisition of Enercon's interest in the 230 MW NRWF project in Ontario, Canada, the commissioning throughout fiscal 2017 of new facilities totalling 76 MW and full-year contributions from the sites commissioned and acquired in 2016 representing 40 MW.

Considering the wind power projects under development in France and Canada representing a total additional contracted capacity of approximately 186 MW which will be commissioned by 2019, and the large pool of potential wind power projects available to Boralex, this segment's dominant contribution to the Corporation's profitability is expected to increase in the coming quarters and years, underpinning the strength of its average profit margin.

### Hydroelectric

Hydroelectric power segment revenues were down 2% in fiscal 2016, owing primarily to less favourable water flow conditions than in 2015 in the Northeastern United States for the greater part of the fiscal year, which were partially offset, however, by a favourable foreign exchange effect. Also, given the growth in the wind power segment, the hydroelectric power segment's share of consolidated revenues eased to 16% in 2016 from 18% in 2015. For fiscal 2016, hydroelectric power segment EBITDA(A) was relatively stable compared with 2015.

EBITDA(A) margin for this segment, as a percentage of revenues, grew to 71% in 2016 from 70% in 2015. Given the strong growth of the wind power segment, the hydroelectric power segment generated 15% of consolidated EBITDA(A) % (before corporate and eliminations) in 2016 compared with 17% the previous year.

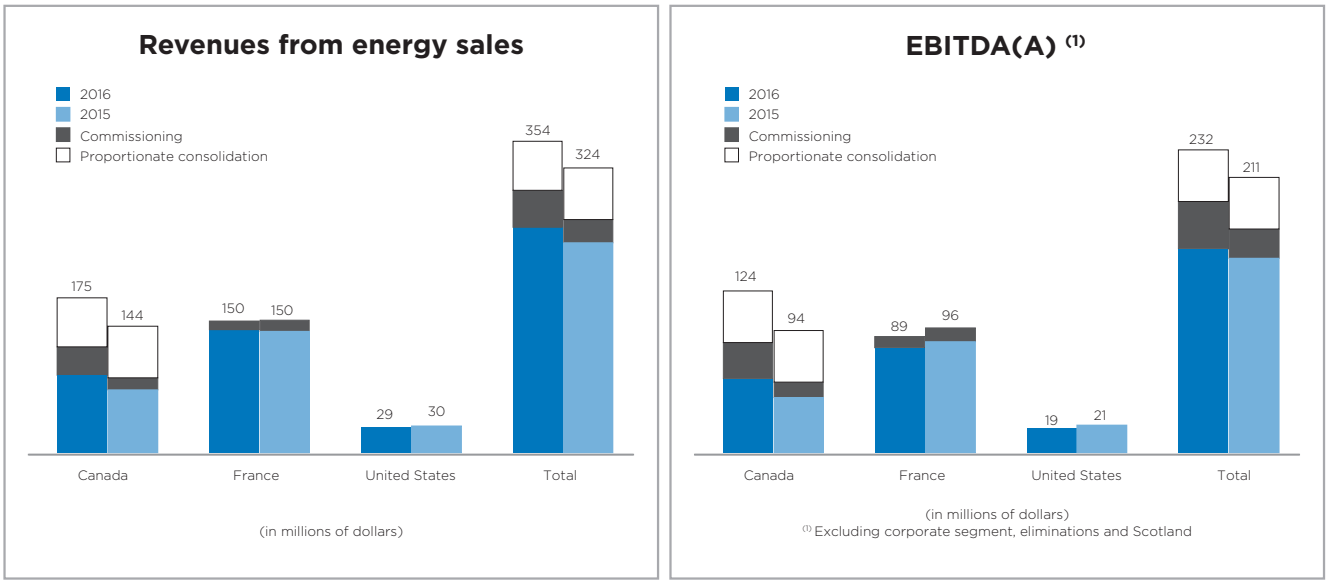
## Thermal

Thermal power segment revenues were down 6% in 2016, owing primarily to lower selling prices for steam produced by the Blendecques power station in France. The segment accounted for 7% of consolidated revenues in fiscal 2016, compared with 8% in 2015. However, thermal segment EBITDA(A) grew 4% due to decreases in natural gas prices and certain other expenses, thereby accounting for 2% of consolidated EBITDA(A) (before corporate and eliminations) for both fiscal years 2016 and 2015. EBITDA(A) margin rose to 24% in 2016 from 22% in 2015.

## Solar

For the fiscal year ended December 31, 2016, Boralex's solar power segment generated EBITDA(A) of $4 million on revenues of $5 million, compared with EBITDA(A) of $3 million on revenues of $3 million for the same period in 2015, while the segment's margin of EBITDA to revenues declined to 85% from 87%. These changes result mainly from the commissioning of solar power facilities Les Cigalettes in France and Vaughan in Ontario, Canada, during fiscal 2015. The solar power segment for the time being accounts for only a marginal share of Boralex's energy portfolio.

## Geographic Breakdown




For the year ended December 31, 2016, the geographic breakdown of revenues from energy sales was as follows:

- 50% in Canada compared with 45% for the same period of 2015;
- 42% in France, compared with 46% for the same period of 2015; and
- 8% in the United States compared with 9% for the same period of 2015.

The increase in the relative Canadian market share results primarily from the commissioning of larger scale power stations in Québec at the end of 2015, including Témiscouata II, combined with declining revenues from French power stations due to weather conditions. Note that the relative weights of the Canadian and European operations are now relatively balanced, which further strengthens the advantages garnered by the geographic diversification of Boralex's asset base with regard to weather conditions and growth opportunities.

# 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.

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.

This section also shows these measures under proportionate consolidation, where the results of 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 the *Reconciliations between IFRS and Proportionate Consolidation* section.

## EBITDA(A)

EBITDA(A) represents earnings before interest, taxes, depreciation and amortization, adjusted to include other items. 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**

| (in millions of dollars) | Three-month periods ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Net earnings (loss) | (4) | 6 | 2 | (8) |
| Income tax expense (recovery) | (10) | 4 | (9) | (1) |
| Financing costs | 22 | 17 | 76 | 73 |
| Amortization | 29 | 26 | 116 | 97 |
| **EBITDA** | 37 | 53 | 185 | 161 |
| Adjustments: | | | | |
| Loss on redemption of convertible debentures | — | — | — | 3 |
| Net loss on financial instruments | — | — | 4 | 7 |
| Foreign exchange gain | (1) | — | (1) | (2) |
| Other losses | 2 | — | 1 | — |
| Reversal of the excess of distributions received over the share in net earnings from the Joint Ventures | 9 | — | — | — |
| **EBITDA(A)** | 47 | 53 | 189 | 169 |

**Proportionate Consolidation**

| (in millions of dollars) | Three-month periods ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Net earnings (loss) | 2 | 6 | 2 | (8) |
| Income tax expense (recovery) | (7) | 4 | (9) | (1) |
| Financing costs | 27 | 24 | 99 | 95 |
| Amortization | 35 | 31 | 138 | 119 |
| **EBITDA** | 57 | 65 | 230 | 205 |
| Adjustments: | | | | |
| Loss on redemption of convertible debentures | — | — | — | 3 |
| Net loss on financial instruments | — | — | 3 | 7 |
| Foreign exchange gain | (1) | — | (1) | (2) |
| Other losses (gains) | 1 | (1) | (1) | (2) |
| **EBITDA(A)** | 57 | 64 | 231 | 211 |

**Reconciliation between IFRS and Proportionate Consolidation**

| (in millions of dollars) | Three-month periods ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| EBITDA(A) (IFRS) | 47 | 53 | 189 | 169 |
| Less: Share in earnings (losses) of the Joint Ventures Phases I and II[(1)] | 2 | 1 | 5 | 8 |
| Plus: EBITDA(A) of the Joint Ventures Phases I and II | 12 | 12 | 47 | 50 |
| EBITDA(A) (Proportionate Consolidation) | 57 | 64 | 231 | 211 |

(1) Excluding the reversal of the excess of distributions received over the share in net earnings of the Joint Ventures of $9 million.

## 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 in 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:

**IFRS**

| (in millions of dollars) | Three-month periods ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Net cash flows related to operating activities | 29 | 30 | 148 | 114 |
| Change in non-cash items related to operating activities | 1 | (7) | 20 | (14) |
| **CASH FLOWS FROM OPERATIONS** | 28 | 37 | 128 | 128 |

**Proportionate Consolidation**

| (in millions of dollars) | Three-month periods ended December 31 2016 | 2015 | Year ended December 31 2016 | 2015 |
|---|---|---|---|---|
| Net cash flows related to operating activities | 34 | 46 | 162 | 127 |
| Change in non-cash items related to operating activities | (2) | — | 18 | (5) |
| **CASH FLOWS FROM OPERATIONS** | 36 | 46 | 144 | 132 |

Tables reconciling IFRS data with data presented on a proportionate consolidation basis are included in the *Reconciliations between IFRS and Proportionate Consolidation* section.

## Net Debt Ratio

The Corporation defines net debt as follows:

| | IFRS | | Proportionate Consolidation | |
|---|---|---|---|---|
| (in millions of dollars) | As at December 31, 2016 | As at December 31, 2015 | As at December 31, 2016 | As at December 31, 2015 |
| Non-current debt | 1,439 | 1,276 | 1,749 | 1,560 |
| Current portion of debt | 101 | 145 | 116 | 159 |
| Borrowing costs, net of accumulated amortization | 25 | 24 | 44 | 39 |
| Less: | | | | |
| Cash and cash equivalents | 100 | 100 | 109 | 108 |
| Restricted cash[1] | 23 | 3 | 23 | 4 |
| Net debt[2] | 1,442 | 1,342 | 1,777 | 1,646 |
| Net debt excluding non-current debt drawn for projects under construction | 1,365 | 1,342 | 1,700 | 1,646 |

(1) The $170 million in restricted cash related to subscription receipts has been excluded.

(2) Excluding subscription receipts and related cash.

The Corporation defines total market capitalization as follows:

| | IFRS | | Proportionate Consolidation | |
|---|---|---|---|---|
| (in millions of dollars, except for the number of outstanding shares and share market price) | As at December 31, 2016 | As at December 31, 2015 | As at December 31, 2016 | As at December 31, 2015 |
| Number of outstanding shares (in thousands) | 65,366 | 64,829 | 65,366 | 64,829 |
| Share market price (in $ per share) | 19.15 | 14.46 | 19.15 | 14.46 |
| Market value of equity attributable to shareholders | 1,252 | 937 | 1,252 | 937 |
| Non-controlling shareholders | 18 | 14 | 18 | 14 |
| Net debt | 1,442 | 1,342 | 1,777 | 1,646 |
| Convertible debentures (nominal value) | 144 | 144 | 144 | 144 |
| Total market capitalization | 2,856 | 2,437 | 3,191 | 2,741 |

The Corporation computes the net debt to market capitalization ratio as follows:

| | IFRS | | Proportionate Consolidation | |
|---|---|---|---|---|
| (in millions of dollars) | As at December 31, 2016 | As at December 31, 2015 | As at December 31, 2016 | As at December 31, 2015 |
| Net debt | 1,442 | 1,342 | 1,777 | 1,646 |
| Total market capitalization | 2,856 | 2,437 | 3,191 | 2,741 |
| **NET DEBT RATIO** (market capitalization) | 50% | 55% | 56% | 60% |
| **NET DEBT RATIO** (market capitalization, excluding non-current debt drawn for projects under construction)[1] | 49% | 55% | 55% | 60% |

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

### Payout Ratio

The payout ratio represent 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 will be adjusted to withdraw non-recurring items.

For the year ended December 31, 2016, the dividends paid to shareholders by the Corporation corresponded to 83% of discretionary cash flows. The increased 2016 ratio is mainly due to the decrease in sales volumes related to the weak wind conditions in France.

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

The Corporation computes the discretionary cash flows and payout ratio as follows[1]:

| (in millions of dollars, except per share amount) | As at December 31, 2016 |
|---|---|
| Cash flows from operations | 144 |
| Adjustment to non-recurring items[2] | 7 |
| Distributions paid to non-controlling shareholders | (7) |
| Additions to property, plant and equipment (maintenance) | (9) |
| Repayments on non-current debt (projects) | (105) |
| Development costs (from statement of earnings) | 13 |
| **Discretionary cash flows** | **43** |
| Discretionary cash flows per share | $0.66 |
| Dividends paid to shareholders of Boralex | $36 |
| Dividend paid to shareholders per share | 0.55 $ |
| **Payout ratio** | **83%** |

(1) Under proportionate consolidation.
(2) Adjustment of interest on $4 million State Aid paid in France and $3 million in income taxes paid in France regarding previous adjustments in 2016.

# 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 its risk exposure naturally, as revenues, expenses and financing are in the local currency. Accordingly, foreign exchange risk arises 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.

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 the 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 from 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, 2016, our power stations in France and Canada (except Oldman in Alberta, Canada), as well as those in Hudson Falls and South Glens Falls in the United States, had long-term energy sales contracts, the vast majority of which are subject to partial or full indexation clauses tied to inflation. Consequently, only 26 MW or 2% of Boralex's installed capacity is exposed to price risk.

## Interest Rate Risk

Under IFRS, as at December 31, 2016, approximately 42% 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 and interest rate forward contracts, its actual exposure to interest rate fluctuations is reduced to only 8% of total debt under IFRS and proportionate consolidation.

**IFRS**

As at December 31,

**2016**

| | | Current notional | | Fair value | |
|---|---|---|---|---|---|
| | Currency | (currency of origin) | (CAD) | (currency of origin) | (CAD) |
| Financial swaps - interest rates | EUR | 265 | 375 | (18) | (25) |
| Financial swaps - interest rates | CAD | 230 | 230 | (51) | (51) |
| Foreign exchange forward contracts | EUR | 87 | 134 | 1 | 1 |
| | | | | | (75) |

**Proportionate Consolidation**

As at December 31,

**2016**

| | | Current notional | | Fair value | |
|---|---|---|---|---|---|
| | Currency | (currency of origin) | (CAD) | (currency of origin) | (CAD) |
| Financial swaps - interest rates | EUR | 265 | 375 | (18) | (25) |
| Financial swaps - interest rates | CAD | 479 | 479 | (73) | (73) |
| Foreign exchange forward contracts | EUR | 87 | 134 | 1 | 1 |
| | | | | | (97) |

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 those 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

| | Payments | | | |
|---|---|---|---|---|
| | Current portion | From 1 to 5 years | Over 5 years | **Total** |
| Contingent consideration | 49 | 24 | — | 73 |
| Subscription receipt issuance | 4 | — | — | 4 |
| Purchase and construction contracts | 223 | — | — | 223 |
| Maintenance contracts | 12 | 44 | 23 | 79 |
| Operating land lease contracts | 7 | 21 | 47 | 75 |
| | 295 | 89 | 70 | 454 |

## Contingent Consideration

Upon completion of certain phases in the development of a group of assets acquired from the company Ecotera, Boralex is required to pay to the seller a maximum amount of €51 million ($73 million).

## 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 2017 and 2054. These contracts provide for annual indexation based on the Consumer Price Index ("CPI"). However, under long-term contracts for the Québec hydroelectric power stations (except for the Forces Motrices St-François, whose price is indexed at an annual fixed rate, and the Beauport and Forestville power whose prices are indexed to the CPI), the indexation rate should not be lower than 3% or higher than 6%.

### France

For the wind power farms, 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 2017 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 selling 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 2017 - November 2017 | 86.65 | 80.58 |
| December 2017 - 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 power station is commissioned and will be indexed annually.

### France

The **Voie des Monts**, **Mont de Bagny**, **Artois**, **Chemin de Grès**, **Le Pelon** and **Moulins du Lohan** wind power projects should be covered by 15-year energy sales contracts. These contracts will begin when the wind farms are commissioned, and the selling price will be indexed annually.

## Purchase and Construction Contracts - Projects under Development

### Canada

The Corporation has entered into turbine purchase and construction contracts for the **Moose Lake** hydroelectric power project.

### France

(a) The Corporation has entered into a number of turbine purchase and construction contracts as well as a connection agreement for the **Voie des Monts, Mont de Bagny** and **Artois** wind power projects.

(b) The Corporation has entered into a number of construction contracts for the **Chemin de Grès** wind power project.

(c) The Corporation has entered into a number of turbine purchase and construction contracts for the **Moulins du Lohan** wind power project.

## Maintenance Contracts

### Canada

(a) The Corporation has entered into 12-year wind turbine maintenance contracts expiring in 2022 for the **Thames River** wind farms. Those contracts include a cancellation option at the Corporation's discretion, exercisable after the fifth year.

(b) The Corporation has entered into 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, and exercisable after the fifth year.

(c) The Corporation has entered into 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.

### 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 Land Lease Contracts

### Canada

(a) For the **Thames River**, **Témiscouata I**, **Témiscouata II**, **Côte-de-Beaupré** and **Frampton** 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.

### France

The land on which the French wind power farms 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 annually and are indexed each year, 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 lease 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).

## 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.

## Boralex's Share of the Commitments of Joint Ventures Phases I and II

| | 2016 | | | |
|---|---|---|---|---|
| | Payments | | | |
| | Current portion | From 1 to 5 years | Over years | Total |
| Service contracts | 1 | 2 | 11 | 14 |
| Maintenance contracts | 4 | 15 | — | 19 |
| Land lease contracts | 1 | 4 | 14 | 19 |
| Total | 6 | 21 | 25 | 52 |

### 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 price 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 lands on which the wind turbines are installed are leased for an annual amount of approximately $2 million, indexed annually at a rate of 1.5%.

## Contingencies

On January 21, 2016, the Québec Court of Appeal rendered a decision allowing the motion of the applicants (which challenged the decision of the Superior Court, District of Québec, disallowing the motion requesting authorization to institute a class action against Joint Ventures Phases I and II). In this decision, the Court of Appeal revisited the definition of the group covered by the class action by limiting the number of affected residences. However, according to the decision, the trial judge may change the group definition, if circumstances so require. The class action could be heard in the Superior Court.

To date, the insurers of the project have assumed the total defence costs. Potential claims resulting from a possible decision favourable to the applicants could be reimbursed by the insurers, depending on their nature, and taking into account the exclusions provided for in the insurance policy.

Based on this information, the Corporation has estimated that the contingency is not significant. Accordingly, no provision has been recorded in respect of this contingency.

# Subsequent Events

## Acquisition of the Interest in the Niagara Region Wind Farm and Closing of the Bought Deal Offering

On January 18, 2017, Boralex announced the closing of the acquisition, announced in December 2016, of the total economic interest of Enercon Canada Inc. in the 230 MW wind farm in the Niagara region, including a cash consideration of $232 million, subject to adjustments under the acquisition agreements and Boralex assuming debt totalling $798 million, for a total enterprise value of over $1 billion.

On December 18, 2016, the Corporation carried out a public offering of subscription receipts for gross proceeds of approximately $173 million ($170 million net of transaction costs), including the full exercise of the over-allotment option by the underwriters. The subscription receipts were exchangeable on a one-for-one basis for Class A common shares of Boralex upon closing of the transaction for no additional consideration or further action. The offering was carried out by a syndicate of underwriters who purchased an aggregate of 10,361,500 subscription receipts of the Corporation at a price of $16.65 each. The 10,361,500 subscription receipts issued under the offering were automatically exchanged for Boralex common shares on a one-for-one basis on January 18, 2017.

Due to the limited period of time between the **NRWF** acquisition and the publication of the consolidated financial statements of the Corporation, certain items required for the disclosure of asset acquisitions have not been provided, particularly the preliminary purchase price allocation. The Corporation is currently assessing the fair value of assets acquired and liabilities assumed and will publish the preliminary purchase price allocation with fiscal 2017 first quarter results.

## Refinancing of the Revolving Credit Facility

On January 18, 2017, after announcing its acquisition of Enercon's interest in **NRWF**, Boralex obtained an additional $100 million increase in its revolving credit facility, resulting in an authorized amount of $460 million. Coupled with the recent offering of $173 million in subscription receipts, these financial transactions demonstrate Boralex's credibility in the capital markets. They afford Boralex significant financial flexibility, such as the ability to inject capital into new projects that meet its growth objectives, and help preserve the strength of its statement of financial position.

## Port Ryerse

On February 7, 2017, following the December 9, 2016 commissioning of **Port Ryerse** wind power project in Ontario, Canada with an installed capacity of 10 MW, Boralex Inc. acquired the remaining 25% of the partnership units of Port Ryerse Wind Farm Limited Partnership held by UDI Renewables Corporation. Boralex Inc. now holds all the partnership units of Port Ryerse Wind Farm Limited Partnership.

On February 22, 2017, the Corporation announced the closing of financing for the **Port Ryerse** wind power project in the amount of $33 million. The long-term financing was provided by DZ Bank AG Deutsche Zentral-Genossenschaftsbank (New York branch) and 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 from the project commissioning date of December 9, 2016. To reduce its exposure to variable rates, interest rate swaps have been entered into, which will allow to fix the rate at 3.89% over 90% of the debt.

## France - Chemin de Grès Wind Power Project

In February 2017, the Corporation entered into construction contracts for the **Chemin de Grès** wind power project. The Corporation's net commitment under these contracts amounts to €26 million ($37 million).

# Risk Factors and Uncertainties

## 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 affects 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.

## Raw Material Supply

The operation of wood-residue power stations, which represented 3% of the total installed capacity as at December 31, 2016, requires fuel in the form of wood residue or natural gas. If there is an interruption in the supply 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.

## Power Station Operation and Equipment Failure

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.

## 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. Even when complete, a facility may not operate as planned, or design and manufacturing flaws may occur, which could conceivably not be covered by warranty. 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.

## Dam Safety

Hydroelectric power stations in Québec, which represented 3% of total installed capacity as at December 31, 2016, 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 consequence of a dam failure 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 Boralex'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. In several instances, the Corporation obtains new energy sales contracts by submitting offers in response to requests for proposals issued by large clients. There is no assurance that the Corporation will be selected as energy supplier following requests for proposals or that existing energy sales contracts will be renewed, or will be renewed under equivalent terms and conditions on expiry.

## Key Employees

Holders of securities of the Corporation must rely on the experience and expertise of several key employees of the Corporation. 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, a 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 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 than itself for energy sales contracts 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, 2016, given the effect of the interest rate swaps in force, only some 8% 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.

## Additional Financing

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.

## 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 its risk exposure to a minimum, as revenues, expenses and financing are in the local currency. Accordingly, foreign exchange risk arises from the residual liquidity that can be distributed 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.

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 for example.

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 loss*, in equity, and not in the statement of earnings (loss), 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 70 facilities are distributed as follows: 35 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, and 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. 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 its development and construction of and lead to the loss of all investments made in the development and the write-off of such prospective project.

## Relationships with Stakeholders

The Corporation enters into various types of arrangements with communities or joint venture 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 personal injuries, financial losses, inconveniences, property damage, property taxes, land rights and contract disputes. 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. The Corporation believes that it is not currently involved in any litigation, claim or proceedings whose negative outcome could have a material effect on its consolidated financial position or results.

## 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.

## Main Sources of Uncertainty Relating to Management's Estimates and Key Judgments

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 a five-year period 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. 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 rates and discount rates.

## 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 acquisition occurs, 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.

# Accounting Policies

## Change in Accounting Policies

### IAS 1, *Presentation of Financial Statements*

In December 2014, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, as part of its initiative to improve presentation and disclosure requirements for financial reporting. The amendments to IAS 1 provide further guidance on the current presentation and disclosure requirements for materiality, notes structure, subtotals, accounting policies and disaggregation. The amendments also provide additional guidance on the exercise of professional judgment when determining what information to disclose in the preparation of notes to the financial statements. These amendments apply to fiscal years beginning on or after January 1, 2016, date at which the Corporation adopted this new standard, and this change had no material impact on the Corporation's consolidated financial statements.

## Future Changes 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 companies to provide information on changes in their financing liabilities. The changes apply to fiscal years beginning on or after January 1, 2017 with earlier adoption permitted.

### 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 loss* instead of in the statement of loss.

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 will be effective for the Corporation's fiscal year beginning on or after January 1, 2018, but earlier adoption is permitted. The Corporation is currently assessing the impact of adopting this standard on its financial statements.

### 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 IAS 11, *Construction Contracts*, IAS 18, *Revenue*, as well as various interpretations regarding revenue. IFRS 15 is effective for fiscal years beginning on or after January 1, 2018 with earlier adoption permitted. The Corporation is currently assessing the impact of adopting this standard on its financial statements.

### 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.

# Internal Controls and Procedures

In accordance with Regulation 52-109 respecting certification of disclosure in issuers' annual and interim filings, disclosure controls and procedures 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 has also been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of Boralex's disclosure controls and procedures as of December 31, 2016, as well as the effectiveness of Boralex's internal control over financial reporting as of the same date, and have concluded that they are effective.

During the year ended December 31, 2016, no changes were made to internal control over financial reporting or disclosure controls and procedures that have materially affected, or are reasonably likely to materially affect, internal controls and procedures.

# Consolidated Statements of Financial Position[1]

| (in millions of dollars) | As at December 31, 2016 | As at December 31, 2015 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | 109 | 108 |
| Restricted cash | 193 | 4 |
| Trade and other receivables | 88 | 90 |
| Other current financial assets | 1 | 1 |
| Other current assets | 15 | 12 |
| CURRENT ASSETS | 406 | 215 |
| Property, plant and equipment | 2,053 | 1,963 |
| Intangible assets | 426 | 430 |
| Goodwill | 124 | 128 |
| Deferred income tax asset | 21 | 21 |
| Other non-current financial assets | 2 | — |
| Other non-current assets | 52 | 50 |
| NON-CURRENT ASSETS | 2,678 | 2,592 |
| TOTAL ASSETS | 3,084 | 2,807 |
| **LIABILITIES** | | |
| Trade and other payables | 136 | 99 |
| Current portion of debt | 116 | 159 |
| Subscription receipts | 173 | — |
| Current income tax liability | — | 2 |
| Other current financial liabilities | 47 | 41 |
| CURRENT LIABILITIES | 472 | 301 |
| Non-current debt | 1,749 | 1,560 |
| Convertible debentures | 135 | 133 |
| Deferred income tax liability | 70 | 88 |
| Decommissioning liability | 36 | 33 |
| Other non-current financial liabilities | 53 | 60 |
| Other non-current liabilities | 55 | 73 |
| NON-CURRENT LIABILITIES | 2,098 | 1,947 |
| TOTAL LIABILITIES | 2,570 | 2,248 |
| **EQUITY** | | |
| Equity attributable to shareholders | 496 | 545 |
| Non-controlling shareholders | 18 | 14 |
| TOTAL EQUITY | 514 | 559 |
| TOTAL LIABILITIES AND EQUITY | 3,084 | 2,807 |

[1] These financial statements have not been reviewed by the independent auditor.

# Consolidated Statements of Earnings (Loss)[1]

| (in millions of dollars, except per share amounts) | Three-month periods ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **REVENUES** | | | | |
| Revenues from energy sales | 89 | 95 | 354 | 324 |
| Other income | 1 | — | 2 | 1 |
| | 90 | 95 | 356 | 325 |
| **COSTS AND OTHER EXPENSES** | | | | |
| Operating | 24 | 22 | 94 | 86 |
| Administrative | 5 | 5 | 18 | 18 |
| Development | 4 | 4 | 13 | 10 |
| Amortization | 35 | 31 | 138 | 119 |
| Other losses (gains) | 1 | (1) | (1) | (2) |
| | 69 | 61 | 262 | 231 |
| **OPERATING INCOME** | 21 | 34 | 94 | 94 |
| Financing costs | 27 | 24 | 99 | 95 |
| Foreign exchange gain | (1) | — | (1) | (2) |
| Net loss on financial instruments | — | — | 3 | 7 |
| Loss on redemption of convertible debentures | — | — | — | 3 |
| **INCOME (LOSS) BEFORE INCOME TAXES** | (5) | 10 | (7) | (9) |
| Income tax expense (recovery) | (7) | 4 | (9) | (1) |
| **NET EARNINGS (LOSS)** | 2 | 6 | 2 | (8) |
| **NET EARNINGS (LOSS) ATTRIBUTABLE TO:** | | | | |
| Shareholders of Boralex | 1 | 6 | (2) | (11) |
| Non-controlling shareholders | 1 | — | 4 | 3 |
| **NET EARNINGS (LOSS)** | 2 | 6 | 2 | (8) |
| **NET EARNINGS (LOSS) PER SHARE (BASIC AND DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX** | $0.02 | $0.09 | ($0.03) | ($0.21) |

[1] These financial statements have not been reviewed by the independent auditor.

# Consolidated Statements of Cash Flows[1]

| (in millions of dollars) | Three-month periods ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Net earnings (loss) | 2 | 6 | 2 | (8) |
| Financing costs | 27 | 24 | 99 | 95 |
| Interest paid | (20) | (19) | (83) | (82) |
| Income tax expense (recovery) | (7) | 4 | (9) | (1) |
| Income taxes paid | (2) | — | (8) | (1) |
| Non-cash items in loss: | | | | |
| Net loss on financial instruments | — | — | 3 | 7 |
| Amortization | 35 | 31 | 138 | 119 |
| Loss on redemption of convertible debentures | — | — | — | 3 |
| Other | 1 | — | 2 | — |
| Change in non-cash items related to operating activities | (2) | — | 18 | (5) |
| **NET CASH FLOWS RELATED TO OPERATING ACTIVITIES** | 34 | 46 | 162 | 127 |
| | | | | |
| Business acquisitions, net of cash acquired | (16) | (44) | (16) | (60) |
| Additions to property, plant and equipment | (53) | (95) | (223) | (332) |
| Acquisition of energy sales contracts | — | — | (32) | — |
| Change in restricted cash | (13) | 9 | (19) | 14 |
| Other | (3) | (1) | (7) | (6) |
| **NET CASH FLOWS RELATED TO INVESTING ACTIVITIES** | (85) | (131) | (297) | (384) |
| | | | | |
| Net increase in non-current debt | 166 | 157 | 349 | 425 |
| Repayments on current and non-current debt | (74) | (50) | (166) | (333) |
| Convertible debenture issuance proceeds, net of transaction costs | — | — | — | 137 |
| Redemption of convertible debentures | — | — | — | (47) |
| Contribution of non-controlling shareholders | — | — | — | 7 |
| Distributions paid to a non-controlling shareholder | (4) | (5) | (7) | (8) |
| Dividends paid to shareholders of Boralex | (9) | (8) | (36) | (27) |
| Share issuance proceeds, net of transaction costs | — | — | — | 118 |
| Proceeds from subscription receipt issuance, net of transaction costs | 170 | — | 170 | — |
| Restricted cash received from subscription receipt issuance | (170) | — | (170) | — |
| Exercise of options | 1 | — | 4 | — |
| Redemption of financial instruments prior to maturity | — | — | (4) | — |
| **NET CASH FLOWS RELATED TO FINANCING ACTIVITIES** | 80 | 94 | 140 | 272 |
| **TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS** | (1) | 2 | (4) | 6 |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | 28 | 11 | 1 | 21 |
| | | | | |
| **CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD** | 81 | 97 | 108 | 87 |
| **CASH AND CASH EQUIVALENTS - END OF PERIOD** | 109 | 108 | 109 | 108 |

[1] These financial statements have not been reviewed by the independent auditor.

# Information by Operating Segment[1]

| (in millions of dollars, except GWh) | Three-month periods ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **POWER PRODUCTION (GWh)** | | | | |
| Wind power stations | 552 | 581 | 2,136 | 1,943 |
| Hydroelectric power stations | 140 | 158 | 632 | 626 |
| Thermal power stations | 34 | 31 | 163 | 155 |
| Solar power stations | 4 | 4 | 22 | 9 |
| | 730 | 774 | 2,953 | 2,733 |
| **REVENUES FROM ENERGY SALES** | | | | |
| Wind power stations | 69 | 73 | 267 | 236 |
| Hydroelectric power stations | 12 | 15 | 57 | 58 |
| Thermal power stations | 7 | 6 | 25 | 27 |
| Solar power stations | 1 | 1 | 5 | 3 |
| | 89 | 95 | 354 | 324 |
| **EBITDA(A)** | | | | |
| Wind power stations | 55 | 61 | 215 | 189 |
| Hydroelectric power stations | 9 | 10 | 40 | 41 |
| Thermal power stations | 1 | 1 | 6 | 6 |
| Solar power stations | 1 | 1 | 4 | 3 |
| Corporate and eliminations | (9) | (9) | (34) | (28) |
| | 57 | 64 | 231 | 211 |

[1] These financial statements have not been reviewed by the independent auditor.

# Information by Geographic Segment[1]

| (in millions of dollars, except GWh) | Three-month periods ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **POWER PRODUCTION (GWh)** | | | | |
| Canada | 399 | 346 | 1,565 | 1,315 |
| France | 262 | 337 | 1,069 | 1,087 |
| United States | 69 | 91 | 319 | 331 |
| | 730 | 774 | 2,953 | 2,733 |
| **REVENUES FROM ENERGY SALES** | | | | |
| Canada | 47 | 40 | 175 | 144 |
| France | 36 | 47 | 150 | 150 |
| United States | 6 | 8 | 29 | 30 |
| | 89 | 95 | 354 | 324 |
| **EBITDA(A)** | | | | |
| Canada | 35 | 26 | 124 | 94 |
| France | 20 | 32 | 89 | 96 |
| United States | 3 | 6 | 19 | 21 |
| Other [2] | (1) | — | (1) | — |
| | 57 | 64 | 231 | 211 |

[1] These financial statements have not been reviewed by the independent auditor.
[2] Scotland and Denmark.

# Consolidated Statements of Financial Position

| (in millions of dollars) | As at December 31, 2016 IFRS | Adjustments Joint Ventures | Proportionate Consolidation |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 100 | 9 | 109 |
| Restricted cash | 193 | — | 193 |
| Trade and other receivables | 81 | 7 | 88 |
| Other current financial assets | 1 | — | 1 |
| Other current assets | 14 | 1 | 15 |
| 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 | 131 | 5 | 136 |
| Current portion of debt | 101 | 15 | 116 |
| Subscription receipts | 173 | — | 173 |
| Other current financial liabilities | 47 | — | 47 |
| 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 Financial Position

As at December 31,

**2015**

| (in millions of dollars) | IFRS | Adjustments Joint Ventures | Proportionate Consolidation |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 100 | 8 | 108 |
| Restricted cash | 3 | 1 | 4 |
| Trade and other receivables | 85 | 5 | 90 |
| Other current financial assets | 1 | — | 1 |
| Other current assets | 12 | — | 12 |
| CURRENT ASSETS | 201 | 14 | 215 |
| Property, plant and equipment | 1,556 | 407 | 1,963 |
| Intangible assets | 430 | — | 430 |
| Goodwill | 128 | — | 128 |
| Interests in the Joint Ventures | 67 | (67) | — |
| Deferred income tax asset | 21 | — | 21 |
| Other non-current assets | 46 | 4 | 50 |
| NON-CURRENT ASSETS | 2,248 | 344 | 2,592 |
| TOTAL ASSETS | 2,449 | 358 | 2,807 |
| **LIABILITIES** | | | |
| Trade and other payables | 92 | 7 | 99 |
| Current portion of debt | 145 | 14 | 159 |
| Current income tax liability | 2 | — | 2 |
| Other current financial liabilities | 41 | — | 41 |
| CURRENT LIABILITIES | 280 | 21 | 301 |
| Non-current debt | 1,276 | 284 | 1,560 |
| Convertible debentures | 133 | — | 133 |
| Deferred income tax liability | 88 | — | 88 |
| Decommissioning liability | 32 | 1 | 33 |
| Other non-current financial liabilities | 37 | 23 | 60 |
| Other non-current liabilities | 44 | 29 | 73 |
| NON-CURRENT LIABILITIES | 1,610 | 337 | 1,947 |
| TOTAL LIABILITIES | 1,890 | 358 | 2,248 |
| **EQUITY** | | | |
| Equity attributable to shareholders | 545 | — | 545 |
| Non-controlling shareholders | 14 | — | 14 |
| TOTAL EQUITY | 559 | — | 559 |
| TOTAL LIABILITIES AND EQUITY | 2,449 | 358 | 2,807 |

# Consolidated Statements of Earnings (Loss)

| (in millions of dollars, except per share amounts) | Three-month period ended December 31 2016 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 earnings 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 (BASIC AND DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX** | ($0.07) | $0.09 | $0.02 |

# Consolidated Statements of Earnings

| (in millions of dollars, except per share amounts) | Three-month period ended December 31 2015 IFRS | Adjustments Joint Ventures | Proportionate Consolidation |
|---|---|---|---|
| **REVENUES** | | | |
| Revenues from energy sales | 81 | 14 | 95 |
| Other income | 1 | (1) | — |
| | 82 | 13 | 95 |
| **COSTS AND OTHER EXPENSES** | | | |
| Operating | 21 | 1 | 22 |
| Administrative | 5 | — | 5 |
| Development | 4 | — | 4 |
| Amortization | 26 | 5 | 31 |
| Other losses | — | (1) | (1) |
| | 56 | 5 | 61 |
| **OPERATING INCOME** | 26 | 8 | 34 |
| Financing costs | 17 | 7 | 24 |
| Share in earnings of the Joint Ventures | 1 | (1) | — |
| **INCOME BEFORE INCOME TAXES** | 10 | — | 10 |
| Income tax recovery | 4 | — | 4 |
| **NET EARNINGS** | 6 | — | 6 |
| **NET EARNINGS ATTRIBUTABLE TO:** | | | |
| Shareholders of Boralex | 6 | — | 6 |
| Non-controlling shareholders | — | — | — |
| **NET EARNINGS** | 6 | — | 6 |
| **NET EARNINGS PER SHARE (BASIC AND DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX** | $0.09 | — | $0.09 |

# Consolidated Statements of Earnings

| (in millions of dollars, except per share amounts) | Year ended December 31 2016 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 losses (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 (BASIC AND DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX** | ($0.03) | — | ($0.03) |

# Consolidated Statements of Loss

| (in millions of dollars, except per share amounts) | Year ended December 31 2015 IFRS | Adjustments Joint Ventures | Proportionate Consolidation |
|---|---|---|---|
| **REVENUES** | | | |
| Revenues from energy sales | 266 | 58 | 324 |
| Other income | 2 | (1) | 1 |
| | 268 | 57 | 325 |
| **COSTS AND OTHER EXPENSES** | | | |
| Operating | 79 | 7 | 86 |
| Administrative | 18 | — | 18 |
| Development | 10 | — | 10 |
| Amortization | 97 | 22 | 119 |
| Other gains | — | (2) | (2) |
| | 204 | 27 | 231 |
| **OPERATING INCOME** | 64 | 30 | 94 |
| Financing costs | 73 | 22 | 95 |
| Foreign exchange gain | (2) | — | (2) |
| Net loss on financial instruments | 7 | — | 7 |
| Share in earnings of the Joint Ventures | 8 | (8) | — |
| Loss on redemption of convertible debentures | 3 | — | 3 |
| **LOSS BEFORE INCOME TAXES** | (9) | — | (9) |
| Income tax recovery | (1) | — | (1) |
| **NET LOSS** | (8) | — | (8) |
| **NET EARNINGS (LOSS) ATTRIBUTABLE TO:** | | | |
| Shareholders of Boralex | (11) | — | (11) |
| Non-controlling shareholders | 3 | — | 3 |
| **NET LOSS** | (8) | — | (8) |
| **NET LOSS PER SHARE (BASIC AND DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX** | ($0.21) | — | ($0.21) |

# Consolidated Statements of Cash Flows

| | Three-month period ended December 31 | | |
|---|---|---|---|
| | 2016 | | |
| (in millions of dollars) | 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 loss: | | | |
| Share in results 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 on current and non-current debt | (67) | (7) | (74) |
| Distributions paid to non-controlling shareholders | (4) | — | (4) |
| Dividends paid to shareholders of Boralex | (9) | — | (9) |
| 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 |
| **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

| (in millions of dollars) | Three-month period ended December 31 2015 IFRS | Adjustments Joint Ventures | Proportionate Consolidation |
|---|---|---|---|
| Net earnings | 6 | — | 6 |
| Financing costs | 17 | 7 | 24 |
| Interest paid | (15) | (4) | (19) |
| Income tax recovery | 4 | — | 4 |
| Non-cash items in loss: | | | |
| Share in results of the Joint Ventures | (1) | 1 | — |
| Amortization | 26 | 5 | 31 |
| Change in non-cash items related to operating activities | (7) | 7 | — |
| **NET CASH FLOWS RELATED TO OPERATING ACTIVITIES** | 30 | 16 | 46 |
| | | | |
| Business acquisitions, net of cash acquired | (44) | — | (44) |
| Additions to property, plant and equipment | (95) | — | (95) |
| Change in restricted cash | 10 | (1) | 9 |
| Other | — | (1) | (1) |
| **NET CASH FLOWS RELATED TO INVESTING ACTIVITIES** | (129) | (2) | (131) |
| | | | |
| Net increase in non-current debt | 157 | — | 157 |
| Repayments on current and non-current debt | (38) | (12) | (50) |
| Distributions paid to a non-controlling shareholder | (5) | — | (5) |
| Dividends paid to shareholders of Boralex | (8) | — | (8) |
| **NET CASH FLOWS RELATED TO FINANCING ACTIVITIES** | 106 | (12) | 94 |
| **TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS** | 2 | — | 2 |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | 9 | 2 | 11 |
| | | | |
| **CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD** | 91 | 6 | 97 |
| **CASH AND CASH EQUIVALENTS - END OF PERIOD** | 100 | 8 | 108 |

# Consolidated Statements of Cash Flows

| (in millions of 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 results 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 acquisition, 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 the 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 shareholder | (7) | — | (7) |
| Dividends paid to shareholders of Boralex | (36) | — | (36) |
| Proceeds from subscription receipt issuance, net of transaction costs | 170 | — | 170 |
| Restricted cash received from 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 |

# Consolidated Statements of Cash Flows

| (in millions of dollars) | Year ended December 31 2015 IFRS | Adjustments Joint Ventures | Proportionate Consolidation |
|---|---|---|---|
| Net loss | (8) | — | (8) |
| Distributions received from the Joint Ventures | 29 | (29) | — |
| Financing costs | 73 | 22 | 95 |
| Interest paid | (65) | (17) | (82) |
| Income tax recovery | (1) | — | (1) |
| Income taxes paid | (1) | — | (1) |
| Non-cash items in loss: | | | |
| Net loss on financial instruments | 7 | — | 7 |
| Share in earnings of the Joint Ventures | (8) | 8 | — |
| Amortization | 97 | 22 | 119 |
| Loss on redemption of convertible debentures | 3 | — | 3 |
| Other | 2 | (2) | — |
| Change in non-cash items related to operating activities | (14) | 9 | (5) |
| **NET CASH FLOWS RELATED TO OPERATING ACTIVITIES** | 114 | 13 | 127 |
| | | | |
| Business acquisitions, net of cash acquired | (60) | — | (60) |
| Additions to property, plant and equipment | (330) | (2) | (332) |
| Change in restricted cash | 7 | 7 | 14 |
| Other | (6) | — | (6) |
| **NET CASH FLOWS RELATED TO INVESTING ACTIVITIES** | (389) | 5 | (384) |
| | | | |
| Net increase in non-current debt | 425 | — | 425 |
| Repayments on current and non-current debt | (312) | (21) | (333) |
| Convertible debenture issuance proceeds, net of transaction costs | 138 | (1) | 137 |
| Redemption of convertible debentures | (47) | — | (47) |
| Contribution of non-controlling shareholders | 7 | — | 7 |
| Distributions paid to a non-controlling shareholder | (8) | — | (8) |
| Dividends paid to shareholders of Boralex | (27) | — | (27) |
| Share issuance proceeds, net of transaction costs | 118 | — | 118 |
| **NET CASH FLOWS RELATED TO FINANCING ACTIVITIES** | 294 | (22) | 272 |
| **TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS** | 6 | — | 6 |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | 25 | (4) | 21 |
| | | | |
| **CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD** | 75 | 12 | 87 |
| **CASH AND CASH EQUIVALENTS - END OF PERIOD** | 100 | 8 | 108 |

# Information by Operating Segment

| (in millions of dollars, except GWh) | 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 |

| (in millions of dollars, except GWh) | Three-month period ended December 31 2015 IFRS | Adjustments Joint Ventures | Proportionate Consolidation |
|---|---|---|---|
| **POWER PRODUCTION (GWh)** | | | |
| Wind power stations | 450 | 131 | 581 |
| Hydroelectric power stations | 158 | — | 158 |
| Thermal power stations | 31 | — | 31 |
| Solar power stations | 4 | — | 4 |
| | 643 | 131 | 774 |
| **REVENUES FROM ENERGY SALES** | | | |
| Wind power stations | 59 | 14 | 73 |
| Hydroelectric power stations | 15 | — | 15 |
| Thermal power stations | 6 | — | 6 |
| Solar power stations | 1 | — | 1 |
| | 81 | 14 | 95 |
| **EBITDA(A)** | | | |
| Wind power stations | 51 | 10 | 61 |
| Hydroelectric power stations | 10 | — | 10 |
| Thermal power stations | 1 | — | 1 |
| Solar power stations | 1 | — | 1 |
| | 63 | 10 | 73 |
| Corporate and eliminations | (10) | 1 | (9) |
| | 53 | 11 | 64 |

# Information by Operating Segment

| (in millions of dollars, except GWh) | 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 |

| (in millions of dollars, except GWh) | Year ended December 31 2015 IFRS | Adjustments Joint Ventures | Proportionate Consolidation |
|---|---|---|---|
| **POWER PRODUCTION (GWh)** | | | |
| Wind power stations | 1,396 | 547 | 1,943 |
| Hydroelectric power stations | 626 | — | 626 |
| Thermal power stations | 155 | — | 155 |
| Solar power stations | 9 | — | 9 |
| | 2,186 | 547 | 2,733 |
| **REVENUES FROM ENERGY SALES** | | | |
| Wind power stations | 178 | 58 | 236 |
| Hydroelectric power stations | 58 | — | 58 |
| Thermal power stations | 27 | — | 27 |
| Solar power stations | 3 | — | 3 |
| | 266 | 58 | 324 |
| **EBITDA(A)** | | | |
| Wind power stations | 149 | 40 | 189 |
| Hydroelectric power stations | 41 | — | 41 |
| Thermal power stations | 6 | — | 6 |
| Solar power stations | 3 | — | 3 |
| | 199 | 40 | 239 |
| Corporate and eliminations | (30) | 2 | (28) |
| | 169 | 42 | 211 |

# Information by Geographic Segment

| (in millions of dollars, except GWh) | Three-month period ended December 31 2016 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] Scotland and Denmark.

| (in millions of dollars, except GWh) | Three-month period ended December 31 2015 IFRS | Adjustments Joint Ventures | Proportionate Consolidation |
|---|---|---|---|
| **POWER PRODUCTION (GWh)** | | | |
| Canada | 215 | 131 | 346 |
| France | 337 | — | 337 |
| United States | 91 | — | 91 |
| | 643 | 131 | 774 |
| **REVENUES FROM ENERGY SALES** | | | |
| Canada | 26 | 14 | 40 |
| France | 47 | — | 47 |
| United States | 8 | — | 8 |
| | 81 | 14 | 95 |
| **EBITDA(A)** | | | |
| Canada | 15 | 11 | 26 |
| France | 32 | — | 32 |
| United States | 6 | — | 6 |
| | 53 | 11 | 64 |

# Information by Geographic Segment

| (in millions of dollars, except GWh) | 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] Scotland and Denmark.

| (in millions of dollars, except GWh) | Year ended December 31 2015 IFRS | Adjustments Joint Ventures | Proportionate Consolidation |
|---|---|---|---|
| **POWER PRODUCTION (GWh)** | | | |
| Canada | 768 | 547 | 1,315 |
| France | 1,087 | — | 1,087 |
| United States | 331 | — | 331 |
| | 2,186 | 547 | 2,733 |
| **REVENUES FROM ENERGY SALES** | | | |
| Canada | 86 | 58 | 144 |
| France | 150 | — | 150 |
| United States | 30 | — | 30 |
| | 266 | 58 | 324 |
| **EBITDA(A)** | | | |
| Canada | 52 | 42 | 94 |
| France | 96 | — | 96 |
| United States | 21 | — | 21 |
| | 169 | 42 | 211 |

# 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

Montréal, Canada

March 2, 2017

# 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, 2016 and 2015 and the consolidated statements of loss, 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, 2016 and 2015, and their financial performance and their cash flows for the years then ended in accordance with IFRS.

(s) PricewaterhouseCoopers LLP[1]

Montréal, Québec

March 2, 2017

[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, 2016 | As at December 31, 2015 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | | 100 | 100 |
| Restricted cash | 29 | 193 | 3 |
| Trade and other receivables | 6 | 81 | 85 |
| Other current financial assets | 23 | 1 | 1 |
| Other current assets | | 14 | 12 |
| CURRENT ASSETS | | 389 | 201 |
| Property, plant and equipment | 7 | 1,668 | 1,556 |
| Intangible assets | 8 | 426 | 430 |
| Goodwill | 8 | 124 | 128 |
| Interests in the Joint Ventures | 9 | 22 | 67 |
| Deferred income tax asset | 14 | 21 | 21 |
| Other non-current financial assets | 23 | 2 | — |
| Other non-current assets | 10 | 50 | 46 |
| NON-CURRENT ASSETS | | 2,313 | 2,248 |
| TOTAL ASSETS | | 2,702 | 2,449 |
| **LIABILITIES** | | | |
| Trade and other payables | 11 | 131 | 92 |
| Current portion of debt | 12 | 101 | 145 |
| Subscription receipts | 29 | 173 | — |
| Current income tax liability | | — | 2 |
| Other current financial liabilities | 23 | 47 | 41 |
| CURRENT LIABILITIES | | 452 | 280 |
| Non-current debt | 12 | 1,439 | 1,276 |
| Convertible debentures | 13 | 135 | 133 |
| Deferred income tax liability | 14 | 70 | 88 |
| Decommissioning liability | 15 | 34 | 32 |
| Other non-current financial liabilities | 23 | 31 | 37 |
| Other non-current liabilities | | 27 | 44 |
| NON-CURRENT LIABILITIES | | 1,736 | 1,610 |
| TOTAL LIABILITIES | | 2,188 | 1,890 |
| **EQUITY** | | | |
| Equity attributable to shareholders | | 496 | 545 |
| Non-controlling shareholders | | 18 | 14 |
| TOTAL EQUITY | | 514 | 559 |
| TOTAL LIABILITIES AND EQUITY | | 2,702 | 2,449 |

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 2, 2017.

(s) Robert F. Hall

**Robert F. Hall**, Director

(s) Pierre Seccareccia

**Pierre Seccareccia**, Director

# Consolidated Statements of Earnings (Loss)

| (in millions of Canadian dollars, except per share amounts) | Note | 2016 | 2015 |
|---|---|---|---|
| **REVENUES** | | | |
| Revenues from energy sales | | 299 | 266 |
| Other income | | 3 | 2 |
| | | 302 | 268 |
| **COSTS AND OTHER EXPENSES** | | | |
| Operating | 19 | 87 | 79 |
| Administrative | 19 | 18 | 18 |
| Development | | 13 | 10 |
| Amortization | | 116 | 97 |
| Other losses | | 1 | — |
| | | 235 | 204 |
| **OPERATING INCOME** | | 67 | 64 |
| Financing costs | 20 | 76 | 73 |
| Foreign exchange gain | | (1) | (2) |
| Net loss on financial instruments | | 4 | 7 |
| Share in earnings of the Joint Ventures | 9 | 5 | 8 |
| Loss on redemption of convertible debentures | 13 | — | 3 |
| **EARNINGS (LOSS) BEFORE INCOME TAXES** | | (7) | (9) |
| Income tax recovery | 14 | (9) | (1) |
| **NET EARNINGS (LOSS)** | | 2 | (8) |
| **NET EARNINGS (LOSS) ATTRIBUTABLE TO:** | | | |
| Shareholders of Boralex | | (2) | (11) |
| Non-controlling shareholders | | 4 | 3 |
| **NET EARNINGS (LOSS)** | | 2 | (8) |
| **NET LOSS PER SHARE (BASIC AND DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX** | 21 | ($0.03) | ($0.21) |

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

# Consolidated Statements of Comprehensive Income (Loss)

| (in millions of Canadian dollars) | 2016 | 2015 |
|---|---|---|
| **NET EARNINGS (LOSS)** | 2 | (8) |
| **Other comprehensive income (loss) to be subsequently reclassified to net earnings (loss) when certain conditions are met** | | |
| Translation adjustments: | | |
| Unrealized foreign exchange gain (loss) on translation of financial statements of self-sustaining foreign operations | (17) | 19 |
| Hedge of net investment: | | |
| Change in fair value | 5 | (6) |
| Cash flow hedges: | | |
| Change in fair value | (14) | (6) |
| Hedging items realized and recognized in net loss | 13 | 11 |
| Income taxes | — | (2) |
| Cash flow hedges - Joint Ventures: | | |
| Change in fair value | (4) | (11) |
| Hedging items realized and recognized in net loss | 6 | 5 |
| Income taxes | (1) | 2 |
| Total other comprehensive income (loss) | (12) | 12 |
| **COMPREHENSIVE INCOME (LOSS)** | (10) | 4 |
| **COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:** | | |
| Shareholders of Boralex | (14) | 3 |
| Non-controlling shareholders | 4 | 1 |
| **COMPREHENSIVE INCOME (LOSS)** | (10) | 4 |

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

# Consolidated Statements of Changes in Equity

**2016**

| (in millions of Canadian dollars) | Equity attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Capital stock | Equity component of convertible debentures | Contributed surplus | Retained earnings | Accumulated other comprehensive loss | Total | Non-controlling shareholders | Total equity |
| **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 16) | — | — | — | (36) | — | (36) | — | (36) |
| Subscription receipt issuance costs (note 29) | (3) | — | — | — | — | (3) | — | (3) |
| Exercise of options (note 16) | 4 | — | — | — | — | 4 | — | 4 |
| Net contribution of a non-controlling shareholder (note 18) | — | — | — | — | — | — | 7 | 7 |
| Distributions paid to a non-controlling shareholder (note 18) | — | — | — | — | — | — | (7) | (7) |
| **BALANCE AS AT DECEMBER 31, 2016** | 557 | 4 | 9 | (19) | (55) | 496 | 18 | 514 |

**2015**

| (in millions of Canadian dollars) | Equity attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Capital stock | Equity component of convertible debentures | Contributed surplus | Retained earnings | Accumulated other comprehensive income (loss) | Total | Non-controlling shareholders | Total equity |
| **BALANCE AS AT JANUARY 1, 2015** | 228 | 14 | 9 | 109 | (57) | 303 | 33 | 336 |
| Net earnings (loss) | — | — | — | (11) | — | (11) | 3 | (8) |
| Other comprehensive income (loss) | — | — | — | — | 14 | 14 | (2) | 12 |
| **COMPREHENSIVE INCOME (LOSS)** | — | — | — | (11) | 14 | 3 | 1 | 4 |
| Share of a non-controlling shareholder resulting from a business combination (note 5) | — | — | — | — | — | — | 6 | 6 |
| Dividends (note 16) | — | — | — | (27) | — | (27) | — | (27) |
| Shares issuances (note 16) | 120 | — | — | — | — | 120 | — | 120 |
| Issuance of 2015 convertible debentures (note 13) | — | 4 | — | — | — | 4 | — | 4 |
| Conversion and redemption of 2010 convertible debentures (notes 13 and 16) | 208 | (14) | — | — | — | 194 | — | 194 |
| Excess of proceeds on repurchase of non-controlling shareholders (note 18) | — | — | — | (52) | — | (52) | (25) | (77) |
| Contribution of non-controlling shareholders (note 18) | — | — | — | — | — | — | 7 | 7 |
| Distributions paid to a non-controlling shareholder (note 18) | — | — | — | — | — | — | (8) | (8) |
| **BALANCE AS AT DECEMBER 31, 2015** | 556 | 4 | 9 | 19 | (43) | 545 | 14 | 559 |

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

# Consolidated Statements of Cash Flows

| (in millions of Canadian dollars) | Note | 2016 | 2015 |
|---|---|---|---|
| Net earnings (loss) | | 2 | (8) |
| Distributions received from the Joint Ventures | 9 | 15 | 29 |
| Financing costs | | 76 | 73 |
| Interest paid | | (66) | (65) |
| Income tax recovery | | (9) | (1) |
| Income taxes paid | | (8) | (1) |
| Non-cash items in earnings loss : | | | |
| Net loss on financial instruments | | 4 | 7 |
| Share in earnings of the Joint Ventures | 9 | (5) | (8) |
| Amortization | | 116 | 97 |
| Loss on redemption of convertible debentures | 13 | — | 3 |
| Other | | 3 | 2 |
| Change in non-cash items related to operating activities | 22 | 20 | (14) |
| **NET CASH FLOWS RELATED TO OPERATING ACTIVITIES** | | 148 | 114 |
| | | | |
| Business acquisitions, net of cash acquired | 5 | (16) | (60) |
| Additions to property, plant and equipment | 7 | (223) | (330) |
| Acquisition of energy sales contracts | 7 | (32) | — |
| Return of capital by the Joint Venture Phase I | 9 | 40 | — |
| Change in restricted cash | | (20) | 7 |
| Other | | (7) | (6) |
| **NET CASH FLOWS RELATED TO INVESTING ACTIVITIES** | | (258) | (389) |
| | | | |
| Net increase in non-current debt | | 308 | 425 |
| Repayments on current and non-current debt | | (151) | (312) |
| Convertible debenture issuance proceeds, net of transaction costs | 13 | — | 138 |
| Redemption of convertible debentures | 13 | — | (47) |
| Contribution of non-controlling shareholders | 18 | — | 7 |
| Distributions paid to a non-controlling shareholder | 18 | (7) | (8) |
| Dividends paid to shareholders of Boralex | 16 | (36) | (27) |
| Share issuance proceeds, net of transaction costs | 16 | — | 118 |
| Subscription receipt issuance proceeds, net of transaction costs | 29 | 170 | — |
| Restricted cash received from subscription receipt issuance | 29 | (170) | — |
| Exercise of options | 16 | 4 | — |
| Redemption of financial instruments prior to maturity | | (4) | — |
| **NET CASH FLOWS RELATED TO FINANCING ACTIVITIES** | | 114 | 294 |
| **TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS** | | (4) | 6 |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | | — | 25 |
| | | | |
| **CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR** | | 100 | 75 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | | 100 | 100 |

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

# Notes to Consolidated Financial Statements

As at December 31, 2016

(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, 2016, the Corporation had interests in 50 wind power stations, 15 hydroelectric power stations, two thermal power stations and three solar power facilities, representing an asset base with a total installed capacity of 1,535 megawatts ("MW") of which 1,365 MW are under its control. This data includes the 230 MW wind farm in Ontario, Canada whose acquisition was announced by Boralex in December 2016 and which was completed in January 2017. In addition, Boralex currently has new projects under development, representing an additional 202 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. The generated power is sold 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, MWh and GWh contained in notes 1, 5, 7, 24, 26, 28 and 29 have not been reviewed by the auditors.)*

## 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.

The Corporation's main subsidiaries as at December 31, 2016 were as follows:

| Name of subsidiary | Note | Voting rights held | Location |
|---|---|---|---|
| Boralex Europe SARL | | 100% | Luxembourg |
| Boralex EnR S.A.S.[(1)] | | 100% | France |
| Groupe Ressources Forestières SAS | | 100% | France |
| European Forest Resources LP | | 100% | Scotland |
| Boralex US Energy Inc. | | 100% | United States |
| Boralex Ontario Energy Holdings L.P. | | 100% | Canada |
| Boralex 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 |
| Boralex Power Limited Partnership | | 100% | Canada |
| Yellow Falls Power LP | | 100% | Canada |
| Moose Lake Wind LP | | 70% | Canada |
| Port Ryerse Wind Farm LP | 29 | 75% | Canada |

(1) Boralex Energie Verte S.A.S. ("BEV") is a subsidiary of Boralex 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 loss. 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, Boralex 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, 2016 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

The non-controlling shareholders represent the interest 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 (loss) 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 (loss) 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 shareholders 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 (loss) 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 loss*. When a foreign company is disposed of, translation gains or losses accumulated in *Accumulated other comprehensive 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 loss.

### 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 or loss* in net loss 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 loss.

### (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* and *Reserve funds*. 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 loss 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 remeasured 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

As at December 31, 2016, the Corporation designated all interest rate financial swaps as 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 loss*. The gain or loss relating to the ineffective portion is recognized immediately in the statement of loss 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 loss (for example, when a forecasted interest expense that is hedged occurs). The effective portion of the hedging derivative is recognized in the statement of loss under *Financing costs*. The ineffective portion is recognized in the statement of loss 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 loss 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 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 loss* and the change in the ineffective portion is recorded in statement of loss, under *Net gain or loss on financial instruments*.

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

## 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 less accumulated amortization and impairment losses, including interest incurred during the construction period of new power stations or power facilities. 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 life ranging from 20 to 40 years.

### Thermal Power Stations

Thermal power stations are amortized by component using the straight-line method over their useful life 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 loss 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

The hydroelectric power stations with 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 earnings (loss) 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 transfered 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.

### Contingent Consideration

Contingent consideration relating to asset acquisitions are capitalized under intangible assets when the payments are made or when the precondition has been fulfilled by the Corporation.

## 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 earnings (loss) 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, consists 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 loss 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 (loss) 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.

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.

### 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.

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 (loss). 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 loss, except for income taxes related to the components of *Accumulated other comprehensive loss* or in equity, in which case the tax expense is recognized in *Accumulated other comprehensive 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 loss. 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 loss 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 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 1, *Presentation of Financial Statements*

In December 2014, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, as part of its initiative to improve presentation and disclosure requirements for financial reporting. The amendments to IAS 1 provide further guidance on the current presentation and disclosure requirements for materiality, notes structure, subtotals, accounting policies and disaggregation. The amendments also provide additional guidance on the exercise of professional judgment when determining what information to disclose in the preparation of notes to the financial statements. These amendments apply to fiscal years beginning on or after January 1, 2016, date at which the Corporation adopted this new standard, and this change had no material impact on the Corporation's consolidated financial statements.

## Future Changes 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. The changes apply to fiscal years beginning on or after January 1, 2017 with earlier adoption permitted.

### 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 loss* instead of in the statement of earnings (loss).

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 will be effective for the Corporation's fiscal year beginning on or after January 1, 2018, but earlier adoption is permitted. The Corporation is currently assessing the impact of adopting this standard on its financial statements.

### 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 on or after January 1, 2018 with earlier adoption permitted. The Corporation is currently assessing the impact of adopting this standard on its financial statements.

### 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.

# 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 a five-year period 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 23 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.

# Note 5. Business Combinations

## Acquisition of a Portfolio in Europe (Ecotera)

On December 28, 2015, Boralex announced the closing of an acquisition, through its subsidiary Boralex Europe SARL, of 100% of the shares of several companies holding a portfolio of wind power projects under development in Northern France amounting to nearly 350 MW ("Ecotera"), for a net cash consideration of $44 million (€29 million). With this acquisition, Boralex gained access to a significant project portfolio, a number of which could be commissioned in 2017 and 2018.

This transaction gave rise to acquisition costs, which were expensed. This entity was acquired under Boralex's growth strategy through acquisitions aimed at expanding its market share in the French wind power market. 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 acquisition are consolidated as of December 28, 2015.

The following table shows the final purchase price allocation:

| | Preliminary allocation | | Final allocation | |
|---|---|---|---|---|
| | (in $) | (in €) | (in $) | (in €) |
| Other current assets | 1 | 1 | 1 | 1 |
| Property, plant and equipment under construction | 1 | 1 | 1 | 1 |
| Development projects | 4 | 3 | 4 | 3 |
| Energy sales contracts | 75 | 49 | 76 | 50 |
| Goodwill | 25 | 16 | 26 | 17 |
| Current liabilities | (5) | (3) | (5) | (3) |
| Deferred income tax liabilities | (25) | (16) | (26) | (17) |
| **Net assets** | 76 | 51 | 77 | 52 |
| Less: | | | | |
| Contingent consideration - current portion | 16 | 11 | 17 | 12 |
| Contingent consideration - non-current portion | 16 | 11 | 16 | 11 |
| **Net consideration paid for the acquisition** | 44 | 29 | 44 | 29 |

The final purchase price allocation was determined using fair values at the acquisition date and the exchange rate in effect at that date.

For the fiscal year ended December 31, 2015, the acquired entity did not contribute to revenues from energy sales and generated non-significant net earnings (loss) attributable to shareholders of Boralex, as the projects are under construction and the costs are mainly capitalized.

Contingent consideration is related to a potential compensation agreement signed by the parties to the share sale agreements. Under the terms of the agreements, Boralex will have to make future payments to the seller based on the achievement of certain key steps. Contingent consideration was measured at $33 million (€23 million) at the date of the acquisition, $16 million of which was paid in 2016.

## Touvent Acquisition

On February 5, 2015, Boralex announced the closing of a transaction under which it acquired, through its subsidiary, Boralex Europe S.A., 100% of the shares of an entity owning a 14 MW wind power project under development in France (the "Touvent" wind power project), which is covered by a 15-year energy sales contract with EDF, for a total cash consideration paid of $5 million (€4 million). This transaction gave rise to non-significant acquisition costs, which were expensed. This entity was acquired under Boralex's growth strategy through acquisitions aimed at expanding its market share in the French wind power market.

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 February 5, 2015.

The following table shows the final purchase price allocation:

| | Preliminary allocation | | Final allocation | |
|---|---|---|---|---|
| | (in $) | (in €) | (in $) | (in €) |
| Development project | 1 | 1 | 1 | 1 |
| Energy sales contract | — | — | 4 | 3 |
| Goodwill | 4 | 3 | 1 | 1 |
| Deferred income tax liabilities | — | — | (1) | (1) |
| **Total consideration paid for the acquisition** | 5 | 4 | 5 | 4 |

The final purchase price allocation was determined using fair values at the acquisition date and the exchange rate in effect at that date.

### Frampton Acquisition

On January 12, 2015, Boralex acquired an interest in the 24 MW Frampton community wind power project for a total cash consideration of $12 million in cash. The payment was made in two instalments, $11 million in February 2015 and $1 million in December 2014. Boralex has a 67% interest and the Municipality of Frampton a 33% interest in the project, which is covered by a 20-year energy sales contract with Hydro-Québec. The wind power station was commissioned on December 15, 2015.

This entity was acquired under Boralex's growth strategy through acquisitions aimed at expanding its market share in the Québec wind power market. 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 12, 2015. The wind power station was commissioned on December 15, 2015.

The following table shows the final purchase price allocation:

| | Preliminary allocation | Final allocation |
|---|---|---|
| Property, plant and equipment under construction | 1 | 1 |
| Energy sales contract | — | 18 |
| Goodwill | 11 | 2 |
| Deferred income tax liabilities | — | (3) |
| Non-controlling shareholders | — | (6) |
| **Total consideration paid for the acquisition** | 12 | 12 |

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

## Note 6. Trade and other Receivables

| | Note | As at December 31, 2016 | As at December 31, 2015 |
|---|---|---|---|
| Trade receivables - net | | 41 | 41 |
| Receivables from related parties | 27 | 2 | 1 |
| Tax receivables | | 15 | 16 |
| Payment receivable for property, plant and equipment | | 6 | 15 |
| Other receivables | | 17 | 12 |
| | | 81 | 85 |

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, 2016, approximately 17% of trade and other receivables (2% as at December 31, 2015) were outstanding for more than 90 days since invoice date, while approximately 64% (88% as at December 31, 2015) 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. Property, Plant and Equipment

| | Wind power stations | Hydroelectric power stations | Thermal power stations | Solar power stations | Corporate | **Total** |
|---|---|---|---|---|---|---|
| **Year ended December 31, 2015** | | | | | | |
| Balance - beginning of year | 929 | 230 | 28 | 18 | 6 | 1,211 |
| Translation adjustment | 47 | 20 | 1 | 2 | — | 70 |
| Additions | 297 | 28 | 3 | 16 | 1 | 345 |
| Additions through business combinations (note 5) | 2 | — | — | — | — | 2 |
| Amortization | (62) | (9) | (4) | (1) | (1) | (77) |
| Other | 1 | 3 | — | — | 1 | 5 |
| Balance - end of year | 1,214 | 272 | 28 | 35 | 7 | 1,556 |
| **As at December 31, 2015** | | | | | | |
| Cost | 1,492 | 330 | 63 | 41 | 16 | 1,942 |
| Accumulated amortization | (278) | (58) | (35) | (6) | (9) | (386) |
| Net carrying amount | 1,214 | 272 | 28 | 35 | 7 | 1,556 |
| **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 |

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

Property, plant and equipment include sites under construction for an amount of $111 million ($27 million as at December 31, 2015). These assets are not amortized until they are commissioned.

An amount of $46 million relating to additions to property, plant and equipment still unpaid as at December 31, 2016 ($26 million in 2015) was included under *Trade and other payables*.

## Acquisition of a Portfolio of Wind Power Projects in France and Scotland

On September 16, 2016, Boralex announced the closing of the acquisition of a portfolio of wind power projects of nearly 200 MW located in France and in Scotland as well as land totalling some 8,500 hectares on which projects will be developed, for a net cash consideration of $104 million (€70 million). As at December 31, 2016, an amount of $75 million (€53 million) was recognized for the acquisition of property, plant and equipment and $32 million (€22 million) for the acquisition of the Moulins du Lohan project which is covered by an energy sales contract and whose commissioning is slated for 2018. This transaction has been accounted for as an acquisition of a group of assets. The acquired assets and assumed liabilities were recognized at cost on the basis of their relative fair value at the acquisition date.

# Note 8. Other Intangible Assets and Goodwill

| | Other intangible assets | | | | | |
|---|---|---|---|---|---|---|
| | Energy sales contracts | Water rights | Development projects | Other intangibles | **Total** | **Goodwill** |
| **Year ended December 31, 2015** | | | | | | |
| Balance - beginning of year | 208 | 103 | 19 | 4 | 334 | 95 |
| Translation adjustment | 13 | — | — | — | 13 | 4 |
| Additions | — | — | 4 | 2 | 6 | — |
| Additions through business combinations (note 5) | 98 | — | 5 | — | 103 | 29 |
| Amortization | (17) | (3) | — | — | (20) | — |
| Other | 10 | — | (15) | (1) | (6) | — |
| Balance - end of year | 312 | 100 | 13 | 5 | 430 | 128 |
| **As at December 31, 2015** | | | | | | |
| Cost | 379 | 116 | 13 | 8 | 516 | 128 |
| Accumulated amortization | (67) | (16) | — | (3) | (86) | — |
| Net carrying amount | 312 | 100 | 13 | 5 | 430 | 128 |
| **Year ended December 31, 2016** | | | | | | |
| Balance - beginning of year | 312 | 100 | 13 | 5 | 430 | 128 |
| Translation adjustment | (13) | — | — | — | (13) | (4) |
| Additions (note 7) | 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 |

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 | 17 years |
| Water rights | 26 years |

*Water rights* of the Buckingham hydroelectric power station, which amounted to $38 million in 2016 and 2015, are not amortized given their indefinite useful life. *Development projects* consist primarily of wind power projects in Europe, British Columbia and Ontario and a hydroelectric power project in Québec. *Other intangible assets* consist primarily of an enterprise resource planning system (ERP) and licenses for wind power projects under development.

The following table shows the allocation of goodwill by CGU:

| | As at December 31, 2016 | As at December 31, 2015 |
|---|---|---|
| 11 BEV wind farms in operation and the Comes de l'Arce wind farm | 46 | 49 |
| Seven hydroelectric power stations | 38 | 38 |
| Ecotera wind power projects | 24 | 25 |
| St-Patrick, Vron, Fortel-Bonnières and St-François wind farms | 10 | 10 |
| Other | 6 | 6 |
| | 124 | 128 |

Goodwill and water rights with indefinite useful life relating to the Buckingham power station were tested for impairment as at October 31, 2016. 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 6.56% and a growth rate of 2% were used in these impairment tests.

# Note 9. Interests in the Joint Ventures

## Joint Ventures Phases I and II

The Corporation entered into partnership agreements with a subsidiary of Gaz Métro L.P. and Valener Inc. and created Seigneurie de Beaupré Wind Farms 2 and 3 General Partnership ("Joint Venture Phase I") and Seigneurie de Beaupré 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

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | Phase I | Phase II | Denmark | Total | Phase I | Phase II | Denmark | Total |
| Balance - beginning of year | 50 | 14 | 3 | 67 | 67 | 22 | 3 | 92 |
| Share in net earnings (loss) | 7 | 1 | — | 8 | 9 | 1 | — | 10 |
| Share in other comprehensive income (loss) | 2 | — | — | 2 | (6) | — | — | (6) |
| Return of capital | (40) | — | — | (40) | — | — | — | — |
| Distributions | (12) | (3) | — | (15) | (20) | (9) | — | (29) |
| Balance - end of year | 7 | 12 | 3 | 22 | 50 | 14 | 3 | 67 |

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

| | As at December 31, 2016 | | | As at December 31, 2015 | | |
|---|---|---|---|---|---|---|
| | Phase I | Phase II | Total | Phase I | Phase II | Total |
| Cash and cash equivalents | 16 | 3 | 19 | 15 | 3 | 18 |
| Other current assets | 11 | 3 | 14 | 9 | 2 | 11 |
| Non-current assets | 606 | 164 | 770 | 641 | 174 | 815 |
| TOTAL ASSETS | 633 | 170 | 803 | 665 | 179 | 844 |
| | | | | | | |
| Current portion of debt | 26 | 4 | 30 | 25 | 4 | 29 |
| Other current liabilities | 12 | 3 | 15 | 10 | 3 | 13 |
| Non-current debt | 490 | 128 | 618 | 435 | 132 | 567 |
| Non-current financial liabilities | 45 | — | 45 | 46 | — | 46 |
| Other non-current liabilities | 45 | 12 | 57 | 48 | 13 | 61 |
| TOTAL LIABILITIES | 618 | 147 | 765 | 564 | 152 | 716 |
| NET ASSETS | 15 | 23 | 38 | 101 | 27 | 128 |

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Phase I | Phase II | Total | Phase I | Phase II | Total |
| Revenues from energy sales | 89 | 22 | 111 | 95 | 22 | 117 |
| Operating costs | 13 | 3 | 16 | 13 | 4 | 17 |
| Amortization | 35 | 9 | 44 | 35 | 9 | 44 |
| Other gains | (2) | — | (2) | (2) | (1) | (3) |
| OPERATING INCOME | 43 | 10 | 53 | 49 | 10 | 59 |
| Financing costs | 31 | 8 | 39 | 30 | 9 | 39 |
| Net gain on financial instruments | (1) | — | (1) | — | — | — |
| NET EARNINGS | 13 | 2 | 15 | 19 | 1 | 20 |
| Total other comprehensive income (loss) | 5 | — | 5 | (12) | — | (12) |
| COMPREHENSIVE INCOME | 18 | 2 | 20 | 7 | 1 | 8 |

## Share in Net Earnings of the Joint Ventures

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

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | Phase I | Phase II | Denmark | Total | Phase I | Phase II | Denmark | Total |
| Share in earnings (50%) | 7 | 1 | — | 8 | 9 | 1 | — | 10 |
| Other[(1)] | (3) | — | — | (3) | (2) | — | — | (2) |
| Share in net earnings of the Joint Ventures | 4 | 1 | — | 5 | 7 | 1 | — | 8 |

(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 (loss) 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 loss of Boralex:

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | Phase I | Phase II | Denmark | Total | Phase I | Phase II | Denmark | Total |
| Share in comprehensive income (loss) (50%) | 2 | — | — | 2 | (6) | — | — | (6) |

## Refinancing - Joint Venture Phase I

On May 4, 2016, the 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

| | 2016 | | | |
|---|---|---|---|---|
| | Payments | | | |
| | Current portion | From 1 to 5 years | Over 5 years | Total |
| Service contracts | 1 | 2 | 11 | 14 |
| Maintenance contracts | 4 | 15 | — | 19 |
| Land lease contracts | 1 | 4 | 14 | 19 |
| Total | 6 | 21 | 25 | 52 |

### 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 provide 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

On January 21, 2016, the Québec Court of Appeal rendered a decision allowing the motion of the applicants (which challenged the decision of the Superior Court, District of Québec, disallowing the motion requesting authorization to institute a class action against Joint Ventures Phases I and II). In this decision, the Court of Appeal revisited the definition of the group covered by the class action by limiting the number of affected residences. However, according to the decision, the trial judge may change the group definition, if circumstances so require. The class action could be heard in the Superior Court.

As of today, the insurers of the project have assumed the total defence costs. Potential claims resulting from a possible decision favourable to the applicants could be reimbursed by the insurers, depending on their nature, and taking into account the exclusions provided for in the insurance policy.

Based on this information, the Corporation has estimated that the contingency is not significant. Accordingly, no provision has been recorded.

## Note 10. Other Non-current Assets

| | Note | As at December 31, 2016 | As at December 31, 2015 |
|---|---|---|---|
| Reserve funds | a) | 37 | 35 |
| Renewable energy tax credits | b) | 8 | 8 |
| Other | | 5 | 3 |
| | | 50 | 46 |

(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 $32 million (€13 million, US$7 million and $3 million) as at December 31, 2016 and $30 million (€10 million, US$7 million and $6 million) as at December 31, 2015. A reserve to finance maintenance of property, plant and equipment amounted to $5 million (US$3 million and $1 million) as at December 31, 2016 and $5 million (US$3 million and $1 million) as at December 31, 2015.

(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 11. Trade and Other Payables

| | Note | As at December 31, 2016 | As at December 31, 2015 |
|---|---|---|---|
| Trade payables | | 48 | 10 |
| Accrued liabilities | | 26 | 30 |
| Contingent consideration - current portion | 5 | 15 | 16 |
| Interest payable | | 12 | 11 |
| Maintenance contracts | | 6 | 4 |
| Other payables | | 24 | 21 |
| | | 131 | 92 |

# Note 12. Non-current Debt

| | Note | Maturity | Rate[1] | Currency of origin | As at December 31, 2016 | As at December 31, 2015 |
|---|---|---|---|---|---|---|
| Revolving credit facility | (a) | 2020 | 2.90% | | 98 | 70 |
| Term loans payable – Canada | (b) | 2019-2056 | 5.49% | | 555 | 528 |
| Term loans payable – Europe | (c) | 2017-2033 | 2.81% | 501 | 710 | 690 |
| Term loan payable – United States | (d) | 2026 | 3.51% | 60 | 81 | 97 |
| Term loan payable – Cube | (e) | 2019 | 6.50% | 40 | 57 | 60 |
| Bridge financing facility – France and Scotland | (f) | 2018 | 0.84% | 46 | 64 | — |
| | | Average rate | 3.86% | | 1,565 | 1,445 |
| Current portion of debt | | | | | (101) | (145) |
| Borrowing cost, net of accumulated amortization | | | | | (25) | (24) |
| | | | | | 1,439 | 1,276 |

[1] Weighted average rates adjusted to reflect the impact of interest rate swaps, where applicable.

## (a) Refinancing - Revolving Credit Facility

On April 28, 2016, the Corporation announced the closing of the refinancing and the increasing of its revolving credit facility for a total authorized amount of $360 million. The new financing facility, comprising a $300 million revolving credit facility and a $60 million letter of credit facility guaranteed by Export Development Canada ("EDC"), replaces the $175 million revolving credit facility maturing in June 2018. The revolving credit facility, maturing in 2020, is renewable annually and is secured by Boralex Inc.'s assets, its hydroelectric power stations located in Québec and its investments in its operations in the United States. For drawdowns in U.S. dollars, the interest rate formula is based on the LIBOR or the U.S. prime rate plus a margin, while the interest rate for drawdowns in Canadian dollars is based on Canadian bankers' acceptance rates or the Canadian prime rate, plus their respective margins.

As at December 31, 2016, in addition to the amount of $98 million drawn down from the revolving credit facility, an amount of $53 million was issued in the form of letters of credit, including $16 million on the EDC facility. As at December 31, 2015, drawdowns amounted to $70 million while letters of credit issued totalled $29 million.

## (b) Term Loans Payable - Canada

The Corporation has contracted term loans for three hydroelectric power stations and five wind power sites. These term loans, secured by the underlying assets at the respective sites, are repayable over periods from 2019 to 2056 on a monthly, quarterly or half-yearly basis, and bear interest at rates varying from 3.10% to 7.05% or at a weighted average rate of 5.49%, taking into account the impact of interest rate swaps.

Certain of these term loans include credit facilities to be used for certain financial commitments toward certain counterparties, including lenders. The total authorized amount of these credit facilities is $32 million. As at December 31, 2016, an amount of $17 million was drawn down from these facilities to issue letters of credit.

As at December 31, 2016, the balance of term loans payable included amounts for bridge facilities contracted to finance the costs incurred for the construction of the transformer substation and collector system. These bridge facilities amounting to $6 million will be repaid in 2017 when the Corporation receives from Hydro-Québec the expected reimbursement.

### Term Loan Payable - Yellow Falls Hydroelectric Power Station

On December 16, 2016, the Corporation closed the financing for its Yellow Falls hydroelectric power station. This financing comprises two fixed-rate tranches for a total amount of $74 million a total term of 39 years. The average interest rate for the two tranches is about 5% over the total term of loans.

## (c) Term Loans Payable - Europe

The Corporation has contracted term loans for most of its projects. These term loans, secured by the underlying assets of the respective projects, are repayable over periods from 2017 to 2033 on a quarterly or half-yearly basis, and bear interest at rates ranging from 1.30% to 4.72% or at a weighted average rate of 2.81%, taking into account the impact of interest rate swaps.

Certain of these term loans include revolving credit facilities with a total authorized amount of €10 million ($14 million). As at December 31, 2016, these facilities were undrawn.

During fiscal 2016, the Corporation entered into the following transactions in Europe:

**Term Loan Payable - Touvent Wind Farm**

On January 26, 2016, the Corporation finalized the closing of long-term financing for the Touvent wind farm. The loan, secured by the assets of this wind farm, comprises an amount of €21 million ($29 million) and a €3 million ($5 million) bridge value added tax ("VAT") financing facility. The €21 million loan bearing a variable interest rate will be fully amortized by quarterly instalments over a 15-year period starting when the site is commissioned. To reduce the exposure to rate fluctuations, Boralex entered into interest rate swaps to cover approximately 90% of expected future cash flows. With these swaps, the rate is fixed at 2.18% for a large portion of the financing cost for this loan.

**Term Loan Payable - St-Patrick Wind Farm**

On January 26, 2016, the Corporation also refinanced the term loan for the St-Patrick wind farm. The initial loan with a balance of €28 million ($42 million) as at December 31, 2015 was repaid in full on January 29, 2016 and the related financial swaps were closed out. The new financing, secured by the assets of this wind farm, comprises an amount of €42 million ($60 million). This variable interest rate loan will be fully amortized by quarterly instalments over an 11-year period. To reduce the exposure to rate fluctuations, Boralex entered into interest rate swaps to cover approximately 90% of expected future cash flows. With these swaps, the rate is fixed at 1.68% for a large portion of the financing cost for this loan.

**Term Loan Payable - Plateau de Savernat Wind Power Project**

On June 23, 2016, the Corporation closed long-term financing for the Plateau de Savernat wind power project. The loan, secured by the assets of this wind power project, comprises an amount of €18 million ($25 million) and €1 million ($2 million) bridge VAT financing facility. The €18 million loan will be fully amortized by semi-annual instalments over a 15-year period. The first quarterly instalment will be made a few months after commissioning. The interest rate on the loans is variable and based on EURIBOR, plus a margin. As at December 31, 2016, the Corporation had not yet entered into interest rate swaps for this loan but an interest rate swap was entered into on January 30, 2017 to cover approximately 90% of expected future cash flows. With this swap, the rate is fixed at 2.39% for a portion of the loan.

**Term Loan Payable - Avignonet II Wind Farm**

On June 23, 2016, the Corporation also closed long-term financing for the Avignonet II wind farm. The loan, secured by the assets of this wind farm, totals €3 million ($4 million). The loan will be fully amortized by semi-annual instalments over a period of 9.5 years, which is the remaining term of the site's energy sales contract plus a two-year period. Since the interest rate on the loans is variable, to reduce the exposure to rate fluctuations, the Corporation entered into an interest rate swap to cover approximately 90% of expected future cash flows. With this swap, the rate is fixed at 1.72% for a portion of the loan.

**Term Loan Payable - Mont de Bagny, Voie des Monts and Artois Wind Power Projects**

On October 25, 2016, financing for a total amount of €100 million ($142 million) was closed for the construction of these three wind power projects whose commissioning is slated for the second half of 2017. The financing comprises four tranches including an amount of €11 million ($16 million) to temporarily finance payments related to VAT in France. The other tranches are long term and amortized over terms of 9 to 15 years. With the interest rate swap entered into in January 2017, the average interest rate will be fixed at about 1.5%.

## (d) Term Loan Payable - United States

The U.S. note, secured by all of the South Glens Falls and Hudson Falls hydroelectric power stations' assets, is subject to a number of covenants, including the maintenance of certain financial ratios. The loan bears interest at a fixed rate of 3.51% and will be fully amortized by semi-annual payments over a 13-year period through 2026.

## (e) Cube

On February 27, 2015, Boralex announced the closing of a financial settlement whereby Cube Energy SCA ("Cube") agreed to exchange its entire 25% equity interest in Boralex Europe S.A. for term loans. Under the settlement, in consideration for the Corporation acquiring 100% control of Boralex Europe, Cube would receive a payment of €16 million ($24 million), bearing interest at a fixed rate of 6.5%, which was paid in December 2015, and the shares held by Cube would be exchanged for two term loans totalling €40 million ($60 million) contracted by two European subsidiaries of the Corporation and bearing interest at a fixed rate of 6.5%, with no repayment prior to maturity in January 2019.

### (f) Bridge Credit Facility - France and Scotland

The Corporation entered into a bridge credit facility for a total amount of €46 million ($64 million) to finance a portion of the acquisition of a portfolio of projects in France and Scotland announced on September 16, 2016. This bridge credit facility is secured by forestry assets in France (Lanouée forest) and a €17 million ($24 million) letter of credit issued under Boralex's revolving credit facility. The bridge credit facility will mature in December 2018, however, all proceeds from the sale of the Lanouée forest or other forest land in Scotland should be earmarked for its repayment. The letter of credit will also be reduced by an amount equivalent to the repayment made following the sale of all or part of the land in Scotland. The bridge credit facility bears interest at a variable rate of 0.84% as at December 31, 2016. Given the short-term nature of this loan, the Corporation does not intend to fix the interest rate.

### Financial Ratios and Guarantees

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

The carrying amount of assets pledged to secure the loans totalled $1,817 million as at December 31, 2016.

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, 2016, the amounts maintained in reserve accounts for that purpose stood at $37 million ($35 million as at December 31, 2015) (see note 10).

As at December 31, 2016 and 2015, Boralex and its subsidiaries met all of their financial ratios.

## Note 13. Convertible Debentures

| | Effective rate | Maturity | Initial nominal value | Nominal value as at December 31, 2015 | As at December 31, 2016 | As at December 31, 2015 |
|---|---|---|---|---|---|---|
| 2015 Debentures | 6.34% | June 2020 | 144 | 144 | 135 | 133 |

As at December 31, 2016, Boralex had 1,437,500 issued and outstanding 2015 convertible debentures with a nominal value of $100 each (1,437,500 2015 Debentures as at December 31, 2015).

On June 22, 2015, the Corporation closed its bought deal financing of convertible unsecured subordinated debentures with a syndicate of underwriters for an amount of $125 million ("2015 Debentures"). On June 26, 2015, Boralex announced the exercising of the over-allotment for this investment in an amount of $19 million. The total value of the 2015 Debentures was therefore $144 million ($137 million net of transaction costs).

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, starting December 31, 2015. 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 2015 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.

The Corporation has determined the fair value of the conversion option to be $5 million. The fair value of debentures was determined by discounting the cash flows related to these debentures at a rate of 5.30%, which is the interest rate that the Corporation would have expected to pay if the debentures did not have a conversion option, representing the excess of the fair value of debentures and their nominal value. The Corporation also incurred transaction costs in the amount of $6 million. The initial fair value of these debentures is therefore $132 million.

On August 31, 2015, Boralex committed itself to make a cash redemption on September 30, 2015 of a $150 million principal amount (out of a $244 million total principal amount) of its 2010 6.75% convertible unsecured subordinated debentures, which would not have been converted as of the redemption date. In accordance with the conversion option offered to holders of the debentures, the Corporation received conversion requests for a nominal amount of $197 million, which resulted in the issuance of 16,864,000 new Class A shares. The Corporation redeemed at par the full non-converted principal amount of $47 million on September 30, 2015 and recognized a loss on redemption of convertible debentures of $3 million ($2 million net of taxes). The equity component of the converted debentures, representing an amount of $14 million, was reclassified to capital stock.

## Note 14. Income Taxes

The impact of income tax recovery is as follows:

| | 2016 | 2015 |
|---|---|---|
| **Current taxes** | | |
| Current income tax expense | 3 | 2 |
| Income tax expense recognized during the year for prior years | 3 | — |
| | 6 | 2 |
| **Deferred taxes** | | |
| Deferred tax savings related to the arising and reversal of temporary differences | (8) | (3) |
| Deferred tax savings recognized during the year for prior years | (3) | — |
| Decrease in deferred tax rates | (6) | — |
| Increase in unrecognized deferred tax assets | 2 | — |
| | (15) | (3) |
| Income tax recovery | (9) | (1) |

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:

| | 2016 | 2015 |
|---|---|---|
| Net earnings (loss) before income taxes | (7) | (9) |
| Combined basic Canadian and provincial income tax rate | 26.58% | 26.58% |
| Income tax recovery at the statutory rate | (2) | (3) |
| Increase (decrease) in income taxes arising from the following: | | |
| Non-taxable/non-deductible items | (2) | (1) |
| Difference in foreign operations' statutory income tax rates | 1 | 2 |
| Decrease in deferred tax rates | (6) | — |
| Change in unrecognized deferred income tax assets | 2 | — |
| Remeasurement of current and deferred income tax assets and liabilities | — | 1 |
| Foreign income taxes payable on dividends and other items | (2) | — |
| Effective income tax recovery | (9) | (1) |

| | 2016 | 2015 |
|---|---|---|
| Deferred income tax asset | 21 | 21 |
| Deferred income tax liability | (70) | (88) |
| | (49) | (67) |

The changes in deferred taxes by nature are as follows:

| | As at January 1, 2016 | Recorded in comprehensive income (loss) | Recorded in net earnings | Business acquisitions | Recorded in capital stock | As at December 31, 2016 |
|---|---|---|---|---|---|---|
| Deferred income tax asset related to loss carryforwards | 117 | — | (24) | — | — | 93 |
| Financial instruments | 20 | — | (9) | — | — | 11 |
| Provisions | 7 | — | 9 | — | — | 16 |
| Interests in the Joint Ventures | 3 | (1) | (2) | — | — | — |
| 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) |

| | As at January 1, 2015 | Recorded in comprehensive income (loss) | Recorded in net loss | Business acquisitions | Recorded in convertible debentures | Recorded in capital stock | As at December 31, 2015 |
|---|---|---|---|---|---|---|---|
| Deferred income tax asset related to loss carryforwards | 109 | — | 8 | — | — | — | 117 |
| Financial instruments | 15 | (2) | 6 | — | 1 | — | 20 |
| Provisions | 5 | — | 2 | — | — | — | 7 |
| Interests in the Joint Ventures | 4 | 2 | (3) | — | — | — | 3 |
| Temporary differences between accounting and tax amortization | (165) | — | (10) | (29) | — | — | (204) |
| Translation adjustments | (1) | (6) | 1 | — | — | — | (6) |
| Financing and other costs | (4) | — | (1) | — | — | 1 | (4) |
| Total deferred income tax liabilities | (37) | (6) | 3 | (29) | 1 | 1 | (67) |

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 $3 million ($2 million in 2015) in Canada was not imputed against the $12 million capital loss carryforwards, as no unrealized capital gain is expected. The capital losses have no expiry date.

## Note 15. 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, 2016 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 1.39% to 7.05% to determine the non-current decommissioning liability.

The following table shows the changes in the liability during fiscal years:

| | Note | 2016 | 2015 |
|---|---|---|---|
| Balance - beginning of year | | 32 | 25 |
| Translation adjustment | | (2) | 2 |
| New obligations | | 3 | 4 |
| Accretion expense included in financing costs | 20 | 1 | 1 |
| Balance - end of year | | 34 | 32 |

# Note 16. 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, none of which had been issued as at December 31, 2016. 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.

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, 2015 and 2016:

| | | Capital stock | |
|---|---|---|---|
| | Note | Number of shares | Amount |
| Balance as at January 1, 2015 | | 38,424,430 | 228 |
| Issuance of shares on debenture conversions | 13 | 16,885,754 | 197 |
| Redemption of debentures | 13 | — | 11 |
| Issuance of shares | a) | 9,505,000 | 120 |
| Exercise of options | 17 | 13,928 | — |
| Balance as at December 31, 2015 | | 64,829,112 | 556 |
| Subscription receipt issuance costs | 29 | — | (3) |
| Exercise of options | 17 | 536,799 | 4 |
| Balance as at December 31, 2016 | | 65,365,911 | 557 |

(a) On January 12, 2015, Boralex announced the closing of the offering via an underwriting agreement of Class A common shares of Boralex for gross proceeds of $110 million. The offering was carried out by a syndicate of underwriters who purchased an aggregate of 8,430,000 common shares of the Corporation at a price of $13.05 per share. The common shares were offered under a simplified prospectus dated January 5, 2015 in all Canadian provinces. The offering proceeds were used to fully repay the $100 million bridge financing facility.

On January 30, 2015, Boralex announced that the over-allotment option in the aforementioned public offering had been 85% exercised. The syndicate of underwriters purchased 1,075,000 additional shares at a price of $13.05 per share for gross proceeds of $14 million for Boralex.

These capital increases generated gross proceeds of $124 million and net proceeds of $120 million (net of issuance costs and related taxes).

## Dividends

On February 24, 2016, the Board of Directors authorized a 7.7% increase in the annual dividend from $0.52 to $0.56 per common share (from $0.13 to $0.14 on a quarterly basis) starting in the second quarter of 2016.

During fiscal 2016, the Corporation authorized and declared dividends of $0.55 per Class A common share. Boralex expects to pay common share dividends on an annual basis representing, in the medium term, 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. On March 15, June 15, September 16 and December 15, 2016, the Corporation paid dividends totalling $36 million ($27 million in 2015).

On December 8, 2016, the Board of Directors authorized a 7.1% increase in the annual dividend from $0.56 to $0.60 per common share following the closing of the acquisition by the Corporation of Enercon's interest in the 230 MW wind farm in the Niagara region, which took place in January 2017. A dividend of $0.15 per common share was declared on February 1, 2017 and will be paid on March 15, 2017 for holders of record at the close of business on February 28, 2017.

## Note 17. Stock-Based Compensation

The Corporation has a stock option plan for the benefit of directors, senior management and certain key employees under which 3,500,000 Class A shares have been reserved for issuance. The exercise price equals the market value on the day preceding the option grant date. Options vest at the rate of 25% per year beginning the year after they are granted and the options granted before May 2012 cannot be exercised if the market value of the share is lower than its carrying amount on the grant date. All the options have a ten-year term. This plan has been determined to be settled using equity securities.

The stock options are as follows for the years ended December 31:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Outstanding - beginning of year | 1,636,879 | 10.12 | 1,566,871 | 9.91 |
| Granted | 88,666 | 16.65 | 103,717 | 13.87 |
| Exercised | (536,799) | 8.20 | (13,928) | 7.70 |
| Cancelled | (5,863) | 12.04 | (19,781) | 14.36 |
| Outstanding - end of year | 1,182,883 | 11.48 | 1,636,879 | 10.12 |
| Options exercisable - end of year | 932,554 | 10.75 | 1,322,671 | 9.75 |

The following options were outstanding as at December 31, 2016:

| | Options outstanding | | Options exercisable | | |
|---|---|---|---|---|---|
| Granted in | Number of options | Exercise price | Number of options | Exercise price | Year of expiry |
| 2006[1] | 35,484 | 9.30 | 35,484 | 9.30 | 2017 |
| 2007 | 128,451 | 13.30 | 128,451 | 13.30 | 2017 |
| 2008 | 120,409 | 17.29 | 120,409 | 17.29 | 2018 |
| 2009 | 115,725 | 7.14 | 115,725 | 7.14 | 2019 |
| 2010 | 111,361 | 9.20 | 111,361 | 9.20 | 2020 |
| 2011 | 124,394 | 8.50 | 124,394 | 8.50 | 2021 |
| 2012 | 123,239 | 7.96 | 123,239 | 7.96 | 2022 |
| 2013 | 126,151 | 10.29 | 94,394 | 10.29 | 2023 |
| 2014 | 107,407 | 12.90 | 53,701 | 12.90 | 2024 |
| 2015 | 101,596 | 13.87 | 25,396 | 13.87 | 2025 |
| 2016 | 88,666 | 16.65 | — | — | 2026 |
| | 1,182,883 | 11.48 | 932,554 | 10.75 | |

[1] As September 3, 2016 fell during a trading blackout period imposed by the Corporation, the expiry date of the options granted was automatically extended, in accordance with the terms and conditions of the Corporation's stock option plan, to the 10th business day following the first day in the blackout period. They are now set to mature on March 17, 2017.

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:

| | 2016 | 2015 |
|---|---|---|
| Share price on grant date | 16.88 | 13.91 |
| Exercise price | 16.65 | 13.87 |
| Expected annual dividend rate | 3.68% | 4.52% |
| Term | 10 years | 10 years |
| Expected volatility | 21.43% | 17.98% |
| Risk-free interest rate | 1.53% | 2.21% |
| Weighted average fair value per option | 3.19 | 2.09 |

Determining the volatility assumption is based on a historic volatility analysis over a period equal to the options' lifetime.

The Corporation applies the fair value method of accounting for options granted to officers and employees. These amounts are recorded under *Administrative* and *Contributed surplus*.

# Note 18. Non-controlling Shareholders

## Distributions Paid

### Côte-de-Beaupré Wind Farm

As at December 31, 2016, our partner Côte-de-Beaupré RCM, which holds a 49% interest in the wind farm, received a cash distribution of $2 million from the Corporation.

### Frampton Wind Farm

As at December 31, 2016, the Frampton municipality, which holds a 33% interest in the wind farm, received a distribution of $2 million from the Corporation ($4 million in 2015).

### Témiscouata I Wind Farm

As at December 31, 2016, our partner Témiscouata RCM, which holds a 49% interest in the wind farm, received a distribution of $3 million from the Corporation ($4 million in 2015).

## 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.

As at December 31, 2015, the Corporation had received cash contributions in the amount of $7 million from our partners, comprising $3 million from Côte-de-Beaupré RCM and $4 million from the Municipality of Frampton.

## Repurchase of Non-controlling Shareholders

On February 27, 2015, the Corporation announced the closing of a financial settlement whereby Cube agreed to exchange its entire 25% equity interest in Boralex Europe for term loans as described in note 12. The $52 million excess of proceeds on the repurchase of non-controlling shareholders was recorded in *Retained earnings*.

# Note 19. Expenses by Nature

## Operating and Administrative

| | 2016 | 2015 |
|---|---|---|
| Raw material and consumables | 14 | 15 |
| Maintenance and repairs | 25 | 22 |
| Employee benefits | 25 | 23 |
| Rental expenses, taxes and permits | 24 | 21 |
| Other operating expenses | 9 | 7 |
| Professional fees | 4 | 5 |
| Other administrative expenses | 4 | 4 |
| | 105 | 97 |

## Employee Benefits

| | 2016 | 2015 |
|---|---|---|
| Current salaries and benefits | 23 | 21 |
| Other post-employment benefits | 2 | 2 |
| | 25 | 23 |

## Note 20. Financing Costs

| | Note | 2016 | 2015 |
|---|---|---|---|
| Interest on non-current debt, net of the impact of interest rate swaps | | 59 | 52 |
| Interest on convertible debentures | | 7 | 18 |
| Interest and other interest income | | — | (1) |
| Amortization of borrowing costs | 12 | 5 | 4 |
| Accretion expense | 15 | 1 | 1 |
| Other interest and banking fees | a) | 7 | 2 |
| | | 79 | 76 |
| Interest capitalized to qualifying assets | b) | (3) | (3) |
| | | 76 | 73 |

(a) *Other interest and banking fees* consist of financing costs on short-term borrowings. 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 4.22% per annum (4.59% per annum in 2015).

## Note 21. Net Earnings (Loss) per Share

### Net Earnings (Loss) per Share (Basic and Diluted)

| (in millions of dollars, except per share amounts and number of shares) | 2016 | 2015 |
|---|---|---|
| Net loss attributable to shareholders of Boralex | (2) | (11) |
| Weighted average number of shares | 65,199,024 | 52,364,710 |
| Net loss per share (basic and diluted) attributable to shareholders of Boralex | ($0.03) | ($0.21) |

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:

| | 2016 | 2015 |
|---|---|---|
| Convertible debentures excluded due to their anti-dilutive effect | 7,334,183 | 7,334,183 |
| Stock options excluded due to their anti-dilutive effect | 1,182,883 | 1,636,879 |

## Note 22. Change in Non-cash Items Related to Operating Activities

| | 2016 | 2015 |
|---|---|---|
| Decrease (Increase) in: | | |
| Trade and other receivables | 7 | (6) |
| Other current assets | (3) | — |
| Increase (Decrease) in: | | |
| Trade and other payables | 16 | (8) |
| | 20 | (14) |

## Note 23. Financial Instruments

The classification of financial instruments, complete with the respective carrying amounts and fair values, is as follows:

| | As at December 31, 2016 | | As at December 31, 2015 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| **OTHER LIABILITIES** | | | | |
| Subscription receipts | 173 | 197 | — | — |
| Non-current debt | 1,540 | 1,632 | 1,421 | 1,502 |
| Convertible debentures (including equity portion) | 139 | 164 | 137 | 146 |

The fair value of the derivative financial instruments designated as cash flow hedges and hedge of a net investment is as follows:

| | As at December 31, 2016 | As at December 31, 2015 |
|---|---|---|
| **OTHER CURRENT FINANCIAL ASSETS** | | |
| Foreign exchange forward contracts | 1 | 1 |
| **OTHER NON-CURRENT FINANCIAL ASSETS** | | |
| Foreign exchange forward contracts | 2 | — |
| **OTHER CURRENT FINANCIAL LIABILITIES** | | |
| Financial swaps - interest rates | 47 | 41 |
| **OTHER NON-CURRENT FINANCIAL LIABILITIES** | | |
| Foreign exchange forward contracts | 2 | 4 |
| Financial swaps - interest rates | 29 | 33 |
| | 31 | 37 |

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 non-current debt is essentially based on the calculation of discounted cash flows. Discount rates, ranging from 0.86% to 5.49%, 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 values are based on the prices as at December 31, 2016.

### 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, 2016:

| As at December 31, 2016 | Currency | Fixed-rate payer | Floating-rate receiver | Maturity | Current notional (in CAD) | Fair value (in CAD) |
|---|---|---|---|---|---|---|
| Financial swaps - interest rates | EUR | 0.38%–5.16% | 6-month EURIBOR | 2017-2033 | 375 | (25) |
| Financial swaps - interest rates | CAD | 2.38%–7.80% | 3-month CDOR | 2034-2039 | 230 | (51) |

Some financial swaps - interest rates denominated in Canadian dollars contain an early termination clause that is mandatory in 2017. 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, 2016 | Exchange rate | Maturity | Current notional (in CAD) | Fair value (in CAD) |
|---|---|---|---|---|
| Foreign exchange forward contracts (EUR for CAD) | 1.5475 | 2017-2025 | 134 | 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 non-current debt, financial swaps - interest rates, and foreign exchange forward contracts, 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.

The following table classifies the Corporation's financial instruments by level in the fair value hierarchy:

| | | Fair value hierarchy levels | | |
|---|---|---|---|---|
| | As at December 31, 2016 | Level 1 | Level 2 | Level 3 |
| **DERIVATIVE FINANCIAL ASSETS** | | | | |
| Foreign exchange forward contracts | 3 | — | 3 | — |
| **OTHER FINANCIAL LIABILITIES** | | | | |
| Subscription receipts | 197 | 197 | — | — |
| Non-current debt | 1,632 | — | 1,632 | — |
| Convertible debentures | 164 | 164 | — | — |
| | 1,993 | 361 | 1,632 | — |
| **DERIVATIVE FINANCIAL LIABILITIES** | | | | |
| Foreign exchange forward contracts | 2 | — | 2 | — |
| Financial swaps - interest rates | 76 | — | 76 | — |
| | 78 | — | 78 | — |

| | | Fair value hierarchy levels | | |
|---|---|---|---|---|
| | As at December 31, 2015 | Level 1 | Level 2 | Level 3 |
| **DERIVATIVE FINANCIAL ASSETS** | | | | |
| Foreign exchange forward contracts | 1 | — | 1 | — |
| **OTHER FINANCIAL LIABILITIES** | | | | |
| Non-current debt | 1,502 | — | 1,502 | — |
| Convertible debentures | 146 | 146 | — | — |
| | 1,648 | 146 | 1,502 | — |
| **DERIVATIVE FINANCIAL LIABILITIES** | | | | |
| Foreign exchange forward contracts | 4 | — | 4 | — |
| Financial swaps - interest rates | 74 | — | 74 | — |
| | 78 | — | 78 | — |

# Note 24. 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 power stations in France and the United States. First, the Corporation reduces its risk exposure naturally, as revenues, expenses and financing are in the local currency. Accordingly, foreign exchange risk arises 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.

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, 2016, 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 $0.2 million ($0.3 million in 2015) decrease in the Corporation's net loss for the year ended December 31, 2016, whereas *Accumulated other comprehensive loss* would have decreased by an after-tax amount of $4.2 million ($3.6 million in 2015).

On December 31, 2016, 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 $0.1 million increase ($0.1 million decrease in 2015) in the Corporation's net loss for the year ended December 31, 2016 , whereas *Accumulated other comprehensive loss* would have decreased by an after-tax amount of $3 million ($1.9 million in 2015).

### Price Risk

As at December 31, 2016, our power stations in France 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 1% of the Corporation's power production is sold at market prices or under short-term contracts in the Northeastern United States 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, 2016, 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 2015) decrease in the Corporation's net loss for the year ended December 31, 2016, whereas *Accumulated other comprehensive loss* would have remained unchanged (nil in 2015).

### Interest Rate Risk

#### Europe

In Europe, the vast majority 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

In Canada, most of the non-current debt have fixed interest rates, with the exception of the borrowings for the Côte-de-Beaupré and Frampton wind farms. To mitigate the interest rate risk of these borrowings, the Corporation has entered into interest rate swaps to set a fixed interest rate expense for about 90% 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 2.38% to 2.45%. 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, three 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 $115.7 million.

As at December 31, 2016, all these financial instruments were subject to hedge accounting.

### Total

These instruments have allowed the Corporation to reduce the percentage of variable rate debt from 42% to 8%. As at December 31, 2016, the notional balance of these swaps stood at $605 million (€265 million and $230 million) ($589 million (€250 million and $212 million in 2015), while their unfavourable fair value was $76 million (€17 million and $51 million) ($74 million (€19 million and $46 million in 2015). These swaps mature from 2017 to 2035 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 loss* until the corresponding hedged item is recognized in earnings (loss). They are then recognized in earnings (loss) as an adjustment to *Financing costs*. As at December 31, 2016, the Corporation expects to reclassify, over the next 12 months, a pre-tax expense of approximately $12 million from *Accumulated other comprehensive loss* to earnings (loss) ($11 million as at December 31, 2015).

On December 31, 2016, a 0.25% rise in the variable interest rates, assuming that all other variables had remained the same, would have resulted in a $0.2 million ($0.2 million in 2015) decrease in the Corporation's net loss for the year ended December 31, 2016, whereas *Accumulated other comprehensive loss* would have increased by an after-tax amount of $7.5 million ($7.9 million in 2015).

## 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 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.

The contractual maturities of the Corporation's non-derivative financial liabilities as at December 31, 2016 and 2015 are detailed in the following tables:

| As at December 31, 2016 | Carrying amount | Undiscounted cash flows (principal and interest) | | | | |
|---|---|---|---|---|---|---|
| | | Current portion | From 1 to 2 years | From 2 to 5 years | Over 5 years | Total |
| **Non-derivative financial liabilities:** | | | | | | |
| Trade and other payables | 131 | 131 | — | — | — | 131 |
| Non-current debt | 1,540 | 150 | 206 | 557 | 1,159 | 2,072 |
| Convertible debentures | 135 | 6 | 6 | 10 | — | 22 |
| **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 |

| As at December 31, 2015 | Carrying amount | Undiscounted cash flows (principal and interest) | | | | |
|---|---|---|---|---|---|---|
| | | Current portion | From 1 to 2 years | From 2 to 5 years | Over 5 years | Total |
| **Non-derivative financial liabilities:** | | | | | | |
| Trade and other payables | 92 | 92 | — | — | — | 92 |
| Non-current debt | 1,421 | 206 | 146 | 511 | 1,107 | 1,970 |
| Convertible debentures | 137 | 6 | 7 | 16 | — | 29 |
| **Derivative financial instruments:** | | | | | | |
| Financial swaps - interest rates | 74 | 11 | 12 | 29 | 36 | 88 |
| Foreign exchange forward contracts | 4 | — | — | 1 | 5 | 6 |
| | 1,728 | 315 | 165 | 557 | 1,148 | 2,185 |

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 25. 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 the project risks in its portfolio through project-specific financing arrangements without recourse to the other assets of the parent company and to maximize its financial leverage in light of the significant capital requirements for project completion in the energy sector.

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.

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, 2016 and 2015, the Corporation was in compliance with its required ratio commitments. 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, 2016 | As at December 31, 2015 |
|---|---|---|
| Non-current debt | 1,439 | 1,276 |
| Current portion of debt | 101 | 145 |
| Borrowing costs, net of accumulated amortization | 25 | 24 |
| Less: | | |
| Cash and cash equivalents | 100 | 100 |
| Restricted cash[(1)] | 23 | 3 |
| Net debt | 1,442 | 1,342 |

(1) Excluding restricted cash of $170 million related to subscription receipt issuance.

The Corporation defines total market capitalization as follows:

| (in millions of dollars, except for the number of outstanding shares and share market price) | As at December 31, 2016 | As at December 31, 2015 |
|---|---|---|
| Number of outstanding shares (in thousands) | 65,366 | 64,829 |
| Share market price (in $ per share) | 19.15 | 14.46 |
| Market value of equity attributable to shareholders | 1,252 | 937 |
| Non-controlling shareholders | 18 | 14 |
| Net debt | 1,442 | 1,342 |
| Convertible debentures (nominal value) | 144 | 144 |
| Total market capitalization | 2,856 | 2,437 |

The Corporation computes the net debt to market capitalization ratio as follows:

| (in millions of dollars) | As at December 31, 2016 | As at December 31, 2015 |
|---|---|---|
| Net debt | 1,442 | 1,342 |
| Total market capitalization | 2,856 | 2,437 |
| **NET DEBT RATIO** (market capitalization) | 50% | 55% |
| **NET DEBT RATIO** (market capitalization, excluding non-current debt drawn for projects under construction)[(1)] | 49% | 55% |

(1) Given the significant 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.

At present, the net debt to capitalization ratio stands at 50% 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 26. Commitments and Contingencies

In addition to the commitments of the Joint Ventures (discussed in note 9), the Corporation entered into the following transactions:

| | Payments | | | |
|---|---|---|---|---|
| | Current portion | From 1 to 5 years | Over 5 years | **Total** |
| Contingent consideration | 49 | 24 | — | 73 |
| Subscription receipt issuance (note 29) | 4 | — | — | 4 |
| Purchase and construction contracts | 223 | — | — | 223 |
| Maintenance contracts | 12 | 44 | 23 | 79 |
| Operating land lease contracts | 7 | 21 | 47 | 75 |
| | 295 | 89 | 70 | 454 |

## Contingent Consideration

Upon completion of certain phases in the development of projects acquired from the company Ecotera, Boralex is required to pay to the seller a maximum amount of €51 million ($73 million).

## 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 2017 and 2054. These contracts provide for annual indexation based on the Consumer Price Index ("CPI"). However, under long-term contracts for the Québec hydroelectric power stations (except for the Forces Motrices St-François power station, whose price is indexed at an annual fixed rate, and the Beauport and Forestville power stations whose prices are indexed to the CPI), the indexation rate should not be lower than 3% or higher than 6%.

### France

For the wind power stations, 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 2017 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 2017 - November 2017 | 86.65 | 80.58 |
| December 2017 - 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 power station is commissioned and will be indexed annually.

### France

The **Voie des Monts**, **Mont de Bagny**, **Artois**, **Chemin de Grès**, **Le Pelon** and **Moulins du Lohan** wind power projects should be covered by 15-year energy sales contracts. These contracts will begin when the wind farms are commissioned, and the selling price will be indexed annually.

## Purchase and Construction Contracts - Projects under Development

### Canada

The Corporation has entered into turbine purchase and construction contracts for the **Moose Lake** hydroelectric power project.

### France

(a) The Corporation has entered into a number of turbine purchase and construction contracts as well as a connection agreement for the **Voie des Monts, Mont de Bagny** and **Artois** wind power project.

(b) The Corporation has entered into a number of construction contracts for the **Chemin de Grès** wind power project.

(c) The Corporation has entered into a number of turbine purchase and construction contracts for the **Moulins du Lohan** wind power project.

## Maintenance Contracts

### Canada

(a) The Corporation has entered into 12-year wind turbine maintenance contracts expiring in 2022 for the **Thames River** wind farms. Those contracts include a cancellation option at the Corporation's discretion, exercisable after the fifth year.

(b) The Corporation has entered into 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, and exercisable after the fifth year.

(c) The Corporation has entered into 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.

### 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 Leases on Property

### Canada

(a) For the **Thames River**, **Témiscouata I**, **Témiscouata II**, **Côte-de-Beaupré** and **Frampton** 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.

### 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 annually and are indexed each year, 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 facilities 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).

## 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.

## Note 27. Related Party Transactions

Related parties include the Corporation's subsidiaries, Joint Ventures and main senior executives. Details of related party transactions are as follows:

| | 2016 | 2015 |
|---|---|---|
| **OTHER REVENUES** | | |
| R.S.P. Energy 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 |
| **COSTS AND OTHER EXPENSES** | | |
| Operating | | |
| Cascades Inc. - an entity having significant influence over the Corporation | 1 | 1 |

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, 2016 | As at December 31, 2015 |
|---|---|---|
| **RELATED PARTY RECEIVABLES** | | |
| Otter Creek Wind Farm Limited Partnership – associated company | 2 | 1 |

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. Cascades receivables are related to charged back costs.

### Executive Compensation

Compensation allocated to senior executives and to members of the Board of Directors is detailed in the following table:

| | 2016 | 2015 |
|---|---|---|
| Current salaries and benefits | 2 | 2 |
| Other long-term benefits | 2 | 2 |
| | 4 | 4 |

# Note 28. 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. 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:

| | 2016 | 2015 |
|---|---|---|
| Net earnings (loss) | 2 | (8) |
| Income tax recovery | (9) | (1) |
| Financing costs | 76 | 73 |
| Amortization | 116 | 97 |
| **EBITDA** | 185 | 161 |
| Adjustments: | | |
| Loss on redemption of convertible debentures | — | 3 |
| Net loss on financial instruments | 4 | 7 |
| Foreign exchange gain | (1) | (2) |
| Other losses | 1 | — |
| **EBITDA(A)** | 189 | 169 |

## Information on Principal Clients

Revenues are allocated according to the client's country of domicile. In 2016, the Corporation had three clients accounting for 10% or more of its revenues (four clients in 2015).

The table below shows the respective percentage of consolidated revenues from each of these clients, as well as the segments in which they operate:

| 2016 | | 2015 | |
|---|---|---|---|
| % of sales attributable to one client | Segment(s) | % of sales attributable to one client | Segment(s) |
| 46 | Wind, thermal and solar | 52 | Wind, thermal and solar |
| 27 | Wind, hydroelectric and thermal | 17 | Wind, hydroelectric and thermal |
| 10 | Wind | 11 | Wind |
| | | 10 | Hydroelectric |

## Information by Operating Segment

| | 2016 | 2015 | 2016 | 2015 |
|---|---|---|---|---|
| | Power production (GWh) | | Revenues from energy sales | |
| | (Unaudited) | (Unaudited) | | |
| Wind power stations | 1,624 | 1,396 | 212 | 178 |
| Hydroelectric power stations | 632 | 626 | 57 | 58 |
| Thermal power stations | 163 | 155 | 25 | 27 |
| Solar power stations | 22 | 9 | 5 | 3 |
| | 2,441 | 2,186 | 299 | 266 |
| | EBITDA(A) | | Additions to property, plant and equipment | |
| Wind power stations | 176 | 149 | 182 | 292 |
| Hydroelectric power stations | 40 | 41 | 32 | 19 |
| Thermal power stations | 6 | 6 | 2 | 3 |
| Solar power stations | 4 | 3 | 1 | 15 |
| Corporate and eliminations | (37) | (30) | 6 | 1 |
| | 189 | 169 | 223 | 330 |

| | As at December 31, 2016 | As at December 31, 2015 |
|---|---|---|
| **Total assets** | | |
| Wind power stations | 1,842 | 1,763 |
| Hydroelectric power stations | 538 | 479 |
| Thermal power stations | 39 | 42 |
| Solar power stations | 38 | 41 |
| Corporate | 245 | 124 |
| | 2,702 | 2,449 |
| **Total liabilities** | | |
| Wind power stations | 1,382 | 1,383 |
| Hydroelectric power stations | 268 | 175 |
| Thermal power stations | 24 | 13 |
| Solar power stations | 28 | 33 |
| Corporate | 486 | 286 |
| | 2,188 | 1,890 |

## Information by Geographic Segment

| | 2016 | 2015 | 2016 | 2015 |
|---|---|---|---|---|
| | Power production (GWh) | | Revenues from energy sales | |
| | (Unaudited) | (Unaudited) | | |
| Canada | 1,053 | 768 | 120 | 86 |
| France | 1,069 | 1,087 | 150 | 150 |
| United States | 319 | 331 | 29 | 30 |
| | 2,441 | 2,186 | 299 | 266 |
| | EBITDA(A) | | Additions to property, plant and equipment | |
| Canada | 82 | 52 | 79 | 259 |
| France | 89 | 96 | 121 | 70 |
| United States | 19 | 21 | 2 | 1 |
| Other[1] | (1) | — | 21 | — |
| | 189 | 169 | 202 | 330 |

| | As at December 31, 2016 | As at December 31, 2015 |
|---|---|---|
| **Total assets** | | |
| Canada | 1,245 | 1,063 |
| France | 1,242 | 1,178 |
| United States | 191 | 208 |
| Other[1] | 24 | — |
| | 2,702 | 2,449 |
| **Non-current assets, excluding *Interests in the Joint Ventures* and *Deferred income tax asset*** | | |
| Canada | 935 | 886 |
| France | 1,138 | 1,089 |
| United States | 177 | 185 |
| Other[1] | 20 | — |
| | 2,270 | 2,160 |
| **Total liabilities** | | |
| Canada | 1,070 | 835 |
| France | 997 | 906 |
| United States | 119 | 149 |
| Other[1] | 2 | — |
| | 2,188 | 1,890 |

[1] Scotland and Denmark

# Note 29. Subsequent Events

## Acquisition of the Interest in the Niagara Region Wind Farm and Closing of the Bought Deal Offering

On January 18, 2017, Boralex completed the acquisition of the total economic interest of Enercon Canada Inc. in the 230 MW wind farm in the Niagara region, for a cash consideration of $232 million, subject to adjustments under the acquisition agreements and Boralex assuming debt totalling $798 million, for a total enterprise value of over $1 billion.

On December 18, 2016, the Corporation carried out a public offering of subscription receipts for gross proceeds of approximately $173 million ($170 million net of transaction costs), including the full exercise of the over-allotment option by the underwriters. The subscription receipts were exchangeable on a one-for-one basis for Class A common shares of Boralex upon closing of the transaction for no additional consideration or further action. The offering was carried out by a syndicate of underwriters who purchased an aggregate of 10,361,500 subscription receipts of the Corporation at a price of $16.65 each. The 10,361,500 subscription receipts issued under this offering were automatically exchanged for Boralex common shares on a one-for-one basis on January 18, 2017.

Due to the limited period of time between the **NRWF** acquisition and the publication of the consolidated financial statements of the Corporation, certain items required for the disclosure of asset acquisitions have not been provided, particularly the preliminary purchase price allocation. The Corporation is currently assessing the fair value of assets acquired and liabilities assumed and will publish the preliminary purchase price allocation with fiscal 2017 first quarter results.

## Refinancing of the Revolving Credit Facility

On January 18, 2017, after announcing its acquisition of Enercon's interest in **NRWF**, Boralex obtained an additional $100 million increase in its revolving credit facility, resulting in an authorized amount of $460 million. Coupled with the recent offering of $173 million in subscription receipts, these financial transactions demonstrate Boralex's credibility in the capital markets. They afford Boralex significant financial flexibility, such as the ability to inject capital into new projects that meet its growth objectives, and help preserve the strength of its statement of financial position.

## Port Ryerse

On February 7, 2017, following the December 9, 2016 commissioning of the **Port Ryerse** wind power project in Ontario, Canada with an installed capacity of 10 MW, Boralex Inc. acquired the remaining 25% of the partnership units of Port Ryerse Wind Farm Limited Partnership held by UDI Renewables Corporation. Boralex Inc. now holds all the partnership units of Port Ryerse Wind Farm Limited Partnership.

On February 22, 2017, the Corporation announced the closing of financing for the **Port Ryerse** wind power project in the amount of $33 million. The long-term financing was provided by DZ Bank AG Deutsche Zentral-Genossenschaftsbank (New York branch) and 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 from the project commissioning date of December 9, 2016. To reduce its exposure to variable rates, interest rate swaps have been entered into, which will allow to fix the rate at 3.89% over 90% of the debt.

## France - Chemin de Grès Wind Power Project

In February 2017, the Corporation entered into construction contracts for the **Chemin de Grès** wind power project. The Corporation's net commitment under these contracts amounts to €26 million ($37 million).

# General Information

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## ADDITIONAL INFORMATION MAY BE OBTAINED FROM:

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info@boralex.com

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

## TRANSFER 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
Fax: 514-982-7635 | 1-888-453-0330
service@computershare.com

## SHAREHOLDER INFORMATION

The **Annual and Special Meeting** of Shareholders will be held on Thursday, May 4, 2017, at 11:00 a.m., at the following address:

**Musée d'art contemporain de Montréal**
Beverley Webster Rolph Hall
185 Sainte-Catherine Street West
Montréal (Québec)
Canada H2X 3X5
Telephone: 514-847-6226

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# GOVERNANCE

Upholding corporate responsibility and respecting stakeholder interests are key commitments from our management team.

## Board of Directors

**Robert F. Hall**

Chairman of the Board
Boralex Inc.

**Patrick Lemaire**

President and Chief Executive Officer
Boralex Inc.

**Germain Benoit** [4]

Chairman of the Board
Capital Benoit 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.

## Management Team

**Jean-François Thibodeau**

Vice President and Chief Financial Officer

**Patrick Lemaire**

President and Chief Executive Officer

**Jean Virolle**

Director, Information Technology

**Denis Aubut**

General Manager, Operations

**Patrick Decostre**

Vice President and General Manager, Boralex Europe

**Yves Rheault** [2, 4]

Corporate Director and Consultant

**Alain Rhéaume** [1, 4]

Founder and Managing Partner
Trio Capital Inc.

**Michelle Samson-Doel** [1, 3]

President
Samson-Doel Group Ltd

Corporate Director

**Pierre Seccareccia** [1]

Corporate Director

**Dany St-Pierre** [2, 3]

President
Cleantech Expansion LLC

[1] Member of the Audit Committee
[2] Member of the Environmental, Health and Safety Committee
[3] Member of the Corporate Governance Committee
[4] Member of the Human Resources Committee

**Guy D'Aoust**

Vice President, Finance

**Julie Cusson**

Director, Public Affairs and Communications

**Sylvain Aird**

Vice President, Boralex Europe, Chief Legal Officer and Corporate Secretary

**Marie-Josée Arsenault**

Corporate Director, Human Resources

**Pascal Hurtubise**

Vice President, Legal Affairs, North America

**Hugues Girardin**

Vice President, Development

**Gabriel Ouellet**

Director, Biomass

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