

# Management's Discussion and Analysis

As at December 31, 2019

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# Profile

Boralex develops, builds and operates renewable energy power facilities in Canada, France, the United Kingdom and the United States. A leader in the Canadian market and France's largest independent producer of onshore wind power, the Corporation is recognized for its solid experience in optimizing its asset base in four power generation types: wind, hydroelectric, thermal and solar. Boralex has ensured sustained growth by leveraging the expertise and diversification developed over nearly 30 years.

Boralex's shares are listed on the Toronto Stock Exchange under the ticker symbol BLX<sup>(1)</sup>. As at December 31, 2019, the Caisse de dépôt et placement du Québec, one of Canada's largest institutional investors, held 18.4% of Boralex's outstanding shares.

## Highlights

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

	IFRS		Combined <sup>(2)</sup>	
(in millions of Canadian dollars, unless otherwise specified)	2019	2018	2019	2018
Power production (GWh) <sup>(3)</sup>	1,364	1,106	1,677	1,430
Revenues from energy sales and feed-in premium	179	145	212	178
EBITDA(A) <sup>(2)</sup>	143	98	165	121
Net earnings (loss)	(23)	9	(15)	9
Net earnings (loss) attributable to shareholders of Boralex	(26)	9	(18)	9
Per share (basic and diluted)	(\$0.28)	\$0.09	(\$0.19)	\$0.09
Net cash flows related to operating activities	58	23	52	52
Cash flows from operations <sup>(2)</sup>	119	71	116	84

### For the years ended December 31

	IFRS		Combined <sup>(2)</sup>	
(in millions of Canadian dollars, unless otherwise specified)	2019	2018	2019	2018
Power production (GWh) <sup>(3)</sup>	4,371	3,568	5,544	4,305
Revenues from energy sales and feed-in premium	564	471	687	549
EBITDA(A) <sup>(2)</sup>	402	298	492	354
Net loss	(43)	(38)	(43)	(38)
Net loss attributable to shareholders of Boralex	(39)	(30)	(39)	(30)
Per share (basic and diluted)	(\$0.43)	(\$0.38)	(\$0.43)	(\$0.38)
Net cash flows related to operating activities	294	202	303	235
Cash flows from operations <sup>(2)</sup>	310	192	327	208

IFRS	Three-month periods ended December 31		Years ended December 31	
	2019	2018	2019	2018
(in millions of Canadian dollars, unless otherwise specified)				
Discretionary cash flows <sup>(2)</sup>	68	44	120	59

<sup>(1)</sup> Boralex redeemed all convertible debentures outstanding on October 24, 2019. These debentures were included in Boralex's financial statements as at December 31, 2018 and were traded on the Toronto Stock Exchange under the ticker BLX.DB.A until their redemption.

<sup>(2)</sup> See the *Non-IFRS measures* section.

<sup>(3)</sup> Production level for which NRWF wind farm was compensated following power generation limitations imposed by the IESO was included in power production as management uses this measure to evaluate the Corporation's performance. This change facilitates the correlation between power production and revenues from energy sales and feed-in premium.

# Abbreviations and definitions

In alphabetical order

<b>Caisse</b>	Caisse de dépôt et placement du Québec
<b>Cube</b>	Cube Hydro-Power SARL (formerly Cube Energy SCA)
<b>DC&amp;P</b>	Disclosure controls and procedures
<b>DM I and DM II</b>	Des Moulins Wind Power L.P.
<b>EBITDA</b>	Earnings before taxes, interest, depreciation and amortization
<b>EBITDA(A)</b>	Earnings before taxes, interest, depreciation and amortization adjusted to include other items
<b>EDF</b>	Electricité de France
<b>FiP</b>	Feed-in premium
<b>GWh</b>	Gigawatt-hour
<b>HQ</b>	Hydro-Québec
<b>IASB</b>	International Accounting Standards Board
<b>ICFR</b>	Internal control over financial reporting
<b>IESO</b>	Independent Electricity System Operator (Ontario)
<b>IFER</b>	Flat-rate tax on network businesses (France)
<b>IFRS</b>	International Financial Reporting Standards
<b>Interests</b>	Interests in the Joint Ventures and associates
<b>Invenergy</b>	Invenergy Renewables LLC
<b>Kallista</b>	Kallista Energy Investment SAS and KE Production SAS
<b>LP I</b>	Le Plateau Wind Power L.P.
<b>LP II</b>	Le Plateau Community Wind Power L.P.
<b>LTM</b>	Last twelve months
<b>MW</b>	Megawatt
<b>MWh</b>	Megawatt-hour
<b>NRWF</b>	Niagara Region Wind Farm
<b>RFP</b>	Request for proposal
<b>Roncevaux</b>	Roncevaux Wind Power L.P.
<b>SDB I</b>	Seigneurie de Beupré Wind Farms 2 and 3
<b>SDB II</b>	Seigneurie de Beupré Wind Farms 4
<b>Six Nations</b>	Six Nations of the Grand River
<b>SOP</b>	Standing Offer Program

<b>Anticipated production</b>	Historical averages for the oldest sites adjusted for facility commissioning and planned shutdowns, and productivity forecasts for the other sites.
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# Introductory comments

## General

This Management's Discussion and Analysis ("MD&A") reviews the operating results for the three-month period and fiscal year ended December 31, 2019, compared with the corresponding periods of 2018, the cash flows for the year ended December 31, 2019 compared with the year ended December 31, 2018, as well as the Corporation's financial position as at December 31, 2019 compared with December 31, 2018. 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, 2019.

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](http://www.boralex.com)) and SEDAR ([www.sedar.com](http://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 February 27, 2020, 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 IFRS under Part I of the *CPA Canada Handbook*. The financial statements included in this MD&A have been prepared according to IFRS applicable to the preparation of financial statements, IAS 1, *Presentation of Financial Statements*, and contain comparative figures for 2018.

As discussed under the *Non-IFRS measures* section, this MD&A also contains information consisting of non-IFRS measures. The Corporation uses "EBITDA," "EBITDA(A)," "cash flows from operations," "ratio of net debt," "discretionary cash flows," and "payout ratio" to assess the operating performance of its facilities. As described under the *Non-IFRS measures* section, the Corporation also presents Combined information that incorporates its share of the financial statements of the Interests.

All financial information presented in this MD&A, as well as tabular information, is in Canadian dollars. It should also be noted that the data expressed as a percentage is calculated using amounts in thousands of dollars.

Financial information related to our operations in France, the United States and the United Kingdom is translated into Canadian dollars using the average rate for the relevant period. The foreign currency translation adjustments noted in this MD&A are the result of translating this data into Canadian dollars.

The tables below provide details of Canadian dollar exchange rates by comparative currency unit for the periods covered by our financial statements and this MD&A.

Closing rate <sup>(1)</sup>		
As at December 31,		
Currency	2019	2018
USD	1.2990	1.3637
EUR	1.4567	1.5636
GBP	1.7226	1.7403

Average rate <sup>(1)(2)</sup>				
For the three-month periods ended December 31			For the twelve-month periods ended December 31	
Currency	2019	2018	2019	2018
USD	1.3200	1.3204	1.3269	1.2957
EUR	1.4615	1.5071	1.4856	1.5302
GBP	1.6994	1.6989	1.6945	1.7299

<sup>(1)</sup> Source: Bank of Canada

<sup>(2)</sup> Average daily rates

## Notice concerning forward-looking statements

The purpose of this MD&A is to help the reader understand the nature and importance of changes and trends as well as the risks and uncertainties that may affect Boralex's operating results and financial position. Accordingly, some of the statements contained in this analysis, including those regarding future results and performance, are forward-looking statements based on current expectations, within the meaning of securities legislation. Positive or negative verbs such as "will," "would," "forecast," "anticipate," "expect," "plan," "project," "continue," "intend," "assess," "estimate" or "believe," or expressions such as "toward," "about," "approximately," "to be of the opinion," "potential" or similar words or the negative thereof or other comparable terminology, are used to identify such statements. They are based on Boralex management's expectations, estimates and assumptions as at February 27, 2020.

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

Forward-looking information is based on significant assumptions, including assumptions about the performance of the Corporation's projects based on management estimates and expectations with respect to wind and other factors, the opportunities that could arise in the various segments targeted for growth or diversification, assumptions about EBITDA(A) margins, assumptions about the industry and general economic conditions, competition and availability of financing and partners. While the Corporation considers these factors and assumptions to be reasonable based on information currently available, they may prove to be incorrect.

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 forward-looking statement. The main factors that could lead to a material difference between the Corporation's actual results and the forward-looking financial information or expectations set forth in the forward-looking statements include, but are not limited to, the general impact of economic conditions, currency fluctuations, volatility in energy selling prices, the Corporation's financing capacity, competition, changes in general market conditions, the regulations governing the industry and raw material price increases and availability, litigation and other regulatory issues related to projects in operation or under development, as well as certain other factors described in the documents filed by the Corporation with the different securities commissions.

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, management of Boralex 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 is a Canadian corporation operating in the renewable energy segment. It draws on a workforce of 479 people to develop, build and operate power generating facilities in Canada, France, the United States and the United Kingdom. As at December 31, 2019, its asset base of net installed capacity comprised 2,040 MW<sup>(1)</sup>. Projects under construction or ready to build represent an additional 58 MW, to be commissioned by the end of 2021, while the secure pipeline of projects amounts to 167 MW.

## Segment and geographic breakdown

Boralex is present in key markets such as Canada, France and the Northeastern United States. Boralex is active in four complementary power generation segments: wind, hydroelectric, thermal and solar. A major portion of Boralex's net installed capacity originates from the wind power segment, making it France's largest independent producer of onshore wind power. The following table provides information about the makeup of the Corporation's energy portfolio in operation as at December 31, 2019.

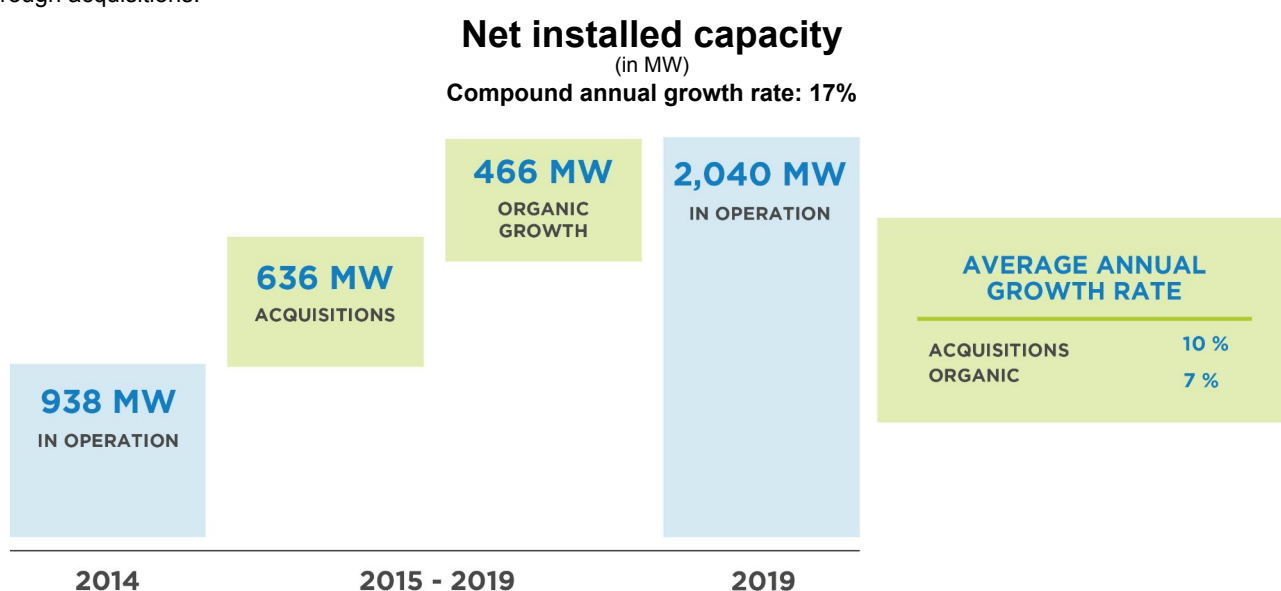
	Canada		France		United States		Total		
	Net installed capacity (MW)	Number of sites	Net installed capacity (MW)	Number of sites	Net installed capacity (MW)	Number of sites	Net installed capacity		Sites
							MW	%	
Wind power stations	844	24	951	61	—	—	1,795	88%	85
Hydroelectric power stations	100	9	—	—	82	7	182	9%	16
Thermal power stations	35	1	12	1	—	—	47	2%	2
Solar power stations	1	1	15	2	—	—	16	1%	3
	980	35	978	64	82	7	2,040	100%	106
<b>Geographic breakdown</b>	48 %		48 %		4 %		100 %		

## Breakdown of sources of revenues from energy sales and feed-in premium

Substantially all (97%) of the GWh generated by Boralex is covered by long-term indexed, fixed-price energy sales contracts. The Corporation estimates that the equivalent of 282 MW (14% of net installed capacity or 11% of expected current production) covered by contracts expiring through December 2024 will then be sold at market prices if new contracts have not been negotiated beforehand. These contracts have a weighted average remaining contractual term of 13 years.

## Net installed capacity

Boralex's net installed capacity increased from 938 MW as at December 31, 2014 to 2,040 MW as at December 31, 2019, which represents annual compound growth of 17% for this five-year period. This growth has been achieved both organically and through acquisitions.



<sup>(1)</sup> This data, and all of the data in this MD&A, reflects 100% of Boralex's subsidiaries in which Boralex is the controlling shareholder. The data also reflects Boralex's share in entities over which it does not have control and which are accounted for using the equity method in this MD&A, consisting of 170 MW in the Joint Ventures operating the Seigneurie de Beaupré Wind Farms in Québec, representing 50% of a total installed capacity of 340 MW, plus 201 MW from the acquisition of Invenery's interests in five wind farms in Québec, out of the total installed capacity of 391 MW.

## Selected financial information: A growth company

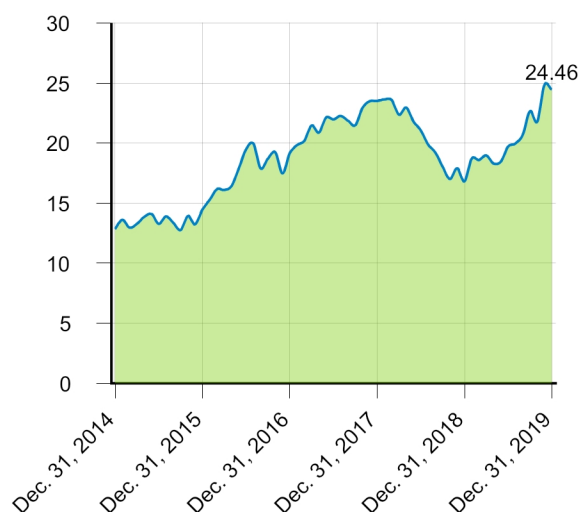
In recent years, Boralex's EBITDA(A) and market capitalization have grown at annual compound rates of 29% (27% on a Combined basis) and 37%, respectively. In 2014, Boralex also undertook to pay a dividend to its shareholders, which amounted to \$20 million for that first fiscal year. The dividend for the year ended December 31, 2019 amounted to \$60 million.

### Share price

(Closing price in Canadian dollars)

**Compound annual growth rate: 14%**

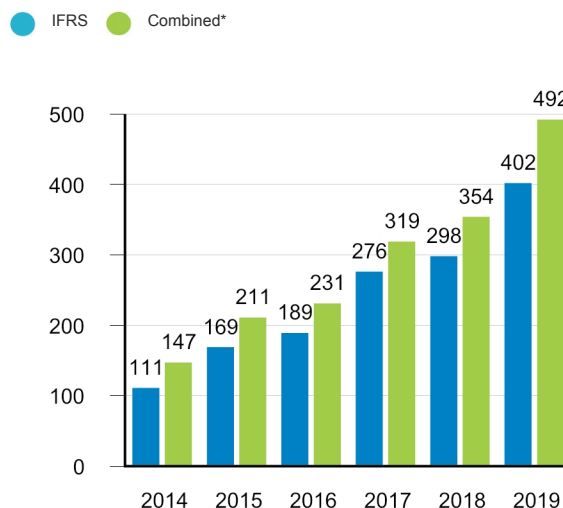
(Toronto Stock Exchange under the ticker BLX)



### EBITDA(A)\*

(in millions of Canadian dollars)

**Compound annual growth rate: 29% (IFRS) and 27% (Combined)**

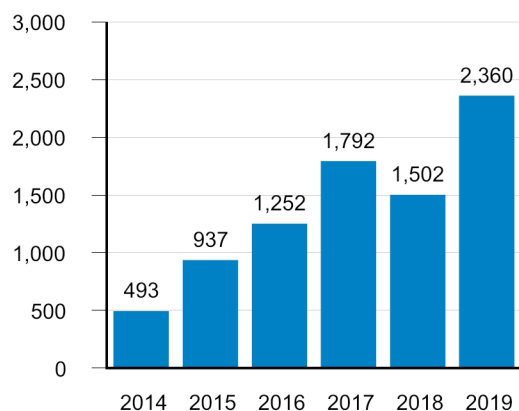


\* See the *Non-IFRS measures* section.

### Market capitalization

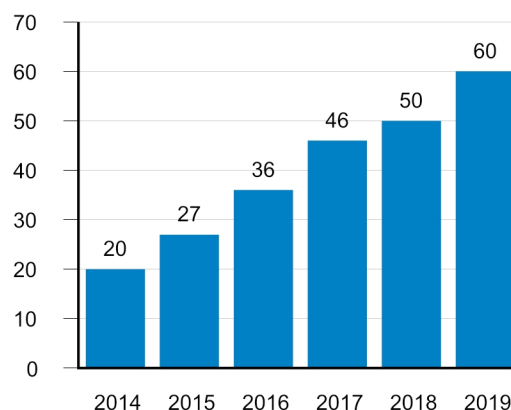
(in millions of Canadian dollars)

**Compound annual growth rate: 37%**



### Dividends paid

(in millions of Canadian dollars)



# Overview of past three fiscal years

## Selected annual information

### Operating results data

(in millions of Canadian dollars, unless otherwise specified)	Years ended December 31,		
	2019	2018	2017
<b>POWER PRODUCTION (GWh)<sup>(1)</sup></b>	4,371	3,568	3,218
<b>REVENUES FROM ENERGY SALES AND FEED-IN PREMIUM</b>	564	471	414
<b>EBITDA(A)<sup>(2)(3)</sup></b>	402	298	276
<b>NET EARNINGS (LOSS)<sup>(2)</sup></b>	(43)	(38)	10
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX<sup>(2)</sup></b>	(39)	(30)	22
<b>NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – BASIC AND DILUTED<sup>(2)</sup></b>	(\$0.43)	(\$0.38)	0.29 \$
<b>NET CASH FLOWS RELATED TO OPERATING ACTIVITIES<sup>(2)</sup></b>	294	202	145
<b>CASH FLOWS FROM OPERATIONS<sup>(2)(3)</sup></b>	310	192	195
<b>DIVIDENDS PAID ON COMMON SHARES</b>	60	50	46
<b>DIVIDENDS PAID PER COMMON SHARE</b>	\$0.66	\$0.63	0.60 \$
Weighted average number of shares outstanding – basic	90,604,799	80,102,038	75,436,036

### Statement of financial position data

(in millions of Canadian dollars, unless otherwise specified)	As at December 31, <b>2019</b>	As at December 31, <b>2018</b>	As at December 31, <b>2017</b>
Total cash, including restricted cash	168	253	150
Property, plant and equipment	2,715	2,918	2,621
Total assets <sup>(2)</sup>	4,557	4,764	3,926
Debt, including current portion of debt	3,067	3,271	2,642
Liability component of convertible debentures	—	140	137
Total liabilities <sup>(2)</sup>	3,682	3,857	3,197
Total equity	875	907	729
Net debt to market capitalization ratio <sup>(3)</sup> (%)	56%	65%	56%

<sup>(1)</sup> Production volume for which the NRWF wind farm was compensated following power generation limitations imposed by the IESO was included in power production as management uses this measure to evaluate the Corporation's performance. This change facilitates the correlation between power production and revenues from energy sales and feed-in premium.

<sup>(2)</sup> Effective January 1, 2019, the Corporation adopted new accounting standard IFRS 16, *Leases*, issued by the IASB. See the *Other elements* section for information on the adoption of IFRS 16, *Leases*, and the impact of its transition.

<sup>(3)</sup> See the *Non-IFRS measures* section.



## Key developments in the past three fiscal years

### Acquisitions and commissioning

The table below shows all of the wind farms and hydroelectric power stations acquired and commissioned by the Corporation over the past three fiscal years, for an additional installed capacity of 902 MW and a total net installed capacity of 2,040 MW as at December 31, 2019.

Project name	Net capacity (MW)	Date <sup>(1)</sup>	Segment/Country	Energy contract term/Client	Ownership (%)
<b>NRWF</b>	230	January 18	Wind/Canada	20 years/IESO	Note <sup>(2)</sup>
<b>Plateau de Savernat II</b>	4	March 21	Wind/France	15 years/EDF	100
<b>Voie des Monts</b>	10	July 10	Wind/France	15 years/EDF	100
<b>Mont de Bagny</b>	24	August 1	Wind/France	15 years/EDF	100
<b>Artois</b>	23	November 21	Wind/France	15 years/EDF	100
<b>Chemin de Grès</b>	30	December 6	Wind/France	15 years/EDF	100
<b>2017</b>	<b>+ 321 MW</b>	<b>Net installed capacity: 1,456 MW</b>			
<b>Kallista</b>	163	June 20	Wind/France	15 years/EDF	Note <sup>(3)</sup>
<b>DM I and DM II, LP I, LP II and Roncevaux</b>	201	September 14	Wind/Canada	Note <sup>(4)</sup>	Note <sup>(5)</sup>
<b>Inter Deux Bos</b>	33	September 24	Wind/France	15 years/EDF	100
<b>Noyers Bucamps</b>	10	November 1	Wind/France	15 years/EDF/FiP	100
<b>Hauts de Comble</b>	20	November 5	Wind/France	15 years/EDF	100
<b>Côteaux du Blaiseron</b>	26	November 9	Wind/France	15 years/EDF	100
<b>Le Pelon</b>	10	January 1, 2019 <sup>(6)</sup>	Wind/France	15 years/EDF/FiP	100
<b>Sources de l'Ancre</b>	23	January 1, 2019 <sup>(6)</sup>	Wind/France	15 years/EDF/FiP	100
<b>2018</b>	<b>+ 486 MW</b>	<b>Net installed capacity: 1,942 MW</b>			
<b>Basse Thiérache Nord</b>	20	February 1 and March 1	Wind/France	15 years/EDF/FiP	100
<b>Moose Lake</b>	15	April 4 <sup>(7)</sup>	Wind/Canada	40 years/BC Hydro	70
<b>Catésis</b>	10	June 1	Wind/France	20 years/EDF/FiP	100
<b>Yellow Falls</b>	16	March 6 <sup>(8)</sup>	Hydro/Canada	40 years/IESO	100
<b>Buckingham<sup>(9)</sup></b>	10	October 17	Hydro/Canada	25 years/HQ	100
<b>Seuil du Cambrésis</b>	24	December 1	Wind/France	15 years/EDF/FiP	100
<b>2019</b>	<b>+ 95 MW</b>	<b>Net installed capacity: 2,040 MW<sup>(10)</sup></b>			

<sup>(1)</sup> Dates of acquisition and commissioning by Boralex.

<sup>(2)</sup> Boralex owns 50% of FWRN LP, which owns the intangible assets of the wind farm and 100% of NR Capital GP, which owns the property, plant and equipment and debt.

<sup>(3)</sup> Boralex owns 100% of the shares of 14 wind farms and 65% of the 15 MW Val aux Moines SAS wind farm, all in operation.

<sup>(4)</sup> These contracts have a weighted average remaining contractual term of 16 years from the acquisition date.

<sup>(5)</sup> See the *Interests in the Joint Ventures and associates* note in this 2019 Annual Report.

<sup>(6)</sup> Owing to administrative restrictions, the energy sales contract became effective on January 1, 2019. However, since the facility was already operational, it is therefore considered as a 2018 commissioning.

<sup>(7)</sup> Owing to administrative restrictions, the energy sales contract became effective on April 4, 2019. However, since the facility was already operational, it is therefore considered as having been commissioned in the first quarter of 2019.

<sup>(8)</sup> Commercial commissioning was confirmed with the IESO on November 14, 2019. Boralex received retroactive compensation to make up for the difference between the contract price and the market price for electricity sold by the power station since it was commissioned on March 6, 2019.

<sup>(9)</sup> This 10 MW capacity increase will result in an additional \$5 million in annual EBITDA for total pro forma EBITDA of \$8 million for the project and installed capacity of 20 MW.

<sup>(10)</sup> Capacity increases totalling 3 MW have been made to existing French facilities since the beginning of fiscal 2019.

## 2019

### Commissioning

The Corporation added 95 MW to its net installed capacity with the commissioning of three wind farms in France, a fourth wind farm in British Columbia, a first hydroelectric power station in Ontario, and the repowering of the Buckingham power station in Québec.

### Project authorization

The Board of Directors authorized the construction of two wind farms in France for a total of 27 MW with commissioning slated for 2021.

The Scottish government granted an irrevocable licence for the **Limekiln** wind power project, equally owned by Boralex and Infinergy. This project must complete certain administrative steps before the start of construction.

### RFP participation

In France, five projects totalling some 100 MW were selected under the third and fourth series of RFPs issued by the *ministère de la Transition écologique et solidaire*. These projects will enter the *Growth path* as they meet the criteria as described in the *Development outlook by strategic direction* section of this report.

In the United States, the Corporation submitted bids for the RFP issued by the New York State Energy Research and Development Authority (NYSERDA) in September in connection with four solar power projects with a total capacity of 180 MW.

### Miscellaneous developments

In 2017, the Administrative Tribunal of Rennes cancelled the construction permits for the **Moulins du Lohan** project in Northwestern France based on its subjective risk assessment of landscape damage to the Lanouée forest. Construction work was suspended at that time. The Corporation appealed the decision and a decision by the Council of State is expected to be rendered by the end of 2020 or early 2021.

### Changes in accounting policies

In 2019, the Corporation adopted the new accounting standard IFRS 16, *Leases*, issued by the IASB. The new standard requires the lessee to recognize a lease obligation for future lease payments and a right-of-use asset for most leases and report them on the statement of financial position, except for leases that meet limited exception criteria. Notwithstanding the Corporation's growth, following the adoption of this new standard, net loss before income taxes increased by \$7 million and EBITDA(A) grew by \$12 million in 2019.

The *Other elements* section of this MD&A provides greater detail on the adoption of this standard and the impact of its transition.

### Change in accounting estimates

As of October 1, 2019, the Corporation changed the useful life of certain wind turbine components. Estimated useful life of certain components, which was previously 20 years, was increased to 25 years, which now represents the estimated useful life. This change in accounting estimate arose from new information obtained, as well as more experience regarding the components' estimated useful life. This change in estimate was recorded prospectively. This change in accounting estimate resulted in a \$7 million decrease in amortization expense and a \$2 million increase in the *Share in earnings of the Joint Ventures and associates*, giving rise to a \$9 million decrease in loss before income taxes for the fiscal year ended December 31, 2019. In 2020, the amortization expense will decrease by approximately \$20 million and the *Share in earnings of the Joint Ventures and associates* will increase by approximately \$6 million, for a total impact of \$26 million on the Corporation's earnings (loss) before income taxes.

### Financing transactions

During the fiscal year, Boralex agreed to changes to its revolving credit facility. The total authorized amount is currently \$560 million, with maturity extended up to April 27, 2023.

In France, the maturity of the bridge financing facility with BNP Paribas was extended until May 18, 2019 for the first tranche and until November 18, 2019 for the second. Both tranches were repaid early by the Corporation during fiscal 2019 following the sale of underlying assets.

Also in France, Boralex completed the financing for the **Santerre** wind farm pursuant to an amendment to the credit agreement for the Sainte-Christine portfolio. This was refinanced on November 25, as described below. The Corporation also came to an agreement regarding the refinancing of a debt totalling \$60 million (€40 million) owed to Cube Hydro-Power SARL with a subsidiary of the Caisse, a shareholder of the Corporation.

The Corporation converted and redeemed its issued and outstanding 4.5% subordinated convertible debentures. Debentures with a total principal amount of \$136 million were converted and the Corporation redeemed debentures with a principal amount of \$8 million. The debentures were delisted from the Toronto Stock Exchange at market close on October 24, 2019.

In France, as part of its strategic direction for making optimal use of its financial resources, Boralex completed the most extensive refinancing of the renewable energy sector with three credit agreements maturing in 2034, 2036 and 2040, respectively, for a total amount of \$1.7 billion. This refinancing will reduce the annual consolidated interest expense by \$15 million, or 12%.

Lastly, as per the same principles, the Corporation entered into a \$209 million agreement to refinance LP I, a wind farm acquired from Invenergy, on more favourable terms. With this agreement, the annual interest expense can be reduced by nearly \$2 million on a Combined basis.

## Results

In 2019, the Corporation generated 4,371 GWh of electricity, up 23% from the prior fiscal year, driven by better weather conditions and the expanded operating asset base. This increase led to a 20% rise in *Revenues from energy sales and feed-in premium* to \$564 million and 35% growth in EBITDA(A) to \$402 million.

## 2018

### Acquisitions and commissioning

Boralex commissioned six wind farms in France for an additional installed capacity of 122 MW.

Also in France, the Corporation acquired the assets of Kallista comprising 15 wind farms with an installed capacity of 163 MW, a 10 MW site under construction and a 158 MW pipeline of projects.

The Corporation also completed the acquisition of the last portion of the Ecotera project portfolio, namely eight wind power projects at various stages of development, for a total capacity of over 100 MW.

In Québec, Boralex acquired Invenergy's interests in five wind farms, adding 201 MW to its installed capacity with its share ranging between 50% and 59.96% depending on the facility.

### Project authorization

The Board of Directors greenlighted four projects, three in the wind power segment in France and one in the hydroelectric power segment in Québec, for a total of 52 MW.

### RFP participation

In France, two wind power projects totalling 49 MW were selected under a series of tenders to produce onshore wind power.

### Financing transactions

The Corporation obtained a one-year extension, until April 27, 2022, for its \$460 million revolving credit facility, as well as the addition of an accordion clause, potentially providing access to an additional \$100 million, on the same terms and conditions.

The Corporation confirmed a joint investment totalling \$200 million by the Caisse and Fonds de solidarité FTQ in the form of unsecured subordinated debt. This financing included a second \$100 million exercise option, which was drawn down to provide partial long-term financing for the Kallista acquisition.

The Corporation also used its existing revolving credit facility for the Kallista acquisition and repaid \$78 million (€51 million) granted by Ardian Infrastructure Holding S.à.r.l. to Kallista Energy Investment SAS and an \$8 million (€6 million) loan.

In addition, the Corporation made public offerings and private placements of subscription receipts for net proceeds of \$250 million, most of which were used to acquire Invenergy's interests. Upon closing of the acquisition, all the subscription receipts issued were exchanged for an equal number of common shares of Boralex.

### Dividend increase

In May, the dividend was increased from \$0.60 to \$0.63 per common share (from \$0.1500 to \$0.1575 per share on a quarterly basis) and subsequently to \$0.66 per common share (\$0.1650 per share on a quarterly basis) following the acquisition of Invenergy's interests, representing a total increase of 10% since the beginning of the fiscal year.

## Results

In 2018, the Corporation generated 3,568 GWh of electricity, up 11% from the prior fiscal year. This increase, driven by the contributions from acquisitions and commissioning which offset the unfavourable wind conditions, led to a 14% rise in revenues from energy sales and feed-in premium to \$471 million and an 8% growth in EBITDA(A) to \$298 million.

## 2017

### Acquisition and commissioning

During fiscal 2017, Boralex added five new wind farms to its asset portfolio in France for an additional installed capacity of 91 MW.

However, the highlight of 2017 was undoubtedly the acquisition of the NRWF wind farm in Ontario with an installed capacity of 230 MW.

### Project authorization

The Board of Directors of the Corporation greenlighted six ready-to-build projects in France, all of which were commissioned during fiscal 2018 and 2019, adding 146 MW to installed capacity.

### Joint arrangement

Boralex and U.K.-based Infinergy entered into a joint arrangement aimed at developing a pipeline of onshore wind power projects at various stages of development located mostly in Scotland with an estimated capacity of 325 MW.

## Results

In 2017, the Corporation generated 3,218 GWh of electricity, up 28% from the prior fiscal year, driven mainly by the expanded operating base and, to a lesser extent, more favourable wind conditions in the second half of the fiscal year. This increase led to a 38% rise in revenues from energy sales and feed-in premium to \$414 million and 46% growth in EBITDA(A) to \$276 million.

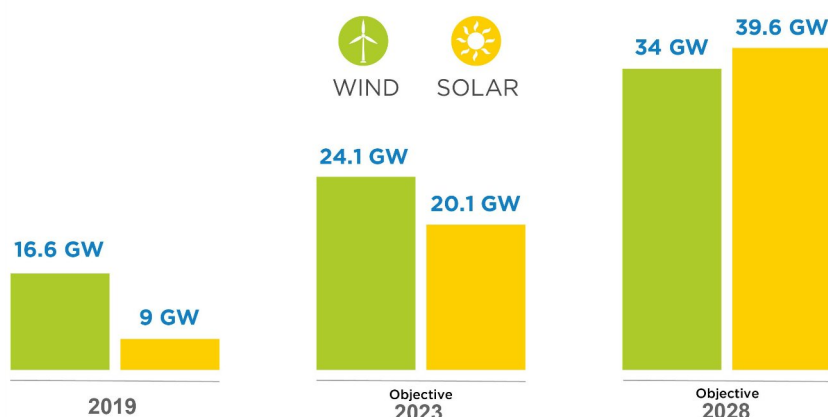
# Growth strategy and development outlook

## Strategic plan and financial objectives for 2023

On June 18, 2019, Boralex's management announced the strategic plan which will steer its actions to achieve the financial objectives set for 2023. This plan is a continuation of the actions undertaken to date in sectors with high growth potential and for which the Corporation has developed solid expertise. It also includes complementary initiatives to diversify and optimize operations and revenue sources.

This plan is based on a rigorous analysis of the market and trends in the renewable energy sector. The plan also reflects the view that a profound and rapid transformation of the industry is underway, driven mainly by numerous technological innovations. For instance, in France, as shown in the chart below, government programs anticipate a substantial and sustained increase in the share of wind and solar power as energy sources over the next decade. This large increase in anticipated volume will be accompanied by a more competitive environment. Changes are also expected with the development of tendering mechanisms programs and energy sales contracts directly with electricity-consuming companies. In the United States, the State of New York intends, in the medium term, to focus on developing solar power stations and at the same, deploying energy storage facilities.

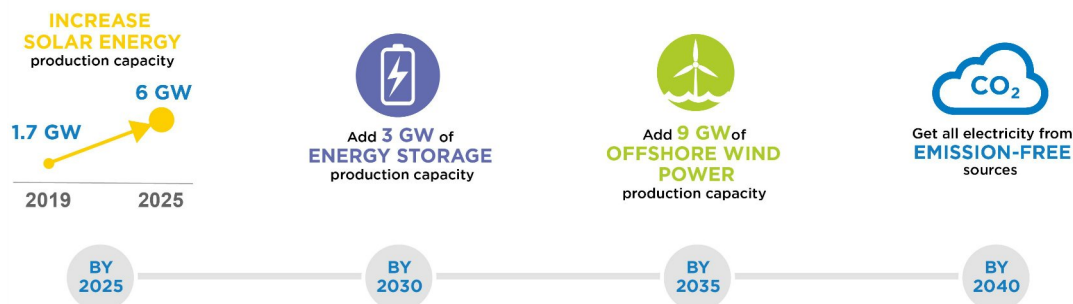
### TARGETS OF FRENCH RENEWABLE ENERGY PROGRAM



- ⬆️ Around 1.85 GW/year of additional capacity for a 8% CAGR
- ☀️ Around 3 GW/year of additional capacity (2/3 ground-based solar and 1/3 solar buildings) for a 17% CAGR
- ☀️ Objective to surpass wind capacity in 2028

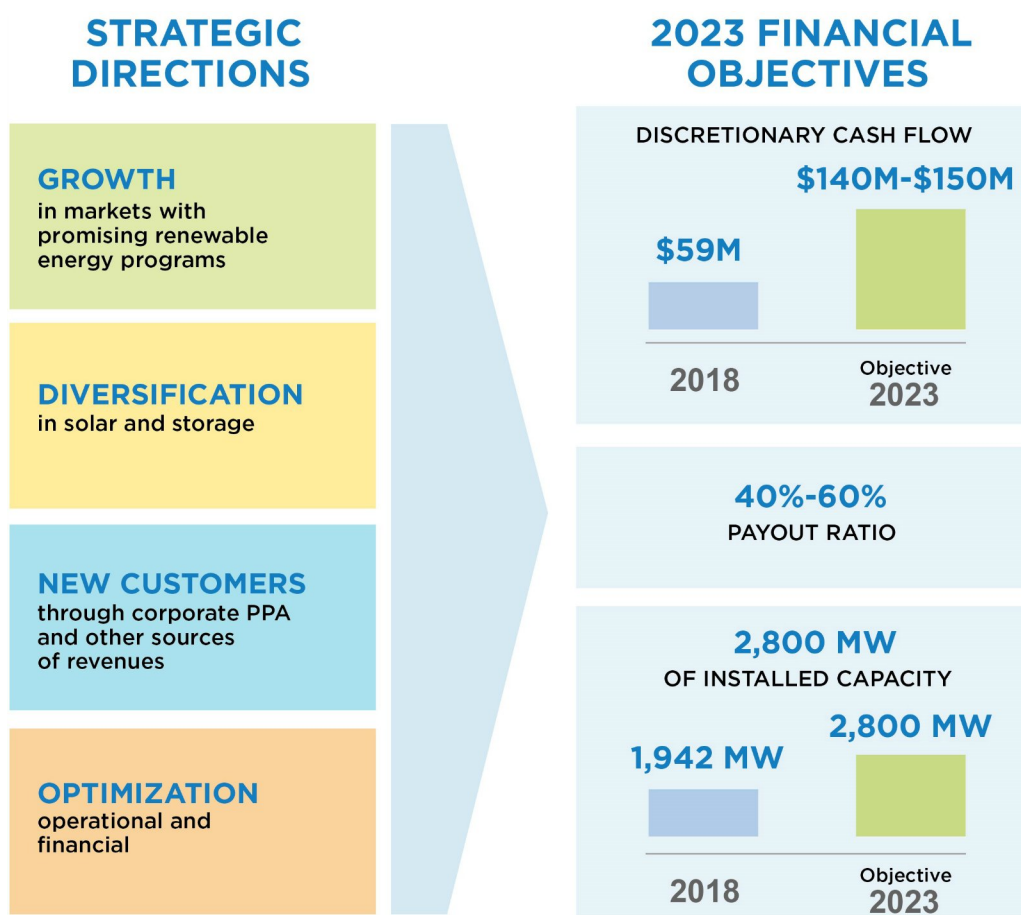
Source: "Programmation pluriannuelle de l'énergie"  
CAGR: Compound annual growth rate

### TARGETS OF NEW YORK STATE, U.S. GREEN NEW DEAL



Source: New York state's Green New Deal

Based on this analysis, Boralex's management built its strategic plan around four main directions and three financial objectives. To successfully implement its plan, the Corporation relies on its solid expertise in developing small- and medium-sized projects, which is a key advantage for seizing opportunities in increasingly competitive markets, particularly the solar power market.



The Corporation also intends to maintain exemplary financial discipline by targeting projects and acquisitions that meet specific growth and synergy criteria in order to create value and generate returns in line with shareholder expectations. Accordingly, the Corporation intends to carry out more projects through partnerships while maintaining control and management of operations, which will generate additional revenues.

Boralex is also maintaining the same approach that has contributed to its success to date, which consists in relying on predictable cash flows through long-term, indexed, fixed-price energy sales contracts. The Corporation expects 96% of its revenues to be generated from such contracts on a 2023 horizon, with an expected weighted average remaining term of about 11 years.



## Development outlook by strategic direction

Boralex continues to develop according to its four strategic directions, building on the potential offered by the European and North American markets where it already operates.

### Growth

As shown in the chart below, the Corporation has a portfolio of projects at various stages of development, according to clearly identified criteria. These criteria were reviewed at fiscal year-end and a new phase of development created to include projects considered as secure in the Corporation's *Growth path*. Following these changes, the capacity of the Corporation's portfolio of projects was determined at 2,703 MW and *Growth path* capacity at 225 MW. Note that the Corporation's portfolio includes projects recently selected under RFPs in France or those greenlighted in Scotland. These projects will go through the planned stages of development and will be added to the Corporation's *Growth path* when the set criteria are met.

## BREAKDOWN OF BORALEX DEVELOPMENT PROJECTS



The wind power segment remains the Corporation's main growth segment, with projects totalling 2,151 MW. The solar power segment pipeline, while not as extensive as wind power, comprises projects totalling 552 MW. The segment offers high growth potential and Boralex has strengthened its teams to accelerate its development, particularly in the State of New York in the United States where a new team was set up in 2019.

## Europe

Europe continues to offer the best short-term potential for developing the Corporation's portfolio of onshore wind power assets.

According to the data shown in the *Strategic plan and financial objectives for 2023* section of this report, wind power segment potential in France is about 7.5 GW by 2023.

In France, the Corporation has the necessary strengths to capitalize on development opportunities when they arise due to its long-standing presence and in-depth market knowledge. It has a portfolio of projects at varying stages of completion, equivalent to a capacity of about 1,268 MW. Building on these achievements, Boralex actively participates in the tendering process, which anticipates the construction of wind farms in France with an overall capacity of 3,400 MW.

This process aims to award, in portions, of all energy purchase contracts in tranches by the end of 2020, each with a term of 20 years from commissioning. Following the wins under the first series of RFPs, the Corporation is one of the top three companies with the largest number of MW awarded to date, strengthening its position as a leading independent player in the onshore wind power segment in France.

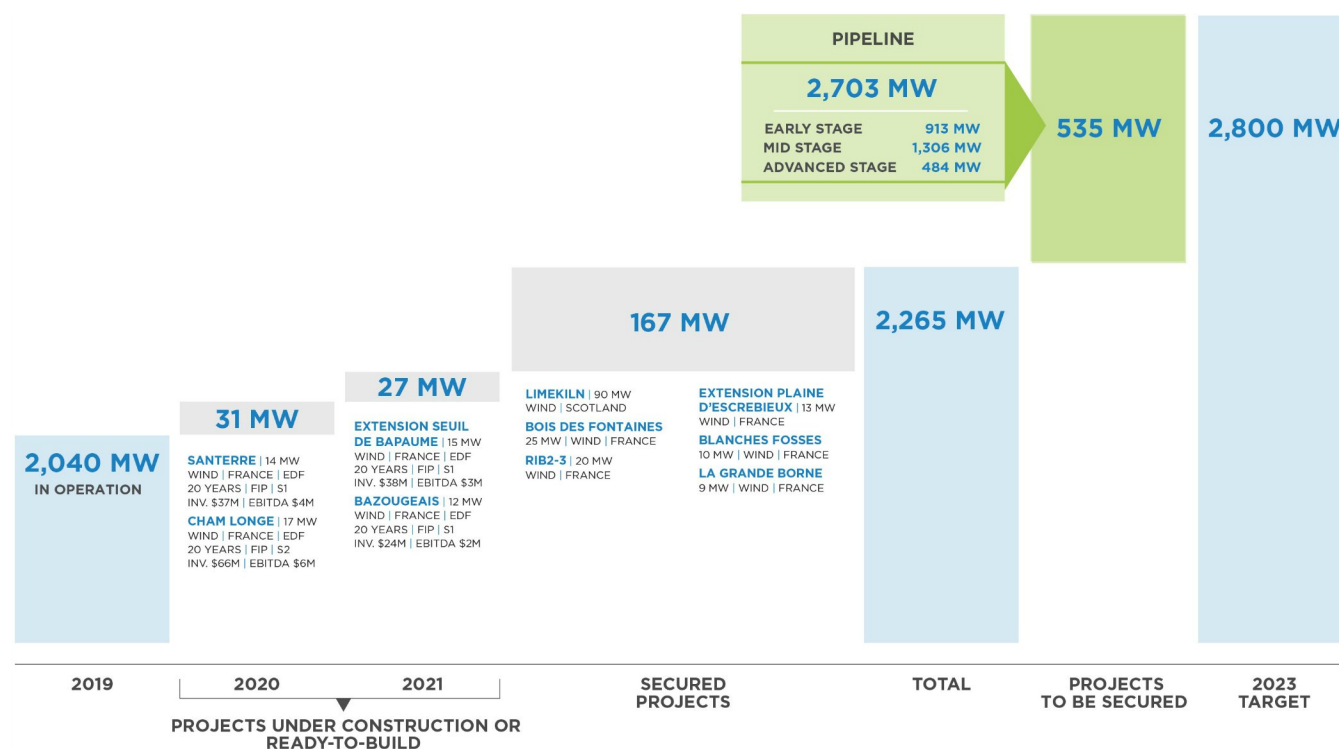
Furthermore, Boralex is well placed to penetrate the **U.K.** market since the acquisition of a pipeline of projects in September 2016 combined with the partnership entered into in October 2017 with Infinergy (see the *Key developments in the past three fiscal years* section).

## North America

The potential market targeted by the Corporation is equivalent to its 1,075 MW wind power project portfolio as renewable energy development programs in Boralex's target markets are on hold due to recent policy changes in these markets. However, these projects are at an advanced stage of development and could quickly enter the *Growth path* in a more favourable context.

The Corporation also has a 360 MW portfolio of projects in the solar power segment. Details on the solar power development program are provided in the *Diversification* section of this report.

## Growth path



As shown in the chart above, six wind farm projects representing additional capacity of 167 MW are at a sufficiently advanced stage to be included in the Corporation's *Growth path*.

Also, four French wind farms are either under construction or have completed all preliminary stages and obtained pre-construction approvals. They are all subject to long-term energy sales or feed-in premium contracts. These wind farms will contribute to the Corporation's results when they are commissioned in 2020 or 2021. Overall, their additional contribution to EBITDA(A) is estimated at \$15 million per year.

Implementation of these projects will require total planned investments of approximately \$167 million, financed by loans of up to \$133 million. As at December 31, 2019, the amounts already invested in these projects totalled over \$25 million.

Commissioning of secured projects and projects under construction is expected to bring Boralex's net installed capacity to 2,265 MW. To achieve the Corporation's target of 2,800 MW, projects totalling 535 MW will have to be included in the *Growth path* by 2023. Boralex already expects projects at an advanced stage to add a total of 484 MW.

The boxed information below provides the fiscal year's highlights for Growth, namely the key achievements of development teams in North America and Europe.

#### Growth

- Commissioning of four wind farms totalling 69 MW and two hydroelectric power stations totalling 26 MW.
- Projects under construction or ready-to-build totalling 27 MW and secured projects of 167 MW added to the *Growth path*.
- Proposal submitted for 180 MW of solar power projects under an RFP in the State of New York in the United States.

## Diversification

Initially, the Corporation is focusing its business diversification efforts on the solar power segment. Projects considered to be part of Diversification have a potential additional capacity of 552 MW.

### Europe

Europe remains a potential market totalling 11,000 MW by 2023 for solar power according to the information provided in the *Strategic plan and financial objectives for 2023* section of this report. Boralex intends to accelerate the development of this segment's initiatives in France. The Corporation is leveraging its existing facilities to strengthen its expertise.

## North America

In North America, Boralex is initially targeting the State of New York market which represents a potential of some 4,300 MW by 2025. It has deployed resources to develop the niche of small- and medium-sized facilities, an area that requires special expertise and where competition is less targeted. As a result, the Corporation opened an office in New York City and hired some ten highly qualified local employees, supported by the team in Canada which has been tasked with responsibilities and priorities related to the development of the State of New York market for a number of years.

Since the announcement of the strategic plan, the Corporation's portfolio of projects has increased from 200 MW in June 2019 to 360 MW at fiscal year-end. As mentioned previously, the Corporation submitted proposals to the New York State Energy Research and Development Authority for four solar power projects.

## Energy storage

Boralex is also continuing its efforts to gradually deploy a battery-based energy storage service, leveraging the significant cost reduction associated with this technology. It considers this service complementary to promote the widespread use of renewable energies and accelerate the energy transition.

In particular, such a service will ensure power grid stability, as well as support the integration of solar energy by shifting peak production to periods of peak energy demand. It also serves to meet excess requirements during peak periods or when the supply system fails.

The boxed information below provides the fiscal year's highlights for Diversification, namely the rapid progress made in the United States.

#### Diversification

- Development team set up for solar power energy projects in the State of New York in the United States.
- Participation in its first RFP for solar power projects in the State of New York in the United States.
- Development of solar power projects in France.

## Customers

The Corporation has deployed sales teams in France and the United States to serve a wider customer base. In particular, this will involve operationalizing this business model based on signing energy sales contracts directly with electricity-consuming companies, as well as the gradual addition of complementary services offered to energy transmission networks and large-scale electricity consumers.



In addition, obtaining the licence for the **Limekiln** wind farm project (see the *Key developments in the last three fiscal years* section) is also an opportunity to implement the business model based on the sale of energy directly to electricity-consuming companies, as there is no pre-defined energy purchase program in Scotland. Boralex and its partner are gauging opportunities to enter into power purchase agreements with such companies, a prerequisite step before construction work can begin.

The boxed information below provides the fiscal year's highlights for Customers. During the year, the Corporation put in place the infrastructure that will enable it to accelerate development of its customer base over the next few years.

#### Customers

- Solid progress in Europe and North America toward entering into agreements directly with companies.
- Negotiations underway for several projects by an on-site team to develop new sources of revenues through the energy transition.

### Optimization

Optimization has two main components:

1. Increase synergies across the organization and ensure optimal use of existing resources and assets;
2. Consider the sale of minority interests in future energy assets in order to reach optimal capital allocation.

Boralex's first initiatives focus on component No. 1. These are concrete actions to increase performance and reduce both operating and financing costs.

In particular, this resulted in the repowering project at the **Buckingham** hydroelectric power station in Québec, completed in 2019, and **Cham Longe I** wind farm in France, scheduled for 2020. In both cases, the use of more high-performance equipment enables a substantial increase in installed capacity and is expected to result in an additional contribution to annual EBITDA.

Regarding the optimal use of its financial resources, the Corporation made significant progress in the second half of fiscal 2019, particularly by entering into agreements to refinance debt in both Québec and France and thereby benefit from more favourable market conditions. The boxed information in the next column provides the fiscal year's highlights for Optimization, particularly the details of debt refinancing during the year.

### Optimization

- \$1.7 billion refinancing in France:
  - \$180 million released to reduce the corporate credit facility.
  - \$200 million for the construction of short-term projects.
  - \$182 million revolving credit facility put in place in January 2020.
  - Reduction of the annual interest expense by \$15 million.
- \$209 million refinancing in Québec, Canada.
- Conversion of \$144 million in issued and outstanding convertible debentures.
- Upgrade of the Buckingham hydroelectric power station in Québec.
- For 211 MW of assets, optimization of maintenance work by replacing external maintenance contracts with internal maintenance.

### Financial objectives - current status

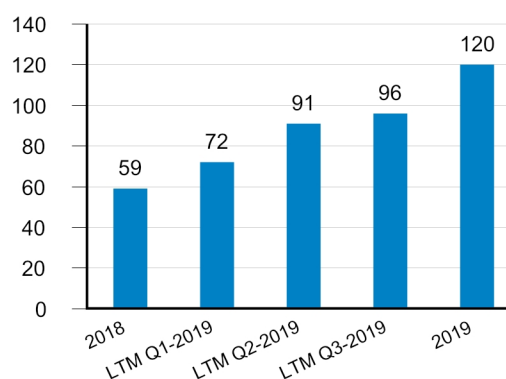
To ensure that the implementation of the strategic plan results in disciplined growth while creating shareholder value, Boralex's management monitors the three criteria chosen as financial objectives.

#### (1) Discretionary cash flows

For fiscal 2019 as a whole, discretionary cash flows amounted to \$120 million. This represents an increase of 78% from \$59 million in 2018. This improvement is attributable to better operating results, particularly given the contribution of sites acquired and commissioned over the past year, as well as to favourable wind conditions in France.

#### Discretionary cash flows\*

(in millions of Canadian dollars)



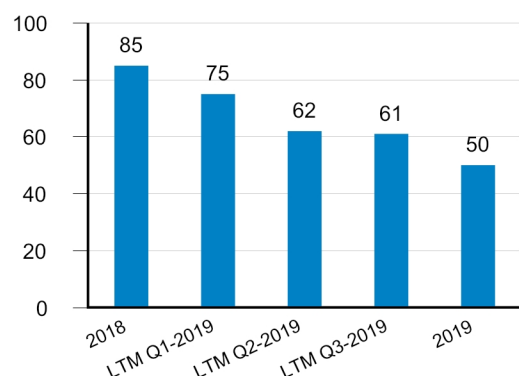
\* See the *Non-IFRS measures* section.

## (2) Dividend

The dividend paid to shareholders during fiscal 2019 represented a payout ratio of 50%. The increase in discretionary cash flows during fiscal 2019 brought the Corporation within its target payout ratio range of 40% to 60%.

### Dividend payout ratio\*

(as a %)



\* See the *Non-IFRS measures* section.

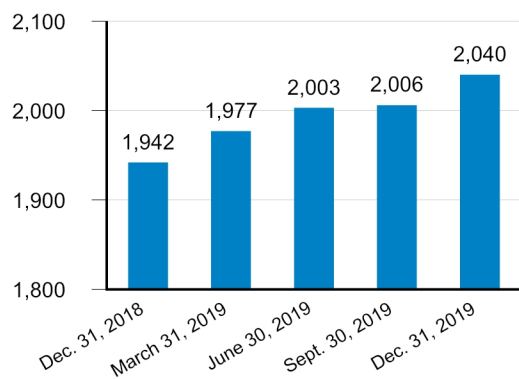
## (3) Net installed capacity

As at December 31, 2019, Boralex's net installed capacity amounted to 2,040 MW, up 98 MW since the beginning of the year, including the commissioning of four wind farms and two hydroelectric power stations (see the *Acquisitions and commissioning* table in the previous section) as well as a 3 MW capacity increase for existing facilities in France.

In addition, the Corporation began fiscal 2019 with an additional net installed capacity of 285 MW in France and 201 MW in Canada compared with a year earlier, reflecting the 2018 commissioning and acquisitions of facilities in the wind power segment. These assets contributed to the Corporation's results for the entire fiscal year.

### Net installed capacity

(in MW)



## Financial highlights

(in millions of Canadian dollars, unless otherwise specified)	Three-month periods ended December 31				Years ended December 31			
	2019	2018	Change		2019	2018	Change	
			\$	%			\$	%
<b>POWER PRODUCTION (GWh)</b>								
Wind power stations	1,038	852	186	22	3,259	2,581	678	26
NRWF compensation	64	41	23	57	175	153	22	15
	1,102	893	209	23	3,434	2,734	700	26
Hydroelectric power stations	211	170	41	24	756	648	108	17
Thermal power stations	48	40	8	21	158	166	(8)	(4)
Solar power stations	3	3	—	3	23	20	3	9
	1,364	1,106	258	23	4,371	3,568	803	23
<b>REVENUES FROM ENERGY SALES AND FEED-IN PREMIUM</b>								
Wind power stations	149	123	26	21	471	385	86	23
Hydroelectric power stations	22	11	11	82	60	49	11	21
Thermal power stations	7	9	(2)	(18)	28	31	(3)	(12)
Solar power stations	1	2	(1)	—	5	6	(1)	4
	179	145	34	24	564	471	93	20
<b>EBITDA(A)<sup>(1)</sup></b>								
Wind power stations	145	105	40	40	412	310	102	33
Hydroelectric power stations	17	8	9	>100	44	33	11	32
Thermal power stations	1	2	(1)	(56)	7	7	—	(16)
Solar power stations	1	1	—	(8)	4	5	(1)	(2)
	164	116	48	43	467	355	112	31
Corporate and eliminations	(21)	(18)	(3)	(25)	(65)	(57)	(8)	(13)
	143	98	45	47	402	298	104	35
<b>NET EARNINGS (LOSS)</b>	(23)	9	(32)	>(100)	(43)	(38)	(5)	(11)
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX</b>	(26)	9	(35)	>(100)	(39)	(30)	(9)	(29)
<b>NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – BASIC AND DILUTED</b>	(\$0.28)	\$0.09	(\$0.37)	>(100)	(\$0.43)	(\$0.38)	(\$0.05)	(14)
<b>NET CASH FLOWS RELATED TO OPERATING ACTIVITIES</b>	58	23	35	>100	294	202	92	45
<b>CASH FLOWS FROM OPERATIONS<sup>(1)</sup></b>	119	71	48	66	310	192	118	61
<b>DIVIDENDS PAID ON COMMON SHARES</b>	16	15	1	8	60	50	10	20
<b>DIVIDENDS PAID PER COMMON SHARE</b>	\$0.1650	\$0.1650			\$0.6600	\$0.6300		
Weighted average number of shares outstanding – basic	94,684,834	89,155,304			90,604,799	80,102,038		

<sup>(1)</sup> See the *Non-IFRS measures* section.

# Analysis of consolidated operating results for the three-month period ended December 31, 2019

Revenues from energy sales and feed-in premium up 24%, driven by facilities commissioned in fiscal 2019 and better weather conditions in the wind power segment.

Due to their significant share in the consolidated results, the performance of the wind and hydroelectric power segments is described below.

## Total power production

(GWh)	Q4 2019				Q4 2018				Change	
	Canada	France	United States	Total	Canada	France	United States	Total	In GWh	%
<b>Wind</b>										
Comparable assets <sup>(1)</sup>	367	609	—	976	346	523	—	869	107	12
Commissioning <sup>(2)</sup>	17	109	—	126	—	24	—	24	102	>100
<b>Wind - total</b>	<b>384</b>	<b>718</b>	<b>—</b>	<b>1,102</b>	<b>346</b>	<b>547</b>	<b>—</b>	<b>893</b>	<b>209</b>	<b>23</b>
<b>Hydroelectric</b>										
Comparable assets	49	—	125	174	48	—	122	170	4	2
Commissioning - Yellow Falls	11	—	—	11	—	—	—	—	11	—
Temporary shutdown - Buckingham	26	—	—	26	—	—	—	—	26	—
<b>Hydroelectric - total</b>	<b>86</b>	<b>—</b>	<b>125</b>	<b>211</b>	<b>48</b>	<b>—</b>	<b>122</b>	<b>170</b>	<b>41</b>	<b>24</b>
<b>Thermal</b>	<b>36</b>	<b>12</b>	<b>—</b>	<b>48</b>	<b>27</b>	<b>13</b>	<b>—</b>	<b>40</b>	<b>8</b>	<b>21</b>
<b>Solar</b>	<b>—</b>	<b>3</b>	<b>—</b>	<b>3</b>	<b>—</b>	<b>3</b>	<b>—</b>	<b>3</b>	<b>—</b>	<b>3</b>
<b>Total<sup>(1)</sup></b>	<b>506</b>	<b>733</b>	<b>125</b>	<b>1,364</b>	<b>421</b>	<b>563</b>	<b>122</b>	<b>1,106</b>	<b>258</b>	<b>23</b>

<sup>(1)</sup> Includes compensation for the equivalent of 64 GWh in light of the power limitation imposed on the NRWF facility for the fourth quarter of 2019 (41 GWh for the fourth quarter of 2018).

<sup>(2)</sup> See the *Acquisitions and commissioning* table in section I - Growth strategy.

Boralex produced 1,300 GWh of electricity in the fourth quarter of 2019 and received compensation for the equivalent of 64 GWh, bringing total production to 1,364 GWh, up 23% from 1,106 GWh for the same quarter of 2018, comprising production of 1,065 GWh and compensation for the equivalent of 41 GWh. Excluding the contribution of facilities commissioned over the past year, production of comparable assets increased by 11%, stemming from improved performance, primarily in the wind power segment as discussed below.

### Wind

Total production of wind farms for the fourth quarter of 2019 amounted to 1,102 GWh, up 23% from 893 GWh for the corresponding quarter of 2018. This increase resulted from better wind conditions as well as contributions for the entire fourth quarter from wind farms commissioned since the end of the third quarter of 2018 (for greater detail, see the *Acquisitions and commissioning* table in the *Growth strategy and development outlook* section). Production volume of comparable assets for the fourth quarter of 2019 was up 12% from the same period of 2018 with an even greater increase in France.

- In **France**, weather conditions were more favourable in the fourth quarter of 2019. As a result, production volume at comparable wind farms was 17% higher compared with the same period of 2018. Including the contribution of wind farms commissioned since the fourth quarter of 2018, the wind power segment in France recorded a 31% increase in production from the same quarter of 2018 to total 718 GWh.
- In **Canada**, weather conditions were slightly more favourable than in 2018, resulting in a 6% increase in production volume of comparable assets from the fourth quarter of 2018. With the **Moose Lake** wind farm also contributing to the improved results, the Canadian wind power segment generated a production volume of 384 GWh for the fourth quarter of 2019, up 11% from the same period of 2018.

### Hydroelectric

The Corporation's hydroelectric power stations produced 211 GWh for the fourth quarter of 2019, up 24% from 170 GWh for the corresponding quarter of 2018, driven mostly by the contributions of new Canadian facilities.

- In **Canada**, comparable power stations generated 49 GWh for the fourth quarter of 2019, in line with the 48 GWh produced for the fourth quarter of 2018. The increase in production volume stemmed from the contributions of the new **Yellow Falls** power station and recommissioning of the **Buckingham** power station following capacity upgrade work. Accordingly, the Canadian hydroelectric power segment's production grew 77% to 86 GWh.
- In the **United States**, with water flow conditions remaining comparable to those in the fourth quarter of 2018, production volume was relatively stable at 125 GWh compared with 122 GWh.

## Revenues from energy sales and feed-in premium

### Main differences in revenues from energy sales and feed-in premium

(in millions of Canadian dollars)	Wind	Hydro	Other segments	Consolidated
<b>THREE-MONTH PERIOD ENDED DECEMBER 31, 2018</b>	123	11	11	<b>145</b>
<b>Segment breakdown</b>	85%	8%	7%	<b>100%</b>
Acquisitions/commissioning <sup>(1)</sup>	11	5	—	<b>16</b>
Volume - Excl. Buckingham	15	1	—	<b>16</b>
Temporary shutdown - Buckingham	—	4	—	<b>4</b>
Foreign exchange effect	(2)	—	(1)	<b>(3)</b>
Pricing	1	—	(1)	<b>—</b>
Capacity premium	—	—	(1)	<b>(1)</b>
Other	1	1	—	<b>2</b>
Change	26	11	(3)	<b>34</b>
<b>THREE-MONTH PERIOD ENDED DECEMBER 31, 2019</b>	149	22	8	<b>179</b>
<b>Segment breakdown</b>	83%	12%	5%	<b>100%</b>

<sup>(1)</sup> See the *Acquisitions and commissioning* table in section I - Growth strategy.

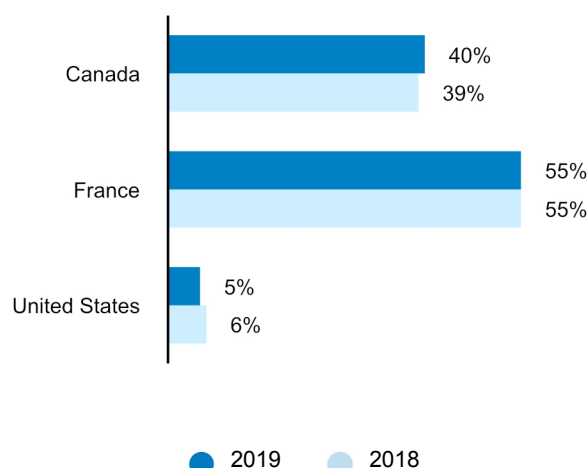
For the three-month period ended December 31, 2019, revenues from energy sales totalled \$179 million, up \$34 million or 24% compared with the results of the corresponding quarter of 2018. This increase was driven by the expansion of the Corporation's operating base since the third quarter of 2018 (see the *Acquisitions and commissioning* table in section I) as well as higher production at French and Canadian wind farms stemming from favourable weather conditions.

The commissioning of new facilities since the third quarter of 2018 resulted in a \$16 million increase in revenues from energy sales and feed-in premium while sound performance at comparable sites and recommissioning of the **Buckingham** power station following capacity upgrade work gave rise to favourable differences of \$16 million and \$4 million, respectively.

Broken down geographically, for the fourth quarter of 2019, 40% of revenues were generated in Canada and 55% in France, compared with 39% and 55%, respectively, for the fourth quarter of 2018. The lack of a significant change in the geographic breakdown is largely due to the commissioning of new facilities in both Canada and France.

### Geographic breakdown of revenues from energy sales and feed-in premium

(Three-month periods ended December 31)



- The **wind** power segment recorded a 21% increase in revenues for the fourth quarter of 2019, driven by the contribution of facilities commissioned during the past year and better wind conditions at comparable wind farms in France and Canada. Expansion of the operating base resulted in an \$11 million favourable difference while higher production at comparable facilities gave rise to a \$15 million volume effect.

Overall, the **wind** power segment in France generated revenue growth of 29%. In Canada, the increase was 11%.

- For the fourth quarter, the **hydroelectric** power segment generated revenues of \$22 million, up 82% from \$11 million for the same quarter of 2018. Commissioning of the **Yellow Falls** power station resulted in a favourable difference of \$5 million while a \$4 million difference stemmed from recommissioning of the **Buckingham** power station.

Note that the **Yellow Falls** power station received retroactive compensation of \$4 million from IESO during the fourth quarter following confirmation of commercial commissioning.

Revenues at the U.S. power station were stable compared with the previous year.

## EBITDA(A)<sup>(1)</sup>

### Main differences in EBITDA(A)

(in millions of Canadian dollars)	Wind	Hydro	Other segments	Corporate and eliminations	Consolidated
<b>THREE-MONTH PERIOD ENDED DECEMBER 31, 2018</b>	105	8	3	(18)	<b>98</b>
<b>Segment breakdown<sup>(2)</sup></b>	91%	7%	2%		<b>100%</b>
Acquisitions/commissioning <sup>(3)</sup>	10	5	—	—	<b>15</b>
Gain on disposal of land	6	—	—	—	<b>6</b>
Volume - Excl. Buckingham	16	—	—	—	<b>16</b>
Leases - IFRS 16	2	—	—	1	<b>3</b>
Temporary shutdown - Buckingham	—	4	—	—	<b>4</b>
Development	4	—	—	(1)	<b>3</b>
Share of the Interests - Other	2	—	—	—	<b>2</b>
Other <sup>(4)</sup>	—	—	(1)	(3)	<b>(4)</b>
Change	40	9	(1)	(3)	<b>45</b>
<b>THREE-MONTH PERIOD ENDED DECEMBER 31, 2019</b>	145	17	2	(21)	<b>143</b>
<b>Segment breakdown<sup>(2)</sup></b>	88%	11%	1%		<b>100%</b>

<sup>(1)</sup> See the *Non-IFRS measures* section.

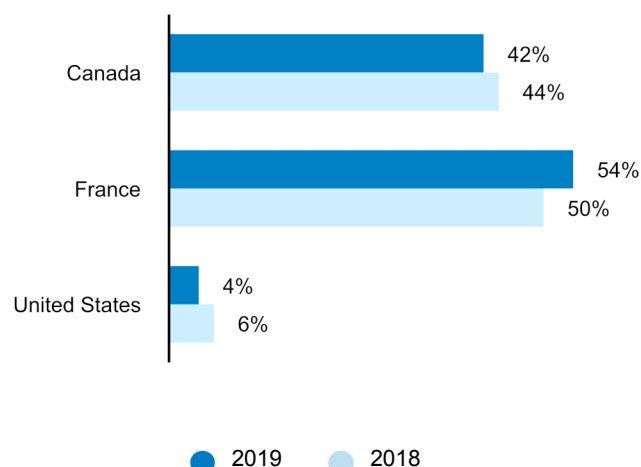
<sup>(2)</sup> Excluding corporate segment and eliminations.

<sup>(3)</sup> See the *Acquisitions and commissioning* table in section I - Growth strategy.

<sup>(4)</sup> Includes differences related to salaries, prices and foreign exchange effect.

### Geographic breakdown of EBITDA(A)<sup>(1)</sup>

(Three-month periods ended December 31)



<sup>(1)</sup> Excluding corporate segment and eliminations.

For the fourth quarter of 2019, the Corporation recorded consolidated EBITDA(A) of \$143 million, up \$45 million or 47% from the corresponding quarter of 2018. As discussed previously, this increase resulted from favourable differences totalling \$35 million driven by the contribution of assets commissioned over the past year, including recommissioning of the **Buckingham** power station as well as higher production volumes at comparable facilities compared with last year. A \$3 million favourable difference was also recognized upon application of IFRS 16, *Leases* (see the *Accounting standards* section for more details). The sale of land in Scotland added \$6 million to EBITDA(A) in the last quarter, while lower development expenses generated a \$3 million favourable difference. Note that the Corporation paid \$4 million in the fourth quarter of 2018 to acquire Ecotera Tranche C.

Lastly, the change in the useful life of certain wind turbine components of the Joint Ventures and associates gave rise to a favourable difference of \$2 million for the share of Joint Ventures and associates.

Broken down geographically, for the fourth quarter of 2019, 42% of EBITDA(A) was generated in Canada and 54% in France, compared with 44% and 50%, respectively, for the fourth quarter of 2018. The change resulted mainly from favourable wind conditions in France compared with the same period of 2018.

- The **wind** power segment recorded EBITDA(A) of \$145 million for the fourth quarter of 2019, up \$40 million or 40% from the corresponding quarter of 2018. The wind farms commissioned over the past year generated additional EBITDA(A) of \$10 million. In addition, sound performance at comparable facilities, primarily French wind farms, and adoption of IFRS 16, *Leases* generated favourable differences of \$16 million and \$2 million, respectively. The disposal of land in Scotland, lower development expenses and the increased share of Joint Ventures and associates generated contributions of \$6 million, \$4 million and \$2 million, respectively.

The EBITDA(A) of French wind farms increased 56% driven mainly by better wind conditions. Canadian facilities reported a 21% increase, following better wind conditions and commissioning of the **Moose Lake** wind farm.

- The **hydroelectric** power segment recorded EBITDA(A) of \$17 million for the fourth quarter of 2019, more than doubling the \$8 million recorded for the corresponding quarter of 2018. The increase resulted entirely from the contributions of the **Yellow Falls** and **Buckingham** power stations.

Excluding commissioning, revenues from energy sales and feed-in premium were up 9% in the fourth quarter of 2019 as compared with the prior year, while operating expenses fell 26%. The decrease in operating expenses resulted essentially from the adoption of IFRS 16, *Leases* and the gain on disposal of land in Scotland.

## Main differences in net earnings attributable to shareholders of Boralex

(in millions of Canadian dollars)

THREE-MONTH PERIOD ENDED	
31 DECEMBER 2018	
EBITDA(A) <sup>(1)</sup>	9
Excess of distributions received over the share in net earnings of Joint Venture SDB I	45
Amortization	(8)
Impairment	1
Acquisition costs	(50)
Financing costs	(4)
Non-controlling shareholders	(7)
Other	(3)
Change	(9)
Change	(35)
THREE-MONTH PERIOD ENDED	
31 DECEMBER 2019	
	(26)

<sup>(1)</sup> See the *Non-IFRS measures* section.

## Excess of distributions received over the share in net earnings of Joint Venture SDB I

During the fourth quarter of 2019, the Corporation reversed an excess of distributions received over the share in net earnings of Joint Venture SDB I recognized during the previous quarter, thereby resulting in an \$8 million unfavourable difference. Under IFRS, if Boralex's interest in a Joint Venture becomes negative following the payment of distributions, the carrying amount of such interest is reduced to zero and the adjustment is recorded under *Excess of distributions received over the share in net earnings of Joint Venture SDB I*. If the carrying amount of the interest becomes positive again, such adjustment will be reversed up to the accumulated amount previously recorded as an excess amount.

## Amortization

Amortization expense for the fourth quarter of 2019 was down \$1 million to \$56 million, owing primarily to a \$7 million reduction following changes made to the useful life of certain components of wind farms. This item was offset by commissioning and acquisitions in 2018 and 2019 which added an amount of \$3 million, and the adoption of IFRS 16, *Leases*, which resulted in a \$4 million increase in amortization expense.



## Impairment

The Corporation recognized impairment losses totalling \$53 million in the fourth quarter of 2019, compared with a \$3 million impairment loss in the corresponding period of 2018, resulting in an unfavourable difference of \$50 million.

In December 2019, the Corporation was notified by the Ministère de la Transition Écologique et Solidaire that the 1,500 MW threshold for the support mechanism for 2016 or 2016 FiP would soon be reached. Once the volume exceeds 1,800 MW (notified volume of 1,500 MW plus 20%), the support would likely to be qualified as new support. This would apply to the 51 MW Moulins du Lohan project's FiP. In light of this notification and ongoing litigation (note 27, *Commitments and contingencies*) that caused the interruption of construction work on the wind farm (litigation pending before the Conseil d'État), impairment losses of \$18 million (€12 million) on property, plant and equipment and \$33 million (€22 million) on intangible assets have been recognized to write down the carrying amount of assets to their recoverable amount. The Corporation has maintained a \$17 million (€12 million) portion of the value of assets under construction and land as it intends to submit this project under upcoming requests for proposals in France. This situation applies only to the Moulins du Lohan project.

In January 2020, the Corporation sold its interest in the Jammerland Bay joint venture to its partner for \$1 million. A \$2 million impairment loss on the interest was recognized to write down its carrying amount to the recoverable amount.

In the fourth quarter of 2018, the Corporation recognized an adjustment of \$3 million with respect to the impairment loss on property, plant and equipment at the **Cham Longe I** wind farm to account for an additional decommissioning cost and a penalty for partial non-production in 2020, as stipulated by the power purchase agreement.

## Acquisition costs

In the fourth quarter of 2018, the Corporation reversed acquisition costs of \$4 million related to the acquisition of five wind farms in Québec in order to include them in the acquisition cost of the interest.

## Financing costs

Financing costs rose \$7 million to \$40 million in the fourth quarter of 2019, owing primarily to non-recurring costs of \$13 million related to the refinancing of French debts during the fourth quarter of 2019.

## Income taxes

The Corporation did not record an income tax recovery before income taxes in the fourth quarter of 2019, as no temporary differences were recognized at the time of the initial purchase of certain assets.

## Other

The \$9 million change resulted primarily from a \$5 million increase in net loss on financial instruments and a \$4 million increase in foreign exchange loss compared with the corresponding period of 2018. The higher net loss on financial instruments stemmed from the change in fair value of options to purchase a partner's interest attributable to a decline in future price curves for electricity prices.

## Net loss

Overall, for the three-month period ended December 31, 2019, Boralex recognized a net loss of \$23 million, compared with net earnings of \$9 million for the same period of 2018. Net earnings of \$3 million is attributable to non-controlling shareholders of Boralex for the fourth quarter of 2019.

As shown in the previous table, Boralex recognized a net loss attributable to shareholders of Boralex of \$26 million or \$0.28 per share (basic and diluted), compared with net earnings attributable to shareholders of Boralex of \$9 million or \$0.09 per share (basic and diluted) for the corresponding period of 2018.

Excluding unusual items for a total amount of \$58 million (after-tax amount of \$51 million) comprising three separate and non-recurring items, the Corporation would have reported net earnings of \$28 million for the fourth quarter of 2019, a \$19 million increase in net earnings compared with the fourth quarter of 2018. The first item is an impairment loss of \$51 million (after-tax amount of \$47 million) related to the Moulins du Lohan development project as discussed previously. The second item is a non-recurring expense of \$13 million (after-tax amount of \$9 million) related to the \$1.7 billion refinancing in France. The third item is a \$6 million gain (after-tax amount of \$5 million) on the sale of land in Scotland as discussed previously. Excluding unusual items, Boralex would have reported net earnings attributable to shareholders of Boralex of \$25 million or \$0.26 per share (basic and diluted), up \$16 million from net earnings attributable to shareholders of Boralex of \$9 million or \$0.09 per share (basic and diluted) for the corresponding period of 2018.



# Analysis of consolidated operating results for the year ended December 31, 2019

Revenues from energy sales and feed-in premium up 20% for fiscal 2019 compared with fiscal 2018.

Due to their significant share in the consolidated results, the performance of the wind and hydroelectric power segments is described below.

## Total power production

(GWh)	2019 cumulative				2018 cumulative				Change	
	Canada	France	United States	Total	Canada	France	United States	Total	In GWh	%
<b>Wind</b>										
Comparable assets <sup>(1)</sup>	1,288	1,411	—	2,699	1,259	1,280	—	2,539	160	6
Acquisitions <sup>(2)</sup>	—	333	—	333	—	145	—	145	188	>100
Commissioning <sup>(2)</sup>	40	362	—	402	—	50	—	50	352	>100
<b>Wind - total</b>	<b>1,328</b>	<b>2,106</b>	<b>—</b>	<b>3,434</b>	<b>1,259</b>	<b>1,475</b>	<b>—</b>	<b>2,734</b>	<b>700</b>	<b>26</b>
<b>Hydroelectric</b>										
Comparable assets	209	—	467	676	205	—	388	593	83	14
Commissioning - Yellow Falls	47	—	—	47	—	—	—	—	47	—
Temporary shutdown - Buckingham	33	—	—	33	55	—	—	55	(22)	(40)
<b>Hydroelectric - total</b>	<b>289</b>	<b>—</b>	<b>467</b>	<b>756</b>	<b>260</b>	<b>—</b>	<b>388</b>	<b>648</b>	<b>108</b>	<b>17</b>
<b>Thermal</b>	<b>127</b>	<b>31</b>	<b>—</b>	<b>158</b>	<b>131</b>	<b>35</b>	<b>—</b>	<b>166</b>	<b>(8)</b>	<b>(4)</b>
<b>Solar</b>	<b>1</b>	<b>22</b>	<b>—</b>	<b>23</b>	<b>—</b>	<b>20</b>	<b>—</b>	<b>20</b>	<b>3</b>	<b>9</b>
<b>Total<sup>(1)</sup></b>	<b>1,745</b>	<b>2,159</b>	<b>467</b>	<b>4,371</b>	<b>1,650</b>	<b>1,530</b>	<b>388</b>	<b>3,568</b>	<b>803</b>	<b>23</b>

<sup>(1)</sup> Including compensation for the equivalent of 175 GWh in light of the power limitation imposed on the NRWF facility for fiscal 2019 (153 GWh for fiscal 2018).

<sup>(2)</sup> See the *Acquisitions and commissioning* table in section I - *Growth strategy*.

Boralex produced 4,195 GWh of electricity for the year ended December 31, 2019 and received compensation for the equivalent of 175 GWh, bringing total production to 4,371 GWh, up 23% from 3,568 GWh in 2018, comprising production of 3,415 GWh and compensation for the equivalent of 153 GWh. Excluding the contribution of facilities acquired or commissioned, production of comparable assets increased 7%, stemming from improved results for both the wind and hydroelectric power segments.

### Wind

Total production of wind farms for fiscal 2019 amounted to 3,434 GWh, up 26% from 2,734 GWh for fiscal 2018. This increase is mostly attributable to the contribution of wind farms acquired and commissioned since the beginning of fiscal 2018 (for greater detail see the *Acquisitions and commissioning* table in the *Growth strategy and development outlook* section). Also, comparable assets outperformed in both France and Canada with a 6% increase in production volume for fiscal 2019 compared with last year.

- In **France**, weather conditions were on average more favourable throughout fiscal 2019 compared with fiscal 2018. Production volume at comparable wind farms was up 10%. Also including the contribution of wind farms acquired and commissioned since the beginning of fiscal 2018, the wind power segment in France recorded a production volume of 2,106 GWh for fiscal 2019, up 43% from last year.
- In **Canada**, weather conditions were similar to last year's leading to a similar result in terms of production volume for comparable facilities, with 1,288 GWh for fiscal 2019 compared to 1,259 GWh for fiscal 2018. Following commissioning of the **Moose Lake** wind farm in April 2019, the Canadian wind power segment produced 1,328 GWh for fiscal 2019, up 6% from last year.

### Hydroelectric

Hydroelectric segment production totalled 756 GWh for fiscal 2019, up 17% from 648 GWh in 2018, driven largely by better performance at U.S. power stations.

- In **Canada**, the hydroelectric power segment reported a higher production volume of 289 GWh in 2019 compared with 260 GWh in 2018. Production at comparable power stations was relatively stable at 209 GWh with commissioning of the **Yellow Falls** power station offsetting the shortfall in production volume resulting from the shutdown of the **Buckingham** power station for the duration of the capacity upgrade work.

- In the **United States**, more favourable water flow conditions resulted in a 21% increase in production volume to 467 GWh in 2019 compared with 388 GWh in 2018.

## Revenues from energy sales and feed-in premium

### Main differences in revenues from energy sales and feed-in premium

(in millions of Canadian dollars)	Wind	Hydro	Other segments	Consolidated
<b>YEAR ENDED DECEMBER 31, 2018</b>	385	49	37	<b>471</b>
<b>Segment breakdown</b>	81%	11%	8%	<b>100%</b>
Acquisitions/commissioning <sup>(1)</sup>	61	6	—	<b>67</b>
Pricing	3	(1)	(3)	<b>(1)</b>
Volume - Excl. Buckingham	30	6	—	<b>36</b>
Foreign exchange effect	(6)	1	(1)	<b>(6)</b>
Temporary shutdown - Buckingham	—	(1)	—	<b>(1)</b>
Other	(2)	—	—	<b>(2)</b>
Change	86	11	(4)	<b>93</b>
<b>YEAR ENDED DECEMBER 31, 2019</b>	471	60	33	<b>564</b>
<b>Segment breakdown</b>	83%	11%	6%	<b>100%</b>

<sup>(1)</sup> See the *Acquisitions and commissioning* table in section I - *Growth strategy*.

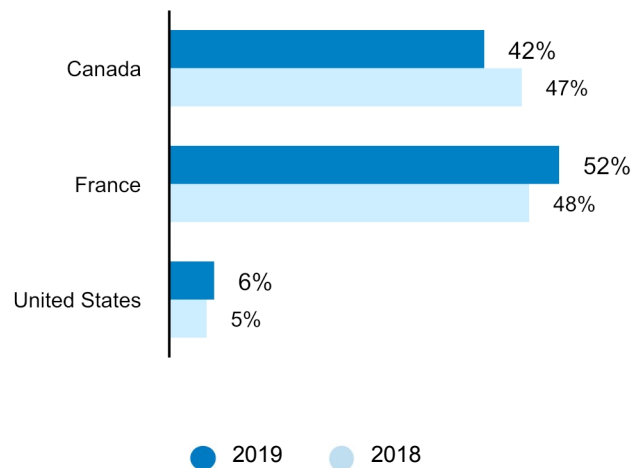
Revenues from energy sales grew \$93 million or 20%, compared with the previous year, to \$564 million for the year ended December 31, 2019. This increase was driven by expansion of the Corporation's operating base since the beginning of 2018 (see the *Acquisitions and commissioning* table in section I) and more favourable weather conditions at comparable wind farms and hydroelectric power stations.

Facilities acquired and commissioned since the beginning of fiscal 2018 added \$67 million to consolidated results. Production volume increased at comparable facilities, giving rise to a favourable difference of \$36 million, stemming mainly from the wind power segment. The combination of these items largely offset the \$6 million unfavourable foreign exchange effect owing mainly to fluctuations in the value of the euro against the Canadian dollar and a \$1 million net unfavourable effect resulting from the production shutdown at the **Buckingham** power station.

Broken down geographically, for fiscal 2019 as a whole, 42% of revenues were generated in Canada and 52% in France, compared with 47% and 48%, respectively, for fiscal 2018. This change resulted primarily from the wind power segment and its greater expansion in France compared with Canada as well as better weather conditions at French wind farms compared with last year.

### Geographic breakdown of revenues from energy sales and feed-in premium

(Years ended December 31)



- **Wind** power segment revenues for fiscal 2019 totalled \$471 million, up 23% from 2018. Expansion of the operating base resulted in a \$61 million favourable difference with a \$30 million volume effect resulting primarily from higher production at French wind farms and a \$3 million favourable price effect. These items largely offset the \$6 million unfavourable effect resulting from fluctuations in the value of the euro against the Canadian dollar.

Overall, the French wind power segment recorded revenue growth of 38% driven primarily by contributions from acquired and commissioned assets. In Canada, revenues grew by 6% attributable to better wind conditions and commissioning of the **Moose Lake** wind farm.

- For fiscal 2019, the **hydroelectric** power segment generated revenues of \$60 million, up 21% from \$49 million for 2018. This favourable change resulted primarily from better water flow conditions at comparable stations, mainly in the United States, and by commissioning of the **Yellow Falls** power station, each contributing \$6 million to the increase.

Revenues at U.S. power stations were up 19%, while revenues rose 22% at Canadian power stations, with commissioning of the **Yellow Falls** power station largely offsetting the revenue shortfall during the upgrade work at the **Buckingham** power station.

## EBITDA(A)<sup>(1)</sup>

### Main differences in EBITDA(A)

(in millions of Canadian dollars)	Wind	Hydro	Other segments	Corporate and eliminations	Consolidated
<b>YEAR ENDED DECEMBER 31, 2018</b>	310	33	12	(57)	<b>298</b>
<b>Segment breakdown<sup>(2)</sup></b>	88%	9%	3%		<b>100%</b>
Acquisitions/commissioning <sup>(3)</sup>	48	5	—	—	<b>53</b>
Volume - Excl. Buckingham	30	6	—	—	<b>36</b>
Temporary shutdown - Buckingham	—	(1)	—	—	<b>(1)</b>
Leases - IFRS 16	9	1	—	2	<b>12</b>
Development	5	—	—	(4)	<b>1</b>
Share of the Interests - Other	7	—	—	—	<b>7</b>
Gain on disposal of land	6	—	—	—	<b>6</b>
Foreign exchange effect	(4)	—	—	1	<b>(3)</b>
Pricing	3	(1)	(3)	—	<b>(1)</b>
Share of the Interests - five wind farms in Quebec	(2)	—	—	—	<b>(2)</b>
Other <sup>(4)</sup>	—	1	2	(7)	<b>(4)</b>
<b>Change</b>	<b>102</b>	<b>11</b>	<b>(1)</b>	<b>(8)</b>	<b>104</b>
<b>YEAR ENDED DECEMBER 31, 2019</b>	<b>412</b>	<b>44</b>	<b>11</b>	<b>(65)</b>	<b>402</b>
<b>Segment breakdown<sup>(2)</sup></b>	88%	9%	3%		<b>100%</b>

<sup>(1)</sup> See the *Non-IFRS measures* section.

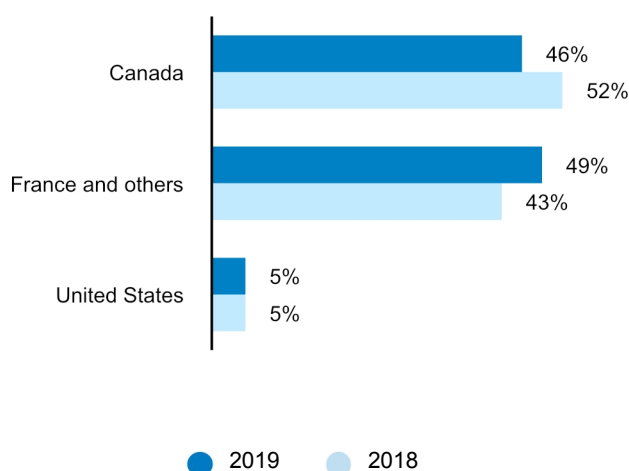
<sup>(1)</sup> Excluding the corporate segment and eliminations.

<sup>(2)</sup> See the *Acquisitions and commissioning* table in section I - *Growth strategy*.

<sup>(3)</sup> Including differences in property taxes, salaries, professional fees and raw material costs.

### Geographic breakdown of EBITDA(A)<sup>(1)</sup>

(Years ended December 31)



<sup>(1)</sup> Excluding corporate segment and eliminations.

For fiscal 2019, consolidated EBITDA(A) amounted to \$402 million, up \$104 million or 35% compared with 2018. This increase was largely attributable to \$53 million in additional EBITDA(A) stemming from expansion of the operating base since the beginning of fiscal 2018. This was in addition to a \$36 million favourable volume effect resulting from improved performance at comparable assets.

Other factors that generated a favourable impact included the \$7 million increase in the share of Interests, \$6 million in proceeds from the disposal of land in Scotland and \$12 million related to the coming into force of IFRS 16, *Leases* (see the *Accounting standards* section for more details).

The combination of these items largely offset the unfavourable differences of \$3 million related to foreign exchange effect, \$2 million resulting from the acquisitions of Invenenergy's interests and \$1 million stemming from the production shutdown at the **Buckingham** power station.

Broken down geographically, since the beginning of fiscal 2019, 46% of EBITDA(A) was generated in Canada and 49% in France, compared with 52% and 43%, respectively, in 2018. This change resulted primarily from greater expansion of the operating base in France compared with Canada and more favourable wind conditions in France.

- The **wind** power segment recorded EBITDA(A) of \$412 million for fiscal 2019, up \$102 million or 33% from fiscal 2018. This growth was largely driven by Boralex's expansion strategy, with \$48 million in additional EBITDA(A) generated by the facilities acquired and commissioned over the past year. Also, sound performance at comparable facilities, primarily in France, generated a favourable difference of \$30 million. In addition, favourable differences of \$7 million and \$9 million, resulted from the share of other interests and the application of IFRS 16, *Leases*, respectively.

Overall, the French wind power segment recorded EBITDA(A) growth of 55% driven primarily by acquired and commissioned assets, better weather conditions and the disposal of land in Scotland. The 13% EBITDA(A) growth in Canada was mostly attributable to better wind conditions.

- For fiscal 2019, the **hydroelectric** power segment generated EBITDA(A) of \$44 million, up 32% from \$33 million in 2018. This increase was generated by higher production volumes at comparable facilities in the United States and the contribution of the **Yellow Falls** power station in Canada commissioned in 2019.

EBITDA(A) at U.S. power stations was up 33% while Canadian power stations recorded a 30% increase.

Excluding newly commissioned facilities, revenues from energy sales and feed-in premium were up 5% for fiscal 2019 compared with the previous year, while operating expenses fell 17%. Lower operating expenses resulted mainly from the decrease in maintenance costs following termination of a wind farm maintenance contract in France, the adoption of IFRS 16, *Leases* and the gain on disposal of land in Scotland.

### Main differences in net loss attributable to shareholders of Boralex

(in millions of Canadian dollars)

YEAR ENDED DECEMBER 31, 2018	(30)
EBITDA(A) <sup>(1)</sup>	104
Amortization	(36)
Impairment	(40)
Acquisition costs	5
Financing costs	(20)
Income taxes	(9)
Non-controlling interests	(4)
Other	(9)
Change	(9)
YEAR ENDED DECEMBER 31, 2019	(39)

<sup>(1)</sup> See the *Non-IFRS measures* section.

### Amortization

Amortization costs rose \$36 million compared with 2018 to \$244 million for fiscal 2019, due in part to French and Canadian facilities commissioned and acquired for an additional amount of \$30 million, as well as the adoption of IFRS 16, *Leases*, which resulted in an increase in amortization expense of \$15 million. These items were partly offset by the \$7 million reduction in amortization expense following changes made to the useful life of certain wind turbine components.

### Impairment

The Corporation recognized an impairment loss of \$55 million in fiscal 2019, compared with \$15 million in 2018, resulting in an unfavourable difference of \$40 million.

In December 2019, the Corporation was notified by the Ministère de la Transition Écologique et Solidaire that the 1,500 MW threshold for the support mechanism for 2016 or 2016 FiP would soon be reached. Once the volume exceeds 1,800 MW (notified volume of 1,500 MW plus 20%), the support would likely to be qualified as new support. This would apply to the 51 MW Moulins du Lohan project's FiP. In light of this notification and ongoing litigation (note 27, *Commitments and contingencies*) that caused the interruption of construction work on the wind farm (litigation pending before the Conseil d'État), impairment losses of \$18 million (€12 million) on property, plant and equipment and \$33 million (€22 million) on intangible assets have been recognized to write down the carrying amount of assets to their recoverable amount. The Corporation has maintained a \$17 million (€12 million) portion of the value of assets under construction and land as it intends to submit this project under upcoming requests for proposals in France. This situation applies only to the Moulins du Lohan project.

In January 2020, the Corporation sold its interest in the Jammerland Bay joint venture to its partner for \$1 million. A \$2 million impairment loss on the interest was recognized to write down its carrying amount to the recoverable amount.

In the first quarter of 2019, after being advised of BC Hydro's indefinite suspension of the SOP for a wind power project in British Columbia, the Corporation recognized a \$2 million impairment loss on intangible assets.

In 2018, impairment of property, plant and equipment was broken down as follows:

- \$9 million (€6 million) for assets that were prematurely dismantled for the **Cham Longe I** wind farm repowering;
- \$4 million as a result of unilateral termination of the **Otter Creek** project energy purchase contract by the IESO;
- \$2 million (€1 million) related to the sale of the Lanouée forest assets.

### Acquisition costs

During fiscal 2018, the Corporation recognized acquisition costs of \$5 million (€4 million) in France, mainly in relation to the Kallista assets.

### Financing costs

During fiscal 2019, financing costs increased \$20 million to \$143 million, compared with fiscal 2018. This change resulted from a \$12 million increase in financing costs mainly attributable to non-recurring costs of \$13 million related to the refinancing of French debts as well as the adoption of IFRS 16, *Leases*, under which lease liabilities for all leases are recognized in the statement of financial position, which gave rise to an additional interest expense of \$7 million.

## Other

The \$9 million difference stemmed primarily from a higher net loss on financial instruments totalling \$7 million and a \$2 million increase in foreign exchange loss compared with the corresponding period of 2018. The higher net loss on financial instruments stemmed from the change in fair value of options to purchase a partner's interest attributable to a decline in future price curves for electricity prices.

## Income taxes

The Corporation recorded a \$5 million income tax recovery in 2019 on a \$48 million net loss before income taxes compared with a \$14 million income tax recovery on a \$52 million net loss before income taxes in 2018. Even with improved results before income taxes in fiscal 2019, no temporary differences had been recognized at the time of the initial purchase of certain assets, which mainly accounts for the lower recovery amount between both years.

## Net loss

For fiscal 2019, Boralex reported a net loss of \$43 million compared with a net loss of \$38 million for 2018. As a result, net loss attributable to shareholders of Boralex amounted to \$39 million or \$0.43 per share (basic and diluted), compared with a net loss attributable to shareholders of Boralex of \$30 million or \$0.38 per share (basic and diluted) in 2018. The unfavourable difference of \$9 million or \$0.05 per share (basic and diluted) compared with fiscal 2018 resulted from the items discussed above.

Excluding unusual items for a total amount of \$58 million (after-tax amount of \$51 million) comprising three separate and non-recurring items, the Corporation would have reported net earnings of \$8 million for fiscal 2019, a \$46 million improvement compared with fiscal 2018. The first item is an impairment loss of \$51 million (after-tax amount of \$47 million) related to the Moulins du Lohan development project as discussed previously. The second item is a non-recurring expense of \$13 million (after-tax amount of \$9 million) related to the \$1.7 billion refinancing in France. The third item is a \$6 million gain (after-tax amount of \$5 million) on the sale of land in Scotland as discussed previously. Excluding unusual items, Boralex would have reported net earnings attributable to shareholders of Boralex of \$12 million or \$0.13 per share (basic and diluted), a \$42 million improvement from the net loss attributable to shareholders of Boralex of \$30 million or \$0.38 per share (basic and diluted) for the corresponding period of 2018.

## Cash flows

Expansion of the operating asset base over the past fiscal year was one of the driving factors behind changes in cash flows, which contributed in particular to the increase in cash flows from operations for fiscal 2019 compared with the same period last year.

(in millions of Canadian dollars)	2019	2018
Cash flows from operations <sup>(1)</sup>	310	192
Change in non-cash items related to operating activities	(16)	10
Net cash flows related to operating activities	294	202
Net cash flows related to investing activities	(100)	(641)
Net cash flows related to financing activities	(189)	475
Translation adjustment on cash and cash equivalents	(9)	6
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(4)</b>	<b>42</b>
<b>CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR</b>	<b>157</b>	<b>115</b>
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<b>153</b>	<b>157</b>

<sup>(1)</sup> See the *Non-IFRS measures* section.

## Operating activities

For the year ended December 31, 2019, Boralex reported \$310 million in cash flows from operations, compared with \$192 million for fiscal 2018. Excluding non-cash items from net loss for each of the two periods, this \$118 million increase resulted primarily from a \$104 million increase in EBITDA(A), as discussed above, combined with a \$31 million increase in *Distributions received from the Interests of the Joint Ventures and associates* following refinancing of the LPI wind farm and distributions from the five wind farms acquired from Invenergy representing twelve months of operations compared with three and a half months in 2018, partly offset by an \$8 million increase in *Interest paid* partially related to the application of IFRS 16.

### Distributions received from the Joint Ventures and associates

(in millions of Canadian dollars)	Twelve-month periods ended December 31		
	Actual	Change	
	2019	2018	\$
SDB I and II	19	20	(1)
DM I, II, LP I, LP II and Roncevaux	35	3	32
	54	23	31

The \$16 million in cash utilization in fiscal 2019 resulted primarily from a \$12 million increase in *Trade and other receivables* mainly related to the seasonal nature of operations and more favourable wind conditions at fiscal year-end compared with a year earlier.

## Investing activities

During fiscal 2019, investing activities used \$100 million in cash, compared with \$641 million in 2018. Boralex invested \$159 million in *Property, plant and equipment* as broken down below.

### Segment and geographic breakdown of additions to property, plant and equipment

(in millions of Canadian dollars)	Canada	Europe	United States	Total
<b>Wind</b>				
Construction <sup>(1)</sup>	22	86	—	108
In operation	—	3	—	3
<b>Wind - total</b>	<b>22</b>	<b>89</b>	<b>—</b>	<b>111</b>
<b>Hydroelectric</b>				
Construction <sup>(1)</sup>	32	—	—	32
In operation	2	—	1	3
<b>Hydroelectric - total</b>	<b>34</b>	<b>—</b>	<b>1</b>	<b>35</b>
<b>Thermal</b>	<b>1</b>	<b>1</b>	<b>—</b>	<b>2</b>
<b>Solar</b>	<b>—</b>	<b>—</b>	<b>4</b>	<b>4</b>
<b>Corporate</b>	<b>2</b>	<b>5</b>	<b>—</b>	<b>7</b>
<b>Total</b>	<b>59</b>	<b>95</b>	<b>5</b>	<b>159</b>

<sup>(1)</sup> See the *Acquisitions and commissioning* table in *Section 1 - Growth strategy*.

During the fiscal year, the Corporation sold land in Scotland for an amount of \$13 million.

The Corporation also paid \$18 million, mainly contingent consideration, for the acquisition of energy contracts related to Ecotera projects. The amount paid was primarily related to the **Seuil du Cambrésis** project and to a lesser extent to the **Santerre** project.



For fiscal 2019 as a whole, reserve funds increased by \$10 million in connection with the old Sainte-Christine portfolio at the beginning of the year, offset by the release of reserve funds in amounts of \$5 million related to the U.S. note and \$33 million following the refinancing in France.

Following payments made to suppliers for work completed at various facilities under construction or recently commissioned, restricted cash decreased by \$45 million. Lastly, the Corporation invested \$5 million in a Joint Venture in the United States developing projects in the solar power industry.

Note that investing activities in fiscal 2018 consisted mainly of the payment of \$100 million to acquire Kallista shares and \$220 million for the acquisition of Invenergy's interests in wind farms in Québec. In addition, \$282 million in investments were made in property, plant and equipment mainly for the construction of wind farms and hydroelectric power stations and \$8 million in conditional consideration was paid for the **Hauts de Comble** and **Sources de l'Ancre** projects. Boralex also paid \$24 million to acquire energy sales contracts related to Ecotera projects. Moreover, the Corporation sold the Lanouée forest property for a net amount of \$44 million, as well as land in Scotland and other property, plant and equipment for an amount \$11 million.

## Financing activities

Financing activities for fiscal 2019 used total net cash flows of \$189 million.

### New financing arrangements and repayments on existing debt

During fiscal 2019, new non-current debt contracted by Boralex totalled \$1,411 million, comprising:

- \$92 million drawn down from the revolving credit facility;
- \$21 million drawn down from the financing in place for the **Moose Lake** wind farm;
- Amounts of \$725 million, \$334 million and \$239 million, respectively, with regard to the Sainte-Christine, Énergie France and Production SAS portfolios following the refinancing in France;

Conversely, the Corporation made repayments totalling \$176 million on its debt related to the various assets in operation: \$128 million on its revolving credit facility and \$43 million on the value added tax bridge financing. Boralex also made special repayments totalling \$1,122 million: \$1,048 million as early repayments made as part of the debt refinancing for wind farms in France and \$69 million to repay the bridge financing for the Lanouée forest and the forests in Scotland including a partial payment made from the \$43 million (€29 million) in proceeds from the 2018 sale of Lanouée forest.

The Corporation paid \$71 million in financing costs, substantially all related to the refinancing transaction in France, as well as \$22 million for the redemption of financial instruments in connection with previous debts in France.

With the application of IFRS 16, *Leases*, the Corporation now presents repayments of lease liabilities under financing activities. This amount was \$10 million for fiscal 2019.

In 2019, the Corporation redeemed convertible debentures that had not been converted by the holders for an amount of \$8 million, the vast majority of the debentures (\$136 million) having been converted to Class A shares of Boralex by the holders. Note that in 2018, the Corporation issued shares in connection with the transaction to acquire Invenergy's interests and options to purchase a partner's interests. These issues generated gross proceeds of \$259 million with issue costs of \$12 million.

## Dividends and other items

For fiscal 2019, the Corporation paid dividends to shareholders totalling \$60 million (or the equivalent of \$0.1650 per share per quarter) compared with \$50 million in 2018 (the equivalent of \$0.15 per share for the first quarter, \$0.1575 per share in the second and third quarters and \$0.1650 per share in the fourth quarter).

The Corporation also paid \$7 million to non-controlling shareholders for each of the 2019 and 2018 fiscal years.

Note that in fiscal 2018, the Corporation disbursed \$44 million for the early redemption of financial instruments.

## Net change in cash and cash equivalents

Total cash movements in fiscal 2019 resulted in a \$4 million decrease, bringing *Cash and cash equivalents* to \$153 million as at December 31, 2019 compared with \$157 million as at December 31, 2018.

## Discretionary cash flows and payout ratio<sup>(1)</sup>

Discretionary cash flows amounted to \$120 million for the twelve-month period ended December 31, 2019 compared with \$59 million for fiscal 2018. This \$61 million increase in discretionary cash flows was driven essentially by the increase in cash flows from operations resulting from improved fiscal 2019 results of the wind and hydroelectric power segments, as well as the contribution of facilities acquired and commissioned. This increase was partly offset by the \$26 million rise in payments on non-current debt related to projects resulting from expansion of the operating base.

Discretionary cash flows per share for the twelve-month period ended December 31, 2019 amounted to \$1.33 compared with \$0.74 as at December 31, 2018 and the payout ratio stood at 50% in line with the financial objective of the strategic plan.

<sup>(1)</sup> See the *Non-IFRS measures* section.

# Financial position

## Overview of the consolidated condensed statements of financial position

(in millions of Canadian dollars)	As at December 31, <b>2019</b>	As at December 31, <b>2018</b>	Change (\$)
<b>ASSETS</b>			
Cash and cash equivalents	153	157	(4)
Restricted cash	15	96	(81)
Other current assets	195	169	26
<b>CURRENT ASSETS</b>	<b>363</b>	<b>422</b>	<b>(59)</b>
Property, plant and equipment	2,715	2,918	(203)
Right-of-use assets	260	—	260
Intangible assets	700	798	(98)
Goodwill	188	195	(7)
Interests in the Joint Ventures and associates	236	279	(43)
Other non-current assets	95	152	(57)
<b>NON-CURRENT ASSETS</b>	<b>4,194</b>	<b>4,342</b>	<b>(148)</b>
<b>TOTAL ASSETS</b>	<b>4,557</b>	<b>4,764</b>	<b>(207)</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>	<b>304</b>	<b>564</b>	<b>(260)</b>
Non-current debt	2,895	2,857	38
Lease liabilities	197	—	197
Convertible debentures	—	140	(140)
Other non-current liabilities	286	296	(10)
<b>NON-CURRENT LIABILITIES</b>	<b>3,378</b>	<b>3,293</b>	<b>85</b>
<b>TOTAL LIABILITIES</b>	<b>3,682</b>	<b>3,857</b>	<b>(175)</b>
<b>EQUITY</b>			
<b>TOTAL EQUITY</b>	<b>875</b>	<b>907</b>	<b>(32)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>4,557</b>	<b>4,764</b>	<b>(207)</b>

## Summary of significant changes

In addition to the impact of exchange rate fluctuations, the changes related to Boralex's *Statement of financial position* between December 31, 2018 and December 31, 2019 reflect investments and financing related to the continued development of the Corporation's wind, hydroelectric and solar power projects.

## Assets

As at December 31, 2019, Boralex's total assets amounted to \$4,557 million, down \$207 million from total assets of \$4,764 million as at December 31, 2018. This decrease was due to the \$59 million and \$148 million declines in *Current assets* and *Non-current assets*, respectively.

The decrease in *Current assets* was primarily attributable to the changes in *Restricted cash*, which declined \$81 million. Note that *Restricted cash* as at December 31, 2018 included proceeds from the sale of the Lanouée forest land, an amount of \$44 million used to repay the related bridge financing at the beginning of January 2019 and drawdowns under borrowings to pay suppliers in respect of wind farms under construction. Furthermore, *Other current assets* offset the decrease in *Restricted cash* following the increase in receivables and current financial assets of \$11 million and \$17 million, respectively, driven by improved production.

*Non-current assets* were down \$148 million in total, owing primarily to:

- A \$203 million decrease in the value of *Property, plant and equipment* (net of amortization for the period) which breaks down as follows:
  - A \$93 million decrease related to exchange rate fluctuations and a \$177 million decrease related to amortization of assets in operation;
  - A \$52 million decrease related to the reclassification of restoration costs to *Right-of-use assets*;



- An \$18 million decrease related to asset impairment of the **Moulins du Lohan** project;
- A \$7 million decrease resulting primarily from the sale of land in Scotland;
- A \$159 million increase related to projects under construction (see the *Cash flows* section), \$15 million of which pertained to the previous year's payables;
- The addition of *Right-of-use assets* in the amount of \$260 million, which includes reclassification of \$52 million in restoration costs, owing to the application of IFRS 16, *Leases* (see the *Accounting standards* section for more details) and the impacts from new contracts for \$14 million signed during the fiscal year and the annual estimates review of decommissioning costs for \$22 million;
- A \$98 million decrease in the value of *Intangible assets* which breaks down as follows:
  - A \$32 million decrease related to exchange rate fluctuations and a \$52 million decrease related to amortization of assets in operation;
  - A \$35 million decrease stemming primarily from impairment of the **Moulins du Lohan** project's energy sales contract;
  - A \$21 million increase mainly related to the payment of contingent consideration for the **Seuil du Cambrésis** and **Santerre** projects (see the *Cash flows* section);
- A \$43 million decline in *Interests in the Joint Ventures and associates* related to distributions received in the amount of \$54 million which were partially offset by the \$14 million share in net earnings;
- A \$57 million decline in *Non-current assets*, owing in large part to the change in *Other non-current financial assets* resulting from the decrease in reserve funds following the refinancing in France and the general decline in interest rates.

## Current liabilities

*Current liabilities* as at December 31, 2019 amounted to \$304 million, compared with \$564 million as at December 31, 2018. The \$260 million decline was largely attributable to a \$242 million decrease in the *Current portion of debt*, owing primarily to scheduled repayments on existing debt and the repayment of \$69 million on the France and Scotland bridge financing facility, \$43 million (€29 million) of which came from the Lanouée forest sale and \$26 million from the disposal of assets in Scotland. In addition, classification of the \$89 million debt of the Fortel, St-François and Calmont wind farms as current was discontinued following waivers from the creditors received during the year and the early debt repayments subsequent to the refinancing in France. The Corporation also refinanced the debt totalling \$60 million (€40 million) owed to Cube Hydro-Power SARL with the Caisse, a shareholder of the Corporation. Lastly, fluctuation of the euro against the Canadian dollar also reduced *Current share of debt*.

## Working capital

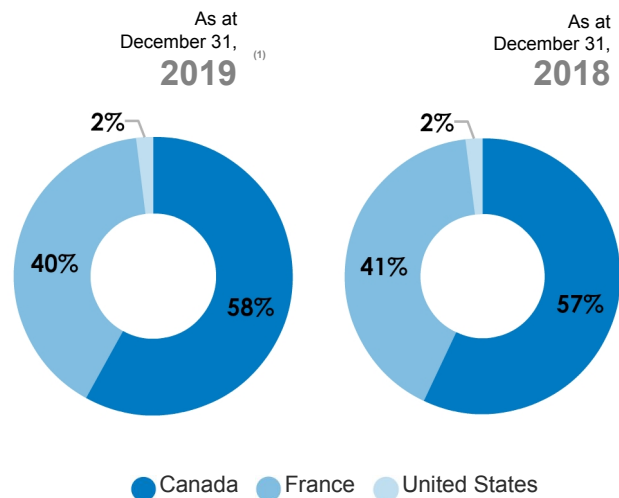
As at December 31, 2019, the Corporation had working capital of \$59 million for a ratio of 1.19:1, compared with a working capital deficiency of \$142 million and a ratio of 0.75:1 as at December 31, 2018. The improvement in working capital resulted from the reduction in the current portion of long-term debt, as described above.

## Non-current liabilities

Total *Non-current liabilities* grew \$85 million, owing in particular to the addition of *Lease liabilities* in the amount of \$197 million resulting from the coming into force of IFRS 16, *Leases* (for greater detail, see the *Accounting standards* section) and the \$38 million increase in *Non-current debt*, partly offset by the redemption of \$8 million in convertible debentures and the conversion of debentures into Class A shares of the Corporation.

As at December 31, 2019, Boralex had \$187 million in debt contracted for its construction projects that remained undrawn. Boralex could still draw on the \$50 million revolving credit accordion feature, and a total amount of \$300 million available under the letter of credit and revolving credit facilities subject to compliance with financial ratios. Moreover, on January 29, 2020, Boralex closed a revolving credit facility amounting to \$182 million (€125 million) to finance the construction of future wind and solar power projects in France.

### Geographic breakdown of debt



<sup>(1)</sup> The change in breakdown stemmed mainly from decreases in foreign exchange rates on French debt.

## Equity

Total *Equity* decreased \$32 million during fiscal 2019 to \$875 million as at December 31, 2019. This decrease resulted from a \$45 million decrease in *Other comprehensive loss* related to the translation of financial statements and to lower interest rates, a \$43 million net loss, a total of \$60 million in dividends paid to shareholders of Boralex, \$7 million paid to non-controlling shareholders and \$13 million resulting from the coming into force of IFRS 16, *Leases*. This decrease was partly offset by the share issuance on debenture conversion.

## Debt ratios

Net debt, as defined under the *Non-IFRS measures* section, amounted to \$2,981 million as at December 31, 2019 compared with \$3,048 million as at December 31, 2018.

As a result, the net debt to market capitalization ratio, as defined under *Non-IFRS measures*, decreased from 65% as at December 31, 2018 to 56% as at December 31, 2019.

The debt ratio decreased 9% as a result of the increase in the benchmark stock price and the conversion of some convertible debentures into common shares in the fourth quarter of 2019.

The share price was \$24.46 per share as at December 31, 2019 compared with \$16.84 per share as at December 31, 2018.

## Information about the Corporation's equity

As at December 31, 2019, Boralex's capital stock consisted of 96,464,460 Class A shares issued and outstanding (89,184,175 as at December 31, 2018) owing to the following share issues:

- 340,938 shares issued on exercise of stock options held by senior executives since the beginning of fiscal 2019;
- 6,939,347 shares issued upon conversion of convertible debentures.

There were 312,213 outstanding stock options, of which 193,457 were exercisable. Issued and outstanding convertible debentures as at December 31, 2018 were converted or redeemed in full during fiscal 2019 (1,437,070 as at December 31, 2018 for an amount of \$144 million).

From January 1 to February 27, 2020, no new shares were issued on exercise of stock options.

## Related party transactions

The Corporation has entered into a management agreement with R.S.P. Énergie Inc., an entity of which Patrick Lemaire, President, Chief Executive Officer and a director of the Corporation, is one of three shareholders. For the year ended December 31, 2019, revenues from this agreement were not material.

The Corporation has an office lease contract with Ivanhoé Cambridge, an entity in which the Caisse holds an interest as well. As at December 31, 2019, the rent-related lease liability amounted to \$11 million.

On March 29, 2018, the Corporation entered into a \$170 million financing arrangement with the Caisse in the form of unsecured subordinated debt with a 10-year maturity. On July 24, 2018, Boralex drew down its second \$80 million tranche. For the year ended December 31, 2019, interest related to these transactions amounted to \$16 million (\$9 million in 2018).

The Six Nations' equity interest in FWRN LP was financed through a non-recourse loan initially provided by Enercon and which will be repaid, with interest, through Six Nations' share of the payouts that FWRN LP will make during the term of the feed-in tariff contract. For the year ended December 31, 2019, the advance to a non-controlling shareholder including interest, amounted to \$37 million, of which \$2 million in interest charges stemmed from 2019 (\$2 million in 2018).

On June 20, 2018, the Corporation acquired the shares of Kallista, which owned a portfolio of 15 wind farms in operation. The 15 MW Val aux Moines wind farm is 35% owned by shareholder Nordex Employee Holding GmbH. The non-controlling shareholder advanced \$6 million (€4 million) to the project to finance construction of the facility. For the year ended December 31, 2019, interest related to this amount owing to a non-controlling shareholder was not material.

On September 14, 2018, the Corporation closed the acquisition of Invenergy's interests in five wind farms. The acquisition is considered a related-party transaction because the Caisse holds an interest in Invenergy and has significant influence over Boralex.

On April 25, 2019, Boralex Europe Sàrl closed the refinancing of a debt totalling \$60 million (€40 million) owed to Cube Hydro-Power SARL (previously Cube Energy SCA) with a subsidiary of the Caisse, a shareholder of the Corporation. The credit agreement stipulates a maturity date in five years with repayment of the full amount of the loan on the maturity date. The loan will bear interest at a variable rate up to the date of conversion, which is for a maximum 12-month period. Subsequently, the rate will be fixed. For the year ended December 31, 2019, the interest related to this loan amounted to \$2 million.

## Seasonal factors

(in millions of Canadian dollars, unless otherwise specified)	Three-month periods ended							
	March 31, 2018	June 30, 2018	Sept. 30, 2018	Dec. 31, 2018	March 31, 2019	June 30, 2019	Sept. 30, 2019	Dec. 31, 2019
<b>POWER PRODUCTION (GWh)</b>								
Wind power stations	824	490	415	852	1,038	636	546	1,038
NRWF compensation	42	28	42	41	10	73	28	64
	866	518	457	893	1,048	709	574	1,102
Hydroelectric power stations	166	194	118	170	159	255	131	211
Thermal power stations	61	57	8	40	72	38	—	48
Solar power stations	4	6	7	3	5	7	7	3
	1,097	775	590	1,106	1,284	1,009	712	1,364
<b>REVENUES FROM ENERGY SALES AND FEED-IN PREMIUM</b>								
Wind power stations	125	73	64	123	146	99	78	149
Hydroelectric power stations	14	14	10	11	12	16	11	22
Thermal power stations	12	7	3	9	13	5	1	7
Solar power stations	1	1	2	2	1	1	2	1
	152	95	79	145	172	121	92	179
<b>EBITDA(A)<sup>(1)</sup></b>								
Wind power stations	101	58	46	105	130	84	52	145
Hydroelectric power stations	10	10	5	8	8	12	6	17
Thermal power stations	4	1	—	2	6	1	(1)	1
Solar power stations	1	1	2	1	1	1	2	1
	116	70	53	116	145	98	59	164
Corporate and eliminations	(12)	(13)	(14)	(18)	(14)	(15)	(14)	(21)
	104	57	39	98	131	83	45	143
<b>CASH FLOWS FROM OPERATIONS<sup>(1)</sup></b>	77	21	23	71	101	55	35	119

<sup>(1)</sup> See the *Non-IFRS measures* section.

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

Operating volumes at Boralex facilities are influenced as follows:

- Wind conditions both in France and Canada are usually more favourable in the winter, which falls during Boralex's first and fourth quarters. However, in winter there is a greater risk of lower production caused by weather conditions, such as icing.
- Hydroelectricity produced depends on water flow, which in Canada and the Northeastern United States is typically at a maximum in spring and high in the fall. Historically, water flow tends to decrease in winter and summer. However, over a long-term horizon, there may be variations from year to year due to short-term weather conditions. Note that apart from four hydroelectric power stations whose water flow is regulated upstream and is not under the Corporation's control, Boralex's other hydroelectric facilities do not have reservoirs that would permit water flow regulation during the year.
- The generation of thermal energy is regulated under contracts in Canada and France with power generation limitation periods for Boralex. Thermal energy is generated in Canada from mid-October to mid-June and in Europe from November to March.
- Sunlight conditions are typically more favourable in the spring and summer.

Power production average of the past five years					
	Net installed capacity (MW)	Q1	Q2	Q3	Q4
Wind	1,795	31%	21%	17%	31%
Hydroelectric	182	23%	32%	20%	25%
Thermal	47	41%	17%	19%	23%
Solar	16	18%	30%	31%	21%
<b>Total power production</b>	<b>2,040</b>	<b>30%</b>	<b>23%</b>	<b>18%</b>	<b>29%</b>

# Financial instruments

## Foreign exchange risk

### Foreign exchange risk

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

In France, given the above, the Corporation entered into foreign exchange forward contracts to hedge the exchange rate on a portion of the distributions it expects to repatriate from Europe up to 2025. Similar purchases could be made based on the growth in cash to be generated in France. The Corporation also entered into cross-currency swaps. These derivatives cover the Corporation's net investment in France, as they allow financing issued in Canada for investment in France to be synthetically translated into euros. In addition to mitigating the risk related to foreign currency fluctuations, these instruments also allow Boralex to currently benefit in part from interest rates lower than those prevailing in Europe. The Corporation also entered into similar transactions pertaining to U.S. dollars. These short-term transactions provide access to lower interest rates on drawdowns under the revolving credit facility. To measure the fair value of these instruments, the Corporation uses a technique that is a combination of the techniques used to measure the fair value of interest rate swaps and foreign exchange forward contracts.

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

In connection with Canadian project development, certain future expenditures may be in foreign currencies. For example, certain equipment purchases in Canada are partly denominated in euros or U.S. dollars. Where applicable, the Corporation's objective is to protect its anticipated return on its investment by entering into hedging instruments to reduce volatility in expected expenditures and, in turn, stabilize significant costs such as those for 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 of other sources of power. As a result, prices may fall too low for the power stations to yield an operating profit.

As at December 31, 2019, substantially all of the French and Canadian power stations and two power stations in the United States have long-term energy sales contracts, the vast majority of which are subject to partial or full indexation clauses tied to inflation. Consequently, only 3% of Boralex's net installed capacity is exposed to price risk at present.

### Interest rate risk

As at December 31, 2019, approximately 80% of non-current debt issued bore interest at variable rates, excluding the revolving credit facility and subordinated debt. To protect itself against rate increases, the Corporation uses interest rate swaps. With these instruments, the Corporation's actual exposure to interest rate fluctuations is limited to only 10% of total debt under IFRS.

The following table summarizes the Corporation's derivative financial instruments as at December 31, 2019:

As at December 31,

**2019**

(in millions of Canadian dollars)	Currency	Current notional		Fair value	
		(currency of origin)	(CAD)	(currency of origin)	(CAD)
Interest rate swaps	EUR	734	1,069	(18)	(27)
Interest rate swaps	CAD	753	753	11	11
Foreign exchange forward contracts	EUR vs. CAD	60	93	—	—
Cross-currency swaps	EUR vs. CAD	318	479	16	16
Cross-currency swaps	USD vs. CAD	186	245	(3)	(3)
					(3)

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 the extent possible, the anticipated return on its projects. As a result, the fact that fair value is unfavourable only indicates that forward interest rates or exchange rates have fallen and has no bearing on the effectiveness of the instrument as part of the Corporation's risk management strategy.

## Combined

The combined information (“Combined”) presented in this management’s discussion and analysis (“MD&A”) results from the combination of the financial information of Boralex Inc. (“Boralex” or the “Corporation”) under IFRS and the share of the financial information of the Interests. The Interests represent significant investments by Boralex and although IFRS does not permit the consolidation of their financial information within that of Boralex, management considers that information on a Combined basis is useful data to assess the Corporation’s performance. In order to prepare the Combined information, Boralex first prepares its financial statements and those of the Interests in accordance with IFRS. Then, the Interests in the Joint Ventures and associates, *Share in earnings (losses) of the Joint Ventures and associates* and *Distributions received from the Joint Ventures and associates* are replaced with Boralex’s respective share (ranging from 50.00% to 59.96%) in the financial statement of the Interests (revenues, expenses, assets, liabilities, etc.). For greater detail, see the *Interests in the Joint Ventures and associates* note in the Annual Report.

## Interests in the Joint Ventures and associates

The analysis of results takes into account the significant Joint Ventures and associates of the Corporation. Data is shown below as a percentage of interests held by Boralex:

	Boralex % of interests
SDB I and II	50.00%
DM I and DM II	51.00%
LP I	51.00%
LP II	59.96%
Roncevaux	50.00%

## Highlights of the Joint Ventures and associates

	2019			2018			
	SDB I and II	DM I, II, LP I, II and Roncevaux <sup>(1)</sup>	Total	SDB I and II	DM I, II, LP I, II and Roncevaux <sup>(1)</sup>	Total	Change (%)
<b>Three-month period ended December 31:</b>							
Wind power production (GWh)	149	164	313	152	172	324	(3)
Revenues from energy sales	16	17	33	16	17	33	(3)
EBITDA(A)	14	14	28	14	14	28	(1)
Net earnings	5	2	7	4	1	5	45
Net cash flows related to operating activities	9	8	17	11	22	33	(47)
Cash flows from operations	9	10	19	10	6	16	15
<b>Year ended December 31:</b>							
Wind power production (GWh)	571	602	1,173	540	197	737	59
Revenues from energy sales	63	60	123	59	19	78	57
EBITDA(A)	55	49	104	50	16	66	58
Net earnings	18	(1)	16	10	2	12	41
Net cash flows related to operating activities	33	32	65	35	20	55	18
Cash flows from operations	38	33	71	33	6	39	81
Shares in the assets	359	498	857	367	504	871	(1)
Shares of borrowings	286	307	593	298	286	584	1

<sup>(1)</sup> The Corporation acquired Invenery’s interests in the DM I and II, LP I and II, and Roncevaux wind farms on September 14, 2018.

# Analysis of consolidated operating results for the three-month period ended December 31, 2019 - Combined

## Total power production

(GWh)	Q4 2019				Q4 2018				Change	
	Canada	France	United States	Total	Canada	France	United States	Total	in GWh	%
<b>Wind</b>										
Comparable assets <sup>(1)</sup>	680	609	—	1,289	670	523	—	1,193	96	8
Commissioning <sup>(2)</sup>	17	109	—	126	—	24	—	24	102	>100
<b>Wind - total</b>	<b>697</b>	<b>718</b>	<b>—</b>	<b>1,415</b>	<b>670</b>	<b>547</b>	<b>—</b>	<b>1,217</b>	<b>198</b>	<b>16</b>
<b>Hydroelectric</b>										
Comparable assets	49	—	125	174	48	—	122	170	4	2
Commissioning - Yellow Falls	11	—	—	11	—	—	—	—	11	—
Temporary shutdown - Buckingham	26	—	—	26	—	—	—	—	26	—
<b>Hydroelectric - total</b>	<b>86</b>	<b>—</b>	<b>125</b>	<b>211</b>	<b>48</b>	<b>—</b>	<b>122</b>	<b>170</b>	<b>41</b>	<b>24</b>
<b>Thermal</b>	<b>36</b>	<b>12</b>	<b>—</b>	<b>48</b>	<b>27</b>	<b>13</b>	<b>—</b>	<b>40</b>	<b>8</b>	<b>21</b>
<b>Solar</b>	<b>—</b>	<b>3</b>	<b>—</b>	<b>3</b>	<b>—</b>	<b>3</b>	<b>—</b>	<b>3</b>	<b>—</b>	<b>3</b>
<b>Total power production</b>	<b>819</b>	<b>733</b>	<b>125</b>	<b>1,677</b>	<b>745</b>	<b>563</b>	<b>122</b>	<b>1,430</b>	<b>247</b>	<b>17</b>

<sup>(1)</sup> Includes compensation for the equivalent of 64 GWh in light of the capacity limitation imposed on the NRWF facility for the fourth quarter of 2019 (41 GWh for the fourth quarter of 2018).

<sup>(2)</sup> See the *Acquisitions and commissioning* table in section I - *Growth strategy*.

On a Combined basis, power generation amounted to 1,677 GWh in the fourth quarter of 2019, up 247 GWh or 17% compared with the corresponding period of 2018. As the facilities of the Joint Ventures and associates experienced slightly less favourable weather conditions than a year earlier, this increase was driven mainly by better performance at comparable wind power assets in France and the commissioning of new wind and hydroelectric power facilities.

## Revenues from energy sales and feed-in premium

### Main differences in revenues from energy sales and feed-in premium

(in millions of Canadian dollars)	Wind	Hydro	Other segments	Consolidated
<b>THREE-MONTH PERIOD ENDED DECEMBER 31, 2018</b>	<b>156</b>	<b>11</b>	<b>11</b>	<b>178</b>
<b>Segment breakdown</b>	<b>88%</b>	<b>7%</b>	<b>5%</b>	<b>100%</b>
Acquisitions/commissioning <sup>(1)</sup>	11	5	—	16
Volume - Excl. Buckingham	15	1	—	16
Temporary shutdown - Buckingham	—	4	—	4
Foreign exchange effect	(2)	—	(1)	(3)
Pricing	1	—	(1)	—
Capacity premium	—	—	(1)	(1)
Other	1	1	—	2
Change	26	11	(3)	34
<b>THREE-MONTH PERIOD ENDED DECEMBER 31, 2019</b>	<b>182</b>	<b>22</b>	<b>8</b>	<b>212</b>
<b>Segment breakdown</b>	<b>86%</b>	<b>10%</b>	<b>4%</b>	<b>100%</b>

<sup>(1)</sup> See the *Acquisitions and commissioning* table in section I - *Growth strategy*.

The contributions to revenues from energy sales by the wind farms of the Joint Ventures and associates were stable in the fourth quarter of 2019 compared with the corresponding quarter of 2018. Accordingly, the 19% growth in revenues on a Combined basis resulted from favourable differences owing primarily to better conditions enjoyed by French wind farms and to an expanded operating asset base in the wind and hydroelectric power segments.



EBITDA(A)<sup>(1)</sup>

## Main differences in EBITDA(A)

(in millions of Canadian dollars)	Wind	Hydro	Other segments	Corporate and eliminations	Consolidated
<b>THREE-MONTH PERIOD ENDED DECEMBER 31, 2018</b>	127	8	3	(17)	<b>121</b>
<b>Segment breakdown<sup>(2)</sup></b>	92%	6%	2%		<b>100%</b>
Acquisitions/commissioning <sup>(3)</sup>	10	5	—	—	15
Gain on disposal of land	6	—	—	—	6
Volume - Excl. Buckingham	16	—	—	—	16
Leases - IFRS 16	3	—	—	1	4
Temporary shutdown - Buckingham	—	4	—	—	4
Development - prospection	4	—	—	(1)	3
Other <sup>(4)</sup>	—	—	(1)	(3)	(4)
Change	39	9	(1)	(3)	44
<b>THREE-MONTH PERIOD ENDED DECEMBER 31, 2019</b>	166	17	2	(20)	<b>165</b>
<b>Segment breakdown<sup>(2)</sup></b>	90%	9%	1%		<b>100%</b>

<sup>(1)</sup> See the *Non-IFRS measures* section.

<sup>(2)</sup> Excluding corporate segment and eliminations.

<sup>(3)</sup> See the *Acquisitions and commissioning* table in section I - *Growth strategy*.

<sup>(4)</sup> Includes differences related to salaries, prices and the foreign exchange effect.

The contributions of the Joint Ventures and associates to EBITDA(A) also remained stable. The 36% growth in EBITDA(A) in the fourth quarter of 2019 compared with a year earlier, on a Combined basis, was therefore attributable to the same growth drivers as under IFRS.

# Analysis of consolidated operating results for the year ended December 31, 2019 - Combined

## Total power production

(GWh)	Cumulative 2019				Cumulative 2018				Change	
	Canada	France	United States	Total	Canada	France	United States	Total	in GWh	%
<b>Wind</b>										
Comparable assets <sup>(1)</sup>	1,859	1,411	—	3,270	1,799	1,280	—	3,079	191	6
Additions	602	333	—	935	197	145	—	342	593	>100
Commissioning <sup>(2)</sup>	40	362	—	402	—	50	—	50	352	>100
<b>Wind - total</b>	<b>2,501</b>	<b>2,106</b>	<b>—</b>	<b>4,607</b>	<b>1,996</b>	<b>1,475</b>	<b>—</b>	<b>3,471</b>	<b>1,136</b>	<b>33</b>
<b>Hydroelectric</b>										
Comparable assets	209	—	467	676	205	—	388	593	83	14
Commissioning - Yellow Falls	47	—	—	47	—	—	—	—	47	—
Temporary shutdown - Buckingham	33	—	—	33	55	—	—	55	(22)	(40)
<b>Hydroelectric - total</b>	<b>289</b>	<b>—</b>	<b>467</b>	<b>756</b>	<b>260</b>	<b>—</b>	<b>388</b>	<b>648</b>	<b>108</b>	<b>17</b>
<b>Thermal</b>	<b>127</b>	<b>31</b>	<b>—</b>	<b>158</b>	<b>131</b>	<b>35</b>	<b>—</b>	<b>166</b>	<b>(8)</b>	<b>(4)</b>
<b>Solar</b>	<b>1</b>	<b>22</b>	<b>—</b>	<b>23</b>	<b>—</b>	<b>20</b>	<b>—</b>	<b>20</b>	<b>3</b>	<b>9</b>
<b>Total power production<sup>(1)</sup></b>	<b>2,918</b>	<b>2,159</b>	<b>467</b>	<b>5,544</b>	<b>2,387</b>	<b>1,530</b>	<b>388</b>	<b>4,305</b>	<b>1,239</b>	<b>29</b>

<sup>(1)</sup> This includes compensation for the equivalent of 175 GWh in light of the capacity limitation imposed on the NRW facility for the fourth quarter of 2019 (153 GWh for the fourth quarter of 2018).

<sup>(2)</sup> See the *Acquisitions and commissioning* table in section I - *Growth strategy*.

For fiscal 2019 as a whole, production at wind farms operated by the Joint Ventures and associates was up 59% compared with 2018, owing to better weather conditions at the **SDB I** and **II** wind farms, but mainly to contributions from the **DM I** and **II**, **LP I** and **II**, and **Roncevaux** wind farms for 2019 as a whole, compared with just over three months in 2018, from the September 14, 2018 acquisition date of Invenery's interests. On a Combined basis, total power generation amounted to 5,544 GWh for fiscal 2019, up 1,239 GWh or 29% compared with 2018.

## Revenues from energy sales and feed-in premium

### Main differences in revenues from energy sales and feed-in premium

(in millions of Canadian dollars)	Wind	Hydro	Other segments	Consolidated
<b>YEAR ENDED DECEMBER 31, 2018</b>	<b>463</b>	<b>49</b>	<b>37</b>	<b>549</b>
<b>Segment breakdown</b>	<b>84%</b>	<b>9%</b>	<b>7%</b>	<b>100%</b>
Acquisitions/commissioning <sup>(1)</sup>	102	6	—	<b>108</b>
Pricing	3	(1)	(3)	<b>(1)</b>
Volume - Excl. Buckingham	35	6	—	<b>41</b>
Foreign exchange effect	(6)	1	(1)	<b>(6)</b>
Temporary shutdown - Buckingham	—	(1)	—	<b>(1)</b>
Other	(3)	—	—	<b>(3)</b>
<b>Change</b>	<b>131</b>	<b>11</b>	<b>(4)</b>	<b>138</b>
<b>YEAR ENDED DECEMBER 31, 2019</b>	<b>594</b>	<b>60</b>	<b>33</b>	<b>687</b>
<b>Segment breakdown</b>	<b>86%</b>	<b>9%</b>	<b>5%</b>	<b>100%</b>

<sup>(1)</sup> See the *Acquisitions and commissioning* table in section I - *Growth strategy* of this report.



During fiscal 2019, the wind farms of the Joint Ventures and associates recorded a 57% increase in revenues from energy sales as a result of favourable volume differences at the **SDB I** and **II** wind farms and contributions from the **DM I** and **II**, **LP I** and **II**, and **Roncevaux** wind farms for the entire year, as explained above. On a Combined basis, the Corporation reported 25% growth in revenues from energy sales, a larger increase than under IFRS.

## EBITDA(A)<sup>(1)</sup>

### Main differences in EBITDA(A)

(in millions of Canadian dollars)	Wind	Hydro	Other segments	Corporate and eliminations	Consolidated
<b>YEAR ENDED DECEMBER 31, 2018</b>	<b>363</b>	<b>33</b>	<b>12</b>	<b>(54)</b>	<b>354</b>
<b>Segment breakdown<sup>(4)</sup></b>	<b>89%</b>	<b>9%</b>	<b>2%</b>		<b>100%</b>
Acquisitions/commissioning <sup>(2)</sup>	79	5	—	—	<b>84</b>
Volume - Excl. Buckingham	35	6	—	—	<b>41</b>
Temporary shutdown - Buckingham	—	(1)	—	—	<b>(1)</b>
Leases - IFRS 16	10	1	—	2	<b>13</b>
Development	5	—	—	(4)	<b>1</b>
Gain on disposal of land	6	—	—	—	<b>6</b>
Foreign exchange effect	(4)	—	—	1	<b>(3)</b>
Pricing	4	(1)	(3)	—	<b>—</b>
Other <sup>(3)</sup>	1	1	2	(7)	<b>(3)</b>
Change	136	11	(1)	(8)	<b>138</b>
<b>YEAR ENDED DECEMBER 31, 2019</b>	<b>499</b>	<b>44</b>	<b>11</b>	<b>(62)</b>	<b>492</b>
<b>Segment breakdown<sup>(4)</sup></b>	<b>90%</b>	<b>9%</b>	<b>1%</b>		<b>100%</b>

<sup>(1)</sup> See the *Non-IFRS measures* section.

<sup>(2)</sup> See the *Acquisitions and commissioning* table in section I - *Growth strategy*.

<sup>(3)</sup> Includes differences in property taxes, salaries, professional fees and raw material costs.

<sup>(4)</sup> Excluding corporate segment and eliminations.

The contributions of the wind farms of the Joint Ventures and associates to EBITDA(A) were up 58% in 2019 compared with 2018 owing to the same factors driving growth in revenues from energy sales. On a Combined basis, the Corporation reported 39% growth in EBITDA(A) for fiscal 2019 compared with 2018, which was also a larger increase than under IFRS.

## Non-IFRS measures

### Performance measures

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

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

### Reconciliation between IFRS and Combined information

The following tables reconcile IFRS data with data presented on a Combined basis:

#### Consolidated

	2019			2018		
(in millions of Canadian dollars)	IFRS	Reconciliation <sup>(1)</sup>	Combined	IFRS	Reconciliation <sup>(1)</sup>	Combined
<b>Three-month period ended December 31:</b>						
Power production (GWh)	1,364	313	1,677	1,106	324	1,430
Revenues from energy sales and feed-in premium	179	33	212	145	33	178
EBITDA(A)	143	22	165	98	23	121
Net earnings (loss)	(23)	8	(15)	9	—	9
Net cash flows related to operating activities	58	(6)	52	23	29	52
Cash flows from operations	119	(3)	116	71	13	84
<b>Year ended December 31:</b>						
Power production (GWh)	4,371	1,173	5,544	3,568	737	4,305
Revenues from energy sales and feed-in premium	564	123	687	471	78	549
EBITDA(A)	402	90	492	298	56	354
Net loss	(43)	—	(43)	(38)	—	(38)
Net cash flows related to operating activities	294	9	303	202	33	235
Cash flows from operations	310	17	327	192	16	208
<b>As at December 31:</b>						
Total assets	4,557	689	5,246	4,764	658	5,422
Debt <sup>(2)</sup>	3,067	593	3,660	3,271	584	3,855

<sup>(1)</sup> Including the respective contribution of Joint Ventures and associates as a percentage of Boralex's interest less adjustments to reverse recognition of these interests under IFRS.

<sup>(2)</sup> Including *Debt* and *Current portion of debt*.

## Wind

	2019			2018		
(in millions of Canadian dollars)	IFRS	Reconciliation <sup>(1)</sup>	Combined	IFRS	Reconciliation <sup>(1)</sup>	Combined
<b>Three-month period ended December 31:</b>						
Power production (GWh)	1,038	313	1,351	852	324	1,176
NRWF compensation	64	—	64	41	—	41
	1,102	313	1,415	893	324	1,217
Revenues from energy sales and feed-in premium	149	33	182	123	33	156
EBITDA(A)	145	21	166	105	22	127
<b>Year ended December 31:</b>						
Power production (GWh)	3,259	1,173	4,432	2,581	737	3,318
NRWF compensation	175	—	175	153	—	153
	3,434	1,173	4,607	2,734	737	3,471
Revenues from energy sales and feed-in premium	471	123	594	385	78	463
EBITDA(A)	412	87	499	310	53	363

<sup>(1)</sup> Including the respective contribution of Joint Ventures and associates as a percentage of Boralex's interest less adjustments to reverse recognition of these interests under IFRS.

## EBITDA(A)

EBITDA(A) represents earnings before interest, taxes, depreciation and amortization, adjusted to include other items such as acquisition costs, other gains, net loss (gain) on financial instruments and foreign exchange loss (gain), the last two items being included under Other. 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, 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. The comparative information has not been restated under IFRS 16, *Leases*, and continues to be reported under IAS 17.

	2019			2018		
(in millions of Canadian dollars)	IFRS	Reconciliation <sup>(1)</sup>	Combined	IFRS	Reconciliation <sup>(1)</sup>	Combined
<b>Three-month period ended December 31:</b>						
Net earnings (loss)	(23)	8	(15)	9	—	9
Financing costs	40	10	50	33	8	41
Amortization	56	12	68	57	15	72
Impairment	53	—	53	3	—	3
<b>EBITDA</b>	<b>126</b>	<b>30</b>	<b>156</b>	<b>102</b>	<b>23</b>	<b>125</b>
Adjustments:						
Acquisition costs	—	(1)	(1)	(4)	—	(4)
Reversal of excess of distributions received over the share in net earnings of Joint Venture SDB I	8	(8)	—	—	—	—
Other	9	1	10	—	—	—
<b>EBITDA(A)</b>	<b>143</b>	<b>22</b>	<b>165</b>	<b>98</b>	<b>23</b>	<b>121</b>
<b>Year ended December 31:</b>						
Net loss	(43)	—	(43)	(38)	—	(38)
Income tax recovery	(5)	—	(5)	(14)	—	(14)
Financing costs	143	36	179	123	26	149
Amortization	244	55	299	208	32	240
Impairment	55	—	55	15	—	15
<b>EBITDA</b>	<b>394</b>	<b>91</b>	<b>485</b>	<b>294</b>	<b>58</b>	<b>352</b>
Adjustments:						
Other gains	(1)	(2)	(3)	(1)	(1)	(2)
Acquisition costs	—	—	—	5	—	5
Other	9	1	10	—	(1)	(1)
<b>EBITDA(A)</b>	<b>402</b>	<b>90</b>	<b>492</b>	<b>298</b>	<b>56</b>	<b>354</b>

<sup>(1)</sup> Including the respective contribution of Joint Ventures and associates as a percentage of Boralex's interest less adjustments to reverse recognition of these interests under IFRS.

## Cash flows from operations

Cash flows from operations under IFRS and on a Combined basis 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 the volume of construction activity, changes in non-cash items can vary considerably, which affects the degree to which cash flows relating to operating activities are representative.

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

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

(in millions of Canadian dollars)	2019			2018		
	IFRS	Reconciliation <sup>(1)</sup>	Combined	IFRS	Reconciliation <sup>(1)</sup>	Combined
<b>Three-month period ended December 31:</b>						
Net cash flows related to operating activities	58	(6)	52	23	29	52
Change in non-cash items related to operating activities	61	3	64	48	(16)	32
<b>CASH FLOWS FROM OPERATIONS</b>	<b>119</b>	<b>(3)</b>	<b>116</b>	<b>71</b>	<b>13</b>	<b>84</b>
<b>Year ended December 31:</b>						
Net cash flows related to operating activities	294	9	303	202	33	235
Change in non-cash items related to operating activities	16	8	24	(10)	(17)	(27)
<b>CASH FLOWS FROM OPERATIONS</b>	<b>310</b>	<b>17</b>	<b>327</b>	<b>192</b>	<b>16</b>	<b>208</b>

<sup>(1)</sup> Including the respective contribution of Joint Ventures and associates as a percentage of Borealex's interest less adjustments to reverse recognition of these interests under IFRS.

## Net debt ratio

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

The Corporation defines net debt as follows:

(in millions of Canadian dollars)	IFRS		Combined	
	As at December 31, <b>2019</b>	As at December 31, <b>2018</b>	As at December 31, <b>2019</b>	As at December 31, <b>2018</b>
Debt	2,895	2,857	3,460	3,415
Current portion of debt	172	414	200	440
Borrowing costs, net of accumulated amortization	82	30	97	46
Less:				
Cash and cash equivalents	153	157	167	169
Restricted cash	15	96	22	102
<b>Net debt</b>	<b>2,981</b>	<b>3,048</b>	<b>3,568</b>	<b>3,630</b>

The Corporation defines total market capitalization as follows:

	IFRS		Combined	
	As at December 31, <b>2019</b>	As at December 31, <b>2018</b>	As at December 31, <b>2019</b>	As at December 31, <b>2018</b>
(in millions of Canadian dollars, unless otherwise specified)				
Number of outstanding shares (in thousands)	96,464	89,184	96,464	89,184
Share market price (in \$ per share)	24.46	16.84	24.46	16.84
Market value of equity attributable to shareholders	2,360	1,502	2,360	1,502
Non-controlling shareholders	15	31	15	31
Net debt	2,981	3,048	3,569	3,630
Convertible debentures, nominal value	—	144	—	144
Total market capitalization	5,356	4,725	5,944	5,307

The Corporation computes the net debt ratio as follows:

	IFRS		Combined	
	As at December 31, <b>2019</b>	As at December 31, <b>2018</b>	As at December 31, <b>2019</b>	As at December 31, <b>2018</b>
(in millions of Canadian dollars, unless otherwise specified)				
Net debt	2,981	3,048	3,569	3,630
Total market capitalization	5,356	4,725	5,944	5,307
<b>NET DEBT RATIO</b> (market capitalization)	56 %	65%	60 %	68 %

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

It is important to note that discretionary cash flows are calculated using data derived from the financial statements in accordance with IFRS. The Corporation does not provide information on a Combined basis as there is no significant difference between the two methods.

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

### Payout ratio

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

In the medium-term, Boralex expects to pay common share dividends on an annual basis representing a ratio of approximately 40% to 60% of its discretionary cash flows. For the year ended December 31, 2019, dividends paid to shareholders by the Corporation represented 50% of discretionary cash flows.

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



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

	IFRS			
	Three-month periods ended		Years ended	
	December 31, <b>2019</b>	December 31, <b>2018</b>	December 31, <b>2019</b>	December 31, <b>2018</b>
(in millions of Canadian dollars, unless otherwise specified)				
Cash flows from operations <sup>(1)</sup>	119	71	310	192
Adjustment for non-recurring items <sup>(2)</sup>	(14)	(2)	(14)	6
Principal payments related to lease liabilities <sup>(1)</sup>	(3)	—	(10)	—
Distributions paid to non-controlling shareholders	(1)	(1)	(7)	(7)
Additions to property, plant and equipment (maintenance of operations)	(2)	(2)	(7)	(8)
Repayments on non-current debt (projects) <sup>(3)</sup>	(37)	(31)	(176)	(150)
Development costs (from statement of earnings)	6	9	24	26
<b>Discretionary cash flows</b>	<b>68</b>	<b>44</b>	<b>120</b>	<b>59</b>
Dividends paid to shareholders	16	15	60	50
Weighted average number of outstanding shares – basic (in thousands)	94,685	89,155	90,605	80,102
Discretionary cash flows - per share	\$0.72	\$0.49	\$1.33	\$0.74
Dividends paid to shareholders – per share	\$0.165	\$0.165	\$0.66	\$0.63
<b>Payout ratio</b>			<b>50%</b>	<b>85%</b>

<sup>(1)</sup> The comparative information has not been restated under IFRS 16, *Leases*, and continues to be reported under the former standard IAS 17.

<sup>(2)</sup> Excluding mainly a \$15 million exceptional distribution received following refinancing of the LP I wind farm (2019) and acquisition costs incurred (2018).

<sup>(3)</sup> Excluding bridge financing, VAT bridge refinancing, debt assumed at the time of the Kallista acquisition (2018) and early debt repayments.

## Commitments and contingencies

	Note	Payments			Total
		Current portion	From 1 to 5 years	Over 5 years	
Purchase and construction contracts	(a)	84	1	—	85
Maintenance contracts	(b)	30	75	118	223
Contingent consideration	(c)	20	19	—	39
Other	(d)	1	6	21	28
		135	101	139	375

### (a) Purchase and construction contracts

The Corporation has entered into turbine purchase, construction and grid connection contracts for projects under development.

### (b) Maintenance contracts

The Corporation has entered into wind turbine maintenance contracts with initial terms of 15 years in Canada and from two to 20 years in France.

### (c) Contingent consideration

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

### (d) Other commitments

The Corporation is bound by First Nations royalty and community agreements expiring between 2036 and 2059. The community agreements include clauses relating to the preservation of the natural habitat, use of roads and the community fund.

## Energy sales contracts

The Corporation is committed to sell its power output under long-term contracts. Most of these contracts are subject to annual indexation. These contracts have the following characteristics:

		Contract term
Wind	Canada	2029 - 2059
	France	2020 - 2039
Hydroelectric	Canada	2030 - 2059
	United States	2034 - 2035

For projects currently under development, the Corporation has energy sales agreements for terms varying from 15 to 20 years. These contracts will take effect when the facilities are commissioned.

## Contingencies

### France – Contingency

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

Project opponents had filed an interim application against the project on April 14, 2017 seeking to halt construction pending a decision of the courts regarding a petition for cancellation of the permits issued by the Préfet of Morbihan. Since then, construction has ceased amidst proceedings on the merits of the case. On July 7, 2017, the Administrative Tribunal of Rennes cancelled the authorizations for the **Moulins du Lohan** project based on its subjective risk assessment of landscape damage to the interests protected under the Environmental Code. The Corporation appealed the decision. The Administrative Court of Nantes ruled in favour of Boralex on March 5, 2019. In May 2019, the Société pour la protection des paysages et de l'esthétique de la France filed an appeal in cassation of these rulings of the Administrative Appeal Court of Nantes. A decision is expected from the Council of State by the end of 2020, or early 2021.

The Corporation would like to point out that this judgment demonstrated the project's significant public interest and the absence of harm to the site's protected species. An impairment loss was recognized on December 31, 2019 (see note 19 to the financial statements, *Impairment*).

## Canada – Contingencies

Under the energy sales contracts entered into with Hydro-Québec Distribution for its wind power projects, the Corporation's project entities must comply with certain regional content requirements regarding the costs associated with wind farm turbines (the "regional content requirements") and certain Québec content requirements regarding overall wind farm costs (collectively with the regional content requirements, the "local content requirements"). These requirements apply to all Québec wind power projects built by the Corporation's project entities or other producers under requests for proposals issued from 2005 to 2009. Failure to comply with these requirements may result in penalties being imposed under these energy sales contracts.

In accordance with customary practices, in circumstances where the compliance or non-compliance with local content requirements under an energy sales contract primarily depends on the wind turbine manufacturer's compliance, the Québec projects of Boralex had obtained a commitment from Enercon Canada inc. ("Enercon Canada") to pay any associated penalties. Enercon Canada's obligations under the wind turbine purchase contracts are guaranteed by its parent company, Enercon GmbH. There is a dispute between Hydro-Québec on one hand, and Enercon Canada and Enercon GmbH on the other hand, regarding in particular the costing calculation methodology for wind turbines and wind turbine components to be used to determine project compliance with regional content requirements.

In connection with this dispute, Hydro-Québec filed an originating application on April 18, 2019 with the Superior Court of Québec against Le Plateau Wind Power L.P. (a partnership operating the **Le Plateau I** wind farm in which the Corporation indirectly holds 51% of the outstanding units), Enercon Canada and Enercon GmbH to determine the applicable calculation methodology and to obtain documents in the possession of Enercon Canada and Enercon GmbH. The application also seeks to order the defendants, *in solidum*, to pay Hydro-Québec an amount of less than \$1 million together with interest and additional indemnities. Hydro-Québec specifies that this amount represents the minimum penalty only, that is, the difference of one percentage point between the regional content requirements and the regional content actually achieved, and that this amount needs to be adjusted as it considers that the actual difference is greater than one percentage point.

Le Plateau Wind Power L.P. impleaded Enercon Canada and Enercon GmbH in warranty under the turbine purchase agreement, requiring Enercon Canada and Enercon GmbH to pay the applicable penalties. Moreover, Enercon contends that Invenergy Wind Canada Development ULC ("Invenergy") failed to meet its obligations under the Framework Agreement, which constituted a quid pro quo for Enercon Canada in respect of its commitment to increase guaranteed regional content to 51%. In the circumstances, Invenergy made an application for voluntary intervention on the grounds of this allegation by Enercon Canada under the Framework Agreement. In the event of non-payment, Hydro-Québec Distribution may exercise its right to offset any penalty against the amounts payable to Le Plateau Wind Power L.P. for the energy delivered by the wind farm in question, which would affect the revenues received by those wind farms until Enercon Canada and Enercon GmbH have paid the penalties in full.

## Canada – Boralex Power Income Fund

As of January 2011, O'Leary Funds Management LP et al. had been suing the Corporation in the Superior Court of Québec. The suit alleged that the November 1, 2010 business combination between Boralex and Boralex Power Income Fund was illegal and, accordingly, demanded payment of damages amounting to nearly \$7 million (the initial suit was for an amount of nearly \$14 million).

On March 2, 2018, the Superior Court of Québec dismissed the plaintiffs' lawsuit and affirmed that the business combination was, in fact, legal. The plaintiffs appealed the judgment. On January 21, 2019, the Québec Court of Appeal dismissed the appeal, reiterating that the business combination was legal. O'Leary Funds Management LP et al. had filed a motion for leave to appeal to the Supreme Court of Canada which was refused on July 18, 2019. The Corporation's counterclaim for over \$1 million which had been suspended by the Superior Court of Québec will now be reopened given the rejection of the claims of O'Leary Funds Management LP et al. by all three levels of court.

## DM I Joint Venture

On March 31, 2016, an application for authorization of a class action against **DM I** and Hydro-Québec was granted.

According to the plaintiffs, the **DM I** project (i) causes abnormal neighbourhood disturbances during the construction and operation period, including traffic, dust, pollution, continuous noise, vibrations and strobe effects, presence of flashing and visible red lights from their residences, negative consequences on the landscape, moving shadows and health consequences, (ii) negatively affects the value of their properties and (iii) is an intentional infringement of their rights, including their right to property.

The plaintiffs, on behalf of the members of the class, are seeking (i) compensatory damages for the alleged abnormal annoyances suffered during the construction and operation period, (ii) punitive damages for the alleged intentional infringement of their rights, and (iii) the destruction of all wind turbines that have already been built less than three kilometres from a residence. Claims arising from an eventual judgment in favour of the plaintiffs could be paid in whole or in part by the insurers, depending on their nature and taking into account the exclusions set out in the insurance policy. Based on this information, the Corporation assessed that the outcome of this class action is not expected to have a material impact on the Corporation's financial position. Accordingly, no provision has been recorded for this contingency.

## Subsequent event

### Revolving credit facility

On January 29, 2020, Boralex closed a revolving credit facility amounting to \$182 million (€125 million) to finance the construction of future wind and solar power projects in France.

## Risk factors

The Corporation's Board of Directors approved a risk management policy in August 2019. The purpose of the Corporation's risk management framework is to identify, assess and mitigate key strategic, operational, financial and compliance risks that may impact the achievement of the Corporation's objectives. As part of the risk management process, a risk register has been developed across the organization through ongoing risk identification and assessment exercises. Key risks are reviewed by the Executive Committee and are presented periodically to the Audit Committee.

The Corporation is subject to a number of risks and uncertainties, some of which are described below. The risks discussed below are not an exhaustive list of all the exposures to which Boralex is or could be faced with. The actual effect of any event on the Corporation's business could be materially different from what is anticipated or described below.

### The Corporation's ability to implement its strategic plan

In order to create value for its shareholders, the Corporation has a strategic plan that will guide it in achieving its financial objectives over the next few years, notably by continuing the actions undertaken in sectors with strong growth potential, but also by implementing complementary initiatives with a view to diversifying and optimizing its activities, revenue sources and clientele.

The implementation of the strategic plan requires prudent business judgment and considerable resources. However, there can be no assurance that the strategic plan will be successful. Changes in economic, political and regulatory conditions and the materialization of the risks described in this section could adversely affect the Corporation's ability to execute its strategy, operating results, business operations and prospects.

## Industry risk and competition

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

## Segment and geographical diversification

The Corporation capitalizes on diversification in its power generation sources and geography. 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 its wind power segment.

## Relationships with stakeholders

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

## Ability to secure appropriate land

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

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

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

## Acquisitions

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

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

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

## Equipment supply

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

## Raw material supply

The operation of thermal power stations, which represented 2% of the total net installed capacity as at December 31, 2019, requires fuel in the form of wood residue or natural gas. In the event of an interruption in supplies, loss of significant supply contracts or the inability or failure of a supplier to meet its contractual commitments, or a change in the price of wood residue or natural gas for the Corporation's power stations, their ability to generate power or produce it in a profitable manner will be adversely affected. The Corporation mitigates this risk by establishing partnerships with suppliers and seeking alternatives to virgin residue as fuel, as well as by adopting storage strategies that help avoid purchasing during periods when raw materials are scarce, and prices therefore are high. Upon expiry or termination of fuel supply contracts, the Corporation will have to either renegotiate them or obtain fuel from other suppliers. There can be no assurance that the Corporation will be able to renegotiate these contracts or enter into new contracts on similar or other desirable terms.



## COVID-19 coronavirus outbreak

The Corporation is monitoring the outbreak of the COVID-19 coronavirus. Current business disruptions could impact our suppliers which in turn could impact the operating results of the Corporation. Should the outbreak become more widespread, procurement of equipment and spare parts may be impacted and construction, operation and maintenance of the Corporation's assets may be halted or delayed and negatively impact the business, financial condition and results of operations of the Corporation.

## Seasonal factors

By the nature of its business, the Corporation's earnings are sensitive to changes in climate and weather conditions from period to period. Changes in winter weather affect demand for electrical heating requirements. Changes in summer weather affect demand for electrical cooling requirements. These fluctuations in demand, primarily in the Northeastern United States where the Corporation operates hydroelectric facilities, moreover translate into spot market price volatility, which has an impact, albeit limited, on approximately 3% of the Corporation's total installed capacity.

## Hydrology, wind and sunshine

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

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

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

## Power station operation and equipment failure

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

## Availability and reliability of electric transmission systems

The Corporation's ability to sell electricity is impacted by the availability of the various power 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 position or prospects.

## Dam safety

Hydroelectric power stations in Québec, which represented 2% of total installed capacity as at December 31, 2019, 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 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.

A dam breach at any of the Corporation's hydroelectric power stations could result in a loss of production capacity, and repairing such failures could require the Corporation to incur significant expenditures of capital and other resources. Such failures could expose the Corporation to significant liability for damages. Other dam safety regulations could change from time to time, potentially impacting the Corporation's costs and operations. Upgrading all dams to enable them to withstand all events could require the Corporation to incur significant expenditures of capital and other substantial resources, particularly on occurrence of an extraordinary event or a case of force majeure. In conclusion, a dam failure could have a material adverse effect on the Corporation's business, operating results, financial position 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.

## Energy sales contracts

Entering into new energy sales contracts is a key component for the sustainability of the Corporation's profits and cash resources. Entering into new energy sales contracts involves certain risks owing to the competitive environment in which the Corporation operates. In several instances, the Corporation obtains new energy sales contracts by submitting bids in response to requests for proposals issued by large clients. There is no assurance that the Corporation will be able to effectively compete against its competitors over the long term or that it will be selected as energy supplier following such processes or that existing energy sales contracts will be renewed or will be renewed under equivalent terms and conditions on expiry.

## Price risk

In Northeastern United States, a portion of the Corporation's power production is sold at market prices or under short-term contracts and is accordingly subject to fluctuations in energy prices. In addition, the Corporation estimates that 120 MW (8% of net installed capacity) covered by contracts expiring through March 2023 will then be sold at market prices. In France, rates stipulated in contracts are set according to electricity market prices, plus a feed-in premium.

The market price of energy in individual jurisdictions can be volatile and may be beyond control. Energy prices vary according to supply, demand and certain external factors, including weather conditions, and the price of other sources of power. As a result, prices may drop significantly and fall too low for the power stations to yield an operating profit, and the economic prospects of the Corporation's operational projects that rely, in whole or in part, on market prices, or development projects in which the Corporation has an interest, could be significantly reduced or rendered uneconomic. If this pricing differential occurs or continues, it could negatively impact the Corporation's financial results and cash flows. A material reduction in such prices could have a material adverse effect on the Corporation's financial position.

## Non-performance by counterparties

The Corporation sells the majority of its energy to a limited number of clients with long-standing credit histories or investment grade ratings. However, the inability of one or more of these clients to meet their commitments under their respective contracts could result in revenue losses.

Where a client does not have a public credit rating, the Corporation minimizes this risk through the selection and diversification of counterparties, regular monitoring of their credit risk exposure and changes in their financial position, use of standard trading contracts and guarantee requirements.

## Ability to attract and retain management, key employees and staff

The Corporation's members of management and other key employees play an important role in its success. The Corporation's performance and future growth depend in large part on the skills, experience and efforts of its members of management. 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, or to identify, train or attract successors in the event of the departure of key members of management, such failure could have a material adverse effect on its business, operating results, operations and outlook.

Also, the Corporation's success depends largely on its ability to attract and retain qualified personnel to meet its needs. Accordingly, the Corporation is dependent on the competitive nature of the job market.

## Additional financing

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

## Debt

Since the Corporation's projects require significant capital, it uses a project-based or project group-based financing approach to maximize its leverage. The cash flows from several of the power stations are subordinated to senior debt on each project. Such financing arrangements are typically secured by project assets and contracts, as well as Boralex's interests in the project operating entity. There is a risk that a loan may go into default if the Corporation does not fulfil its commitments and obligations or fails to meet the financial and other restrictive covenants contained in the instruments governing such loan, which may prevent cash distributions by the project or the project operating entity and result in the lender realizing on its security and, indirectly, causing the Corporation to lose its ownership or possession of such project, which could have a material adverse effect on the business, results of operations and financial position of the Corporation.

## Financial leverage and restrictive covenants

The Corporation has a significant amount of debt. The degree to which the Corporation is leveraged could have important consequences to shareholders, including: (i) the Corporation's ability to obtain additional financing for working capital, capital expenditures, acquisitions or other project developments in the future may be limited; (ii) a significant portion of the Corporation's cash flows from operations may be dedicated to the payment of the principal of and interest on indebtedness, thereby reducing funds available for future operations; and (iii) exposing the Corporation to increased interest expense on borrowings at variable rates.

The Corporation is subject to operating and financial restrictions through covenants in the instruments governing its indebtedness. These restrictions prohibit or limit the Corporation's operating flexibility and may limit the Corporation's ability to obtain additional financing, withstand downturns in the Corporation's business and take advantage of business opportunities. Moreover, the Corporation may be required to seek additional debt or equity financing on terms that include more restrictive covenants, require repayment on an accelerated schedule or impose other obligations that limit the Corporation's ability to grow the business, acquire projects and other assets or take other actions the Corporation might otherwise consider appropriate or desirable.

## Liquidity risks related to derivative financial instruments

Derivative financial instruments are entered into with major financial institutions and their effectiveness is dependent on the performance of these institutions. Failure by one of them to perform its obligations could involve a liquidity risk. Liquidity risks related to derivative financial instruments also include the settlement of forward contracts on their maturity dates and the early termination option included in some interest rate swap contracts and foreign exchange contracts. The Corporation uses derivative financial instruments to manage its exposure to the risk of an increase in interest rates on debt financing, or foreign currency fluctuations. The Corporation does not own or issue financial instruments for speculation purposes.

## Interest rate and refinancing

Given the high-leverage financing strategy used by the Corporation, interest rate fluctuations are a factor which may materially affect its profitability. 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, 2019, excluding the revolving credit and subordinated debt and given the effect of the interest rate swaps in force, only about 10% and 8% of the total debt was exposed to interest rate fluctuations under IFRS and on a Combined basis.

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

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

## Foreign exchange risk

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

In France, given the above and the size of the sector and that Boralex now pays a dividend in Canadian dollars, the Corporation entered into forward sales 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 cash flows generated. The Corporation also holds cross-currency swaps. These derivative instruments serve to hedge the Corporation's net investment in France, allowing financing issued in Canada for investment in France to be synthetically translated into euros. In addition to reducing exposure to foreign currency risk, these instruments provide access to lower interest rates than those prevailing in Europe.

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 project development in Canada and the United Kingdom, 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.

## Declaration of dividends

The declaration of dividends is subject to regulatory restrictions and 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; or (iii) it would be possible to procure shareholders higher yield by investing the equivalent amount in its current operations.

As a result, there can be no assurance 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 construction, 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. In addition, the Corporation may become subject to government orders, investigations, inquiries or civil suits relating to health, safety or environmental matters. Potential penalties or other remediation 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 taxation, royalties, duties and repatriation of earnings, as well as exchange rates, inflation, 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, including environment and energy-related regulations, unforeseen environmental effects 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.

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 discretionary authority is uncertain and may be inconsistently applied, the Corporation is unable to predict the ultimate cost of compliance with such requirements or their effect on operations. Failure of the Corporation to obtain or maintain all necessary licences, leases or permits, including renewals thereof or modifications thereto, may adversely affect its ability to generate revenues.

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

## 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 position or prospects.



## Social acceptance of renewable energy projects

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

## Litigation

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

## Information systems and cybersecurity

The Corporation relies on several information technologies to conduct many business operations. A failure of information technology systems and infrastructure would have a material impact on its operations.

Cyber intrusion, unauthorized access, malicious software or other violations of the systems used in its offices or facilities could compromise the confidentiality, integrity and availability of information, seriously disrupt commercial power generation and distribution operations, or diminish competitive advantages. Attacks on the Corporation's computer systems could result in unanticipated expenses related to their investigation, repair of security breaches or system damage, give rise to litigation, fines, corrective action or increased regulatory scrutiny, and harm the Corporation's reputation. A breach of data security or cyber security measures could therefore have a material adverse effect on the Corporations business, financial condition and operating results.

## Natural disasters and force majeure events

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

## 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.

## Damage to reputation

The Corporation's reputation with stakeholders, political leaders, the media or others could be damaged as a result of business decisions made by management, or events or changes. All of the risks mentioned above may also have an impact on the Corporation's reputation.



## Factors of uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments that can materially affect revenues, expenses, comprehensive income, 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 August 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 amounts

Recoverable amounts are determined based on discounted cash flows projected over the terms of projects that factor in current economic conditions and management's estimates based on past experience. Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, including market and production estimates, together with economic factors such as selling prices and contract renewal prices, production cost estimates, future capital expenditure, after-tax discount rates, the growth rate and useful lives. For fair value measurement of Level 3 financial instruments, the Corporation uses measurement techniques to determine fair value less costs of disposal.

### Discount rate

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

## Production

For each facility, the Corporation determines long-term average annual energy production over the expected life of the facility, based on engineering studies that consider several important factors: in the wind power segment, past wind and weather conditions and turbine technology; in the hydroelectric power segment, historical water flow and head height, technology used and aesthetic and ecological instream flows; in the solar power segment, historical sunlight conditions, panel technology and expected degradation of solar panels. Other factors considered include site topography, installed capacity, energy losses, operational characteristics and maintenance. Although varying from year to year, production is expected to approximate long-term average annual production over an extended period.

### 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 discounted outflows for each asset in question. Estimates depend on labour costs, efficiency of site restoration and remediation measures, inflation rates and pre-tax interest rates that reflect the risks specific to the liability. Management also estimates the timing of expenses, which may change depending on the type of continuing operations. Expected future costs are inherently uncertain and could materially change over time. Given current knowledge, it is reasonably possible that, in upcoming fiscal years, actual costs could differ from the assumptions, requiring significant adjustments to the related liability's carrying amount.

## Fair value of financial instruments

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

## Fair value of business combinations

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

## Main sources of uncertainty relating to management's key judgments

### Evidence of asset impairment

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

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

## Determining the development phase

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

## Business combination or asset acquisition

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

## Consolidation

Significant judgment is required to assess whether the structure of certain investments represents control or joint control of, or significant influence over, an investee. Management's assessment of control or joint control of, or significant influence over, an investee has a material impact on the accounting treatment required for our investment in the investee. Management is required to make significant judgments as to whether it has power over the relevant activities of an investee.

## Accounting policies

### Changes to accounting policies

#### IFRS 16, Leases

In January 2016, the IASB issued IFRS 16, *Leases*, which supersedes IAS 17, *Leases*, IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, as well as several other interpretations on leases. IFRS 16 is effective for fiscal years beginning on or after January 1, 2019.

The Corporation has applied IFRS 16, *Leases*, using the modified retrospective approach and, therefore, the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed below.

The Corporation leases mainly land and buildings. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Land leases are typically entered into for the term of the energy sales contract or longer and may have extension or termination options. These options are used to maximize the operational flexibility of the Corporation for lease management purposes. The majority of these options may only be exercised at the Corporation's discretion. The lease agreements do not impose any covenants; however, some leased assets may be used as a security for borrowing purposes.

#### Exceptions to the application of IFRS 16

The Corporation has elected not to apply exemptions related to the recognition of short-term or low-value leases at the transition date, with the exception of leases of intangible assets. Under this exemption, the Corporation is not required to recognize right-of-use assets and lease liabilities. However, the Corporation could elect to apply these exemptions in the future for each of its leases on a separate basis.

#### Impact of transition to IFRS 16

The right-of-use assets associated with property leases of major assets were measured on a retrospective basis as if the new standard had always been applied. Other right-of-use assets were initially measured at the amount equal to the lease liabilities, adjusted for the amount of any prepaid or accrued lease payments or other non-current liabilities relating to leases recognized in the statement of financial position as at December 31, 2018.

On adoption of IFRS 16, the Corporation recognized lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17. These liabilities were measured at the present value of the remaining leases payments, discounted using the Corporation's incremental borrowing rate as at January 1, 2019. The weighted average rate applied was 3.75%.

For leases that were classified as finance leases, the Corporation recognized the carrying amounts of the right-of-use assets and the lease liability immediately before the transition date as the carrying amounts of the right-of-use assets and the lease liabilities as at the date of first application.

**Reconciliation of the consolidated statement of financial position as at January 1, 2019**

The following table summarizes the impact of transition to IFRS 16 on the consolidated statement of financial position as at January 1, 2019:

(in millions of Canadian dollars)	Figures as at December 31, 2018	Impact of the transition to IFRS 16	After the transition on January 1, 2019
<b>ASSETS</b>			
Cash and cash equivalents	157	—	157
Restricted cash	96	—	96
Trade and other receivables	142	—	142
Other current assets	27	(2)	25
<b>CURRENT ASSETS</b>	<b>422</b>	<b>(2)</b>	<b>420</b>
Property, plant and equipment	2,918	(52)	2,866
Right-of-use assets	—	242	242
Intangible assets	798	—	798
Goodwill	195	—	195
Interests in the Joint Ventures and associates	279	(4)	275
Other non-current financial assets	137	—	137
Other non-current assets	15	—	15
<b>NON-CURRENT ASSETS</b>	<b>4,342</b>	<b>186</b>	<b>4,528</b>
<b>TOTAL ASSETS</b>	<b>4,764</b>	<b>184</b>	<b>4,948</b>
<b>LIABILITIES</b>			
Trade and other payables	142	—	142
Current portion of debt	414	—	414
Current portion of lease liabilities	—	10	10
Other current financial liabilities	8	—	8
<b>CURRENT LIABILITIES</b>	<b>564</b>	<b>10</b>	<b>574</b>
Non-current debt	2,857	(1)	2,856
Lease liabilities	—	197	197
Convertible debentures	140	—	140
Deferred income tax liability	158	(3)	155
Decommissioning liability	69	—	69
Other non-current financial liabilities	45	—	45
Other non-current liabilities	24	(6)	18
<b>NON-CURRENT LIABILITIES</b>	<b>3,293</b>	<b>187</b>	<b>3,480</b>
<b>TOTAL LIABILITIES</b>	<b>3,857</b>	<b>197</b>	<b>4,054</b>
<b>EQUITY</b>			
Equity attributable to shareholders	876	(9)	867
Non-controlling interests	31	(4)	27
<b>TOTAL EQUITY</b>	<b>907</b>	<b>(13)</b>	<b>894</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>4,764</b>	<b>184</b>	<b>4,948</b>

For the application of IFRS 16, the Corporation has used the following practical expedients permitted by the standard:

- The use of a single discount rate for a portfolio of leases with reasonably similar characteristics;
- The exclusion of initial direct costs for the measurement of the right-of-use asset;
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease;
- IFRS 16 not applied to contracts that were not identified as containing a lease under IAS 17 and IFRIC 4.
- The use of the measurement made under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, as at December 31, 2018, to determine whether contracts are onerous, instead of testing impairment of right-of-use assets.

Prior to the adoption of IFRS 16, the Corporation's minimum commitments under operating leases totalled \$209 million as at December 31, 2018. The weighted average discount rate applied to total lease liabilities accounted for at the transition was 3.75%. The difference between the total of minimum lease payments presented in note 28 of the Corporation's annual consolidated financial statements as at December 31, 2018 and total lease liabilities accounted for as at January 1, 2019 was attributable to:

- Inclusion of lease payments, over and beyond the minimum commitments, relating to renewal periods or extension options yet to be exercised as at December 31, 2018 and which can be expected to be exercised with reasonable certainty;
- Partially offset by:
  - The reassessment of inflation assumptions considered in the minimum commitments as at December 31, 2018;
  - The impact of discounting on minimum lease payments; and
  - Certain costs payable by the Corporation under contractual commitments that cannot be accounted for as lease liabilities, such as variable lease payments that do not depend on an index or a rate.

### Uncertainty over income tax treatments

In June 2017, the IASB published IFRIC 23, *Uncertainty over Income Tax Treatments*. This interpretation specifies that if an entity concludes it is probable that the tax authority will accept an uncertain tax treatment, it is required to determine the taxable profit or loss consistently with the tax treatment used or planned to be used in its income tax filing. If it is not probable, the entity is required to reflect the effect of uncertainty for each uncertain tax treatment by using either of the following methods, depending on which method the entity expects to better predict the resolution of the uncertainty:

- Most likely amount: single most likely amount in a range of possible outcomes;
- Expected value: sum of the probability-weighted amounts in a range of possible outcomes.

The Corporation has adopted IFRIC 23 as of January 1, 2019, which resulted in changes in accounting policies, but in no material adjustment to the amounts recognized in the consolidated financial statements.

### Amendments to IAS 39, IFRS 9 and IFRS 7 (Interest Rate Benchmark Reform)

In September 2019, the IASB issued Exposure Draft, *Interest Rate Benchmark Reform, Amendments to IFRS 9, IAS 39 and IFRS 7*, enabling hedge accounting to continue during the period of uncertainty before existing interest rate benchmarks are replaced with alternative risk-free interest rates. The amendments are effective as of January 1, 2020, and apply to hedge relationships that exist at the beginning of the reporting period or are designated thereafter, and to the gains or losses that exist in other comprehensive income on adoption. Adopting these amendments will allow the Corporation to maintain current hedge accounting relationships and to assume that the current benchmark rates will continue to exist, with no consequential impact on the consolidated financial statements. During the fiscal year, the Corporation early adopted this amended standard and this change had no impact on the Corporation's consolidated financial statements.

### Future changes in accounting policies

#### IFRS 3, *Business Combinations*

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3, *Business Combinations*. The amendments are intended to assist entities in determining whether a transaction should be accounted for as a business combination or as a group of assets. The amendments are effective as of January 1, 2020 and will apply prospectively to acquisitions made during annual periods beginning on or after its implementation. The Corporation does not expect any significant impacts upon its adoption.

#### IAS 1, *Presentation of Financial Statements*, and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*

In October 2018, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, to align the definition of "material" across the standards and to clarify certain aspects of the definition. The amendments are intended to improve financial reporting by promoting a better understanding of the existing requirements and should not significantly impact an entity's materiality judgments. The amendments are applicable prospectively to annual periods beginning on or after January 1, 2020. The Corporation does not expect any significant impacts upon its adoption.

## Conceptual Framework for Financial Reporting

In March 2018, the IASB issued a comprehensive set of concepts for financial reporting: the revised Conceptual Framework for Financial Reporting (“*Conceptual Framework*”), which replaces its previous version. It assists companies in developing accounting policies when no IFRS standard applies to a particular transaction and it more broadly helps stakeholders to better understand the standards. The *Conceptual Framework* applies beginning on or after January 1, 2020, and the Corporation does not expect any significant impacts upon its adoption.

## Internal controls and procedures

In accordance with *Regulation 52-109 respecting Certification of Disclosure in Issuers’ Annual and Interim Filings*, DC&P have been designed to provide reasonable assurance that the information that must be presented in Boralex’s interim and annual reports is accumulated and communicated to management on a timely basis, including the Chief Executive Officer and the Chief Financial Officer, so that appropriate decisions can be made regarding disclosure. ICFR has also been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of Boralex’s DC&P as of December 31, 2019, as well as the effectiveness of Boralex’s ICFR as of the same date, and have concluded that they are effective.

During the year-ended December 31, 2019, no changes were made to ICFR that have materially affected, or are reasonably likely to materially affect, ICFR.