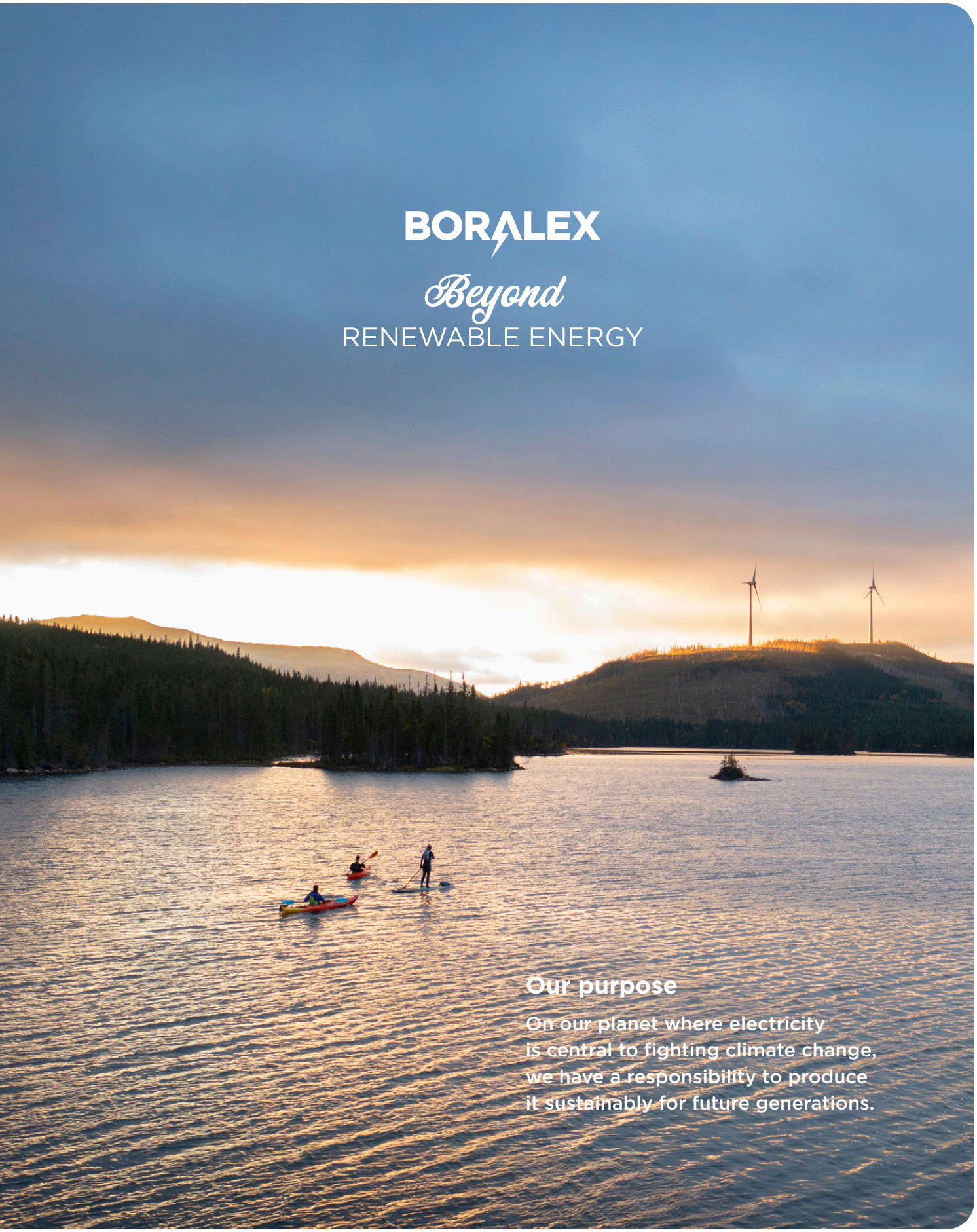
BORALEX

MAKING OUR MARK WITH SUSTAINABLE, RESPONSIBLE GROWTH

ANNUAL REPORT
2021


BORALEX
Beyond
RENEWABLE ENERGY
Our purpose
On our planet where electricity is central to fighting climate change, we have a responsibility to produce it sustainably for future generations.

STRONGLY **COMMITTED** TO GOING **A STEP FURTHER**

Founded over 30 years ago, Boralex has made a name for itself in renewable energy production, with assets in five business segments: wind, solar, hydroelectric, storage and thermal[1]. Since starting out in Quebec with a handful of hydroelectric power stations, the Corporation has grown to become a leader in its industry, steadily increasing its presence in Canada, France, the United States and the United Kingdom.

10,000 MW to 12,000 MW
2030 target

4 400 MW
2025 target

2 492 MW
in 2021

1 135 MW
in 2016

A lead player in renewable energy, Boralex (TSX: BLX) is at the forefront of a rapidly changing industry.

In recent years, Boralex's growth has accelerated considerably, thanks to our ability to capitalize on several favourable trends, including the transition to a lower-carbon economy in certain countries and a significant decline in renewable energy production costs. As a result, our installed capacity has more than doubled over the past five years to stand at 2,492 MW in 2021, with over 3,890 MW in projects in development and construction.

Given how things have developed, we achieved the strategic objectives we had set for ourselves in 2019 sooner than anticipated in our strategic plan. This led us to update our strategic plan in 2021 in order to make it much more ambitious in the light of the abundant opportunities we are seeing in the renewable energy industry. Accordingly, we worked to map out a bold growth and diversification strategy for the coming years. We are focusing on growth in particularly high-potential geographic markets and further diversification of our technology portfolio, with the integration of clear objectives for corporate social responsibility (CSR) to ensure that we grow in a sustainable way. We will also strengthen our foundations through hiring and technology upgrades, so that we can continue to make our mark in a business environment that is both competitive and conducive to sustained growth.

Making our mark at every level

Our vision for Boralex's growth goes beyond simply adding energy production capacity. We aim to become a leading reference in our industry, known for the quality of our projects and our CSR approach, including our relationships with our stakeholders and our ties to our host communities and territories. We also want to remain an employer of choice, recognized for providing healthy and inclusive workplaces that attract the best people. In short, we want to participate in the energy transition by leveraging the opportunities it offers in an ethical, innovative and responsible manner.

[1] Boralex sold the last thermal power station it had in France in April 2021. The Corporation's only remaining thermal power facility is a biomass plant located in Canada. In February 2022, Boralex Inc. signed an agreement to sell the Senneterre facility.

BORALEX AT A GLANCE

As of December 31, 2021

BORALEX

TOTAL INSTALLED CAPACITY

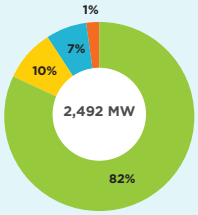
2,492 MW

- 2,032 MW
- 181 MW
- 244 MW
- 35 MW

PROJECTS IN DEVELOPMENT AND CONSTRUCTION

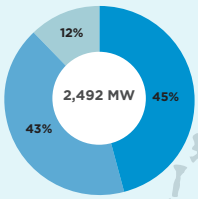
3,890 MW

SEGMENT BREAKDOWN



WIND SOLAR HYDRO THERMAL

GEOGRAPHIC BREAKDOWN



CANADA FRANCE UNITED STATES

CANADA

					TOTAL
MW	985	1	100	35	1,121
SITES IN OPERATION	23	1	9	1	34

PROJECTS IN DEVELOPMENT AND CONSTRUCTION

975 MW 75 MW

UNITED STATES

			TOTAL
MW	209	81	290
SITES IN OPERATION	7	7	14

PROJECTS IN DEVELOPMENT AND CONSTRUCTION

1,085 MW 190 MW

SCOTLAND

PROJECTS IN DEVELOPMENT AND CONSTRUCTION

231 MW

FRANCE

			TOTAL
MW	1 047	34	1,081
SITES IN OPERATION	67	4	71

PROJECTS IN DEVELOPMENT AND CONSTRUCTION

1,185 MW 339 MW 3 MW

NUMBER OF EMPLOYEES

305	225	31	1

562

FINANCIAL **HIGHLIGHTS**

For years ended
December 31

Note that the information provided on a *Consolidated* basis (formerly *IFRS*) is calculated using the same methodology previously used to prepare the information provided under *IFRS* in previous MD&As.

	CONSOLIDATED		COMBINED[1]	
(in millions of Canadian dollars, unless otherwise specified)	2021	2020	2021	2020
Power production[2]	5,552	4,727	6,215	5,834
Revenues from energy sales and feed-in premium	671	619	743	738
Operating income	182	172	219	225
EBITDA(A)[3]	490	434	535	513
Net earnings	26	61	30	56
Net earnings (loss) attributable to shareholders of Boralex	17	55	21	50
Per share (basic and diluted)	$0.16	$0.55	$0.21	$0.51
Net cash flows related to operating activities	345	362	364	399
Cash flows from operations[1]	363	338	-	-
Discretionary cash flows[1]	132	146	-	-
Total assets	5,751	5,314	6,162	5,753
Debt - Principal balance	3,682	3,609	4,030	3,976
Project debt	3,141	3,190	3,489	3,557
Corporate debt	541	419	541	419

[1] Combined, Cash flows from operations and Discretionary cash flows are non-GAAP measures and do not have a standardized meaning under IFRS. Accordingly, they may not be comparable to similarly named measures used by other companies. For more details, see the *Non-IFRS financial measures and other financial measures* section in this report.

[2] Power production includes the production for which Boralex received financial compensation following power generation limitations imposed by its clients since management uses this measure to evaluate the Corporation's performance. This adjustment facilitates the correlation between power production and revenues from energy sales and feed-in premium.

[3] EBITDA(A) represents a total of segments measure. For more details, see the *Non-IFRS financial measures and other financial measures* section in this report.

FOCUSED AND FORWARD-THINKING TEAMS

Our achievements for 2021 go beyond the megawatts we planned and added and the operating profits we earned to include the outcomes of a major strategizing process focused on strengthening Boralex's foundation to support future growth. Thus, they include high-potential projects and clear progress towards our targets, all thanks to the unwavering efforts of our teams, who, through a year disrupted by a global pandemic, worked diligently to get us to where we wanted to be.

Launch of an even more ambitious strategic plan

On June 17, 2021, we unveiled our updated strategic plan setting out even more ambitious targets for 2025. The updated plan is built around the four key strategic directions we defined in 2019, namely growth, diversification, new customers and optimization, and incorporates Boralex's corporate social responsibility (CSR) strategy, which we also began implementing in 2021.

Thus, over the next few years, we plan to significantly increase weighting of solar power in our portfolio while continuing to develop wind power, accelerate our growth in the United States and diversify our geographic presence in Europe. We also want to further develop storage in regions where renewable energy systems are strongly present. Finally, we want to add new corporate customers to help them reduce their carbon footprint. *More information on Boralex's strategic plan can be found on pages 14 to 15*.

Implementation of our CSR strategy

In 2021, we began implementing the corporate social responsibility (CSR) strategy we adopted in 2020. Based on environmental, social and governance (ESG) factors and intrinsically linked to our strategic plan, our CSR strategy is designed to ensure sustainable growth for Boralex while providing superior long-term financial returns for our shareholders, all in a spirit of cooperation with our host communities and territories. We made significant progress on those objectives during the year, particularly following the arrival of our new Director of Corporate Social Responsibility, who reports directly to the President and Chief Executive Officer and is responsible for ensuring good progress on our 10 CSR priorities in line with our strategic plan. Our achievements and progress in CSR are presented in our 2021 CSR report, available on Boralex's website.

Completion of major projects

In 2021, our teams succeeded in completing major noteworthy projects that contributed significantly to Boralex's growth:

- **Expansion in the United States** through the acquisition of controlling interests in a portfolio of seven solar farms in California (5), Alabama (1) and Indiana (1) with long-term power purchase agreements with large private customers.

7 **new solar farms** in the United-States

- Signature of the power purchase agreement for the Apuiat wind power project on Quebec's North Shore, with an installed capacity of 200 MW, in a **50-50 joint venture with the Innu Nation.**

APUIAT Project 200 MW

- Commissioning of our first floating solar farm, in Peyrolles-en-Provence, France, consisting of more than **43,000 photovoltaic panels** installed in a former gravel pit following five years of work.

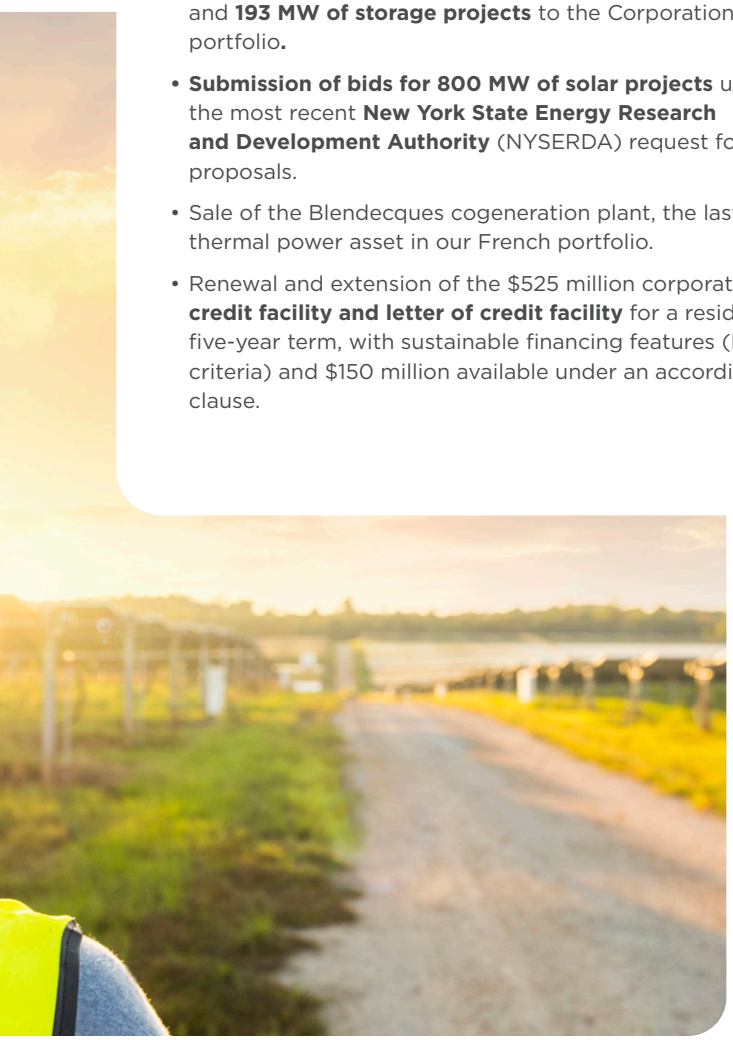
1st floating solar farm
Peyrolles-en-Provence, France

- Commissioning of three wind farms in France: La Grande Borne (Hauts-de-France), with sufficient capacity to meet the annual energy needs of some **5,600 households**; Plaine d'Escrebieux Extension (Hauts-de-France), which can cover the annual energy needs of some **9,000 households**; and Bazougeais (Brittany), with a capacity equivalent to the annual energy consumption of some **10,000 households**.

3 new **wind farms in France**

equivalent to the Annual energy consumption of **24,600** households

- **Addition of 973 MW added of wind and solar projects** and **193 MW of storage projects** to the Corporation's portfolio**.**
- **Submission of bids for 800 MW of solar projects** under the most recent **New York State Energy Research and Development Authority** (NYSERDA) request for proposals.
- Sale of the Blendecques cogeneration plant, the last thermal power asset in our French portfolio.
- Renewal and extension of the $525 million corporate **credit facility and letter of credit facility** for a residual five-year term, with sustainable financing features (ESG criteria) and $150 million available under an accordion clause.



Signature of three power purchase agreements in France

More and more companies are turning to corporate power purchase agreements (PPAs) to secure green electricity directly from an independent power producer at a fixed price for a set period, and Boralex is positioning itself as a key player in this growing market. In 2021, our teams signed PPAs with three large French companies: IBM France, L'Oréal and METRO France. Added to the two contracts signed with Orange and Auchan in 2020, these new partnerships mean that Boralex now has five corporate customers in France.

Message from the Chairman of the Board

PLAYING OUR CARDS RIGHT IN A DISRUPTED WORLD

The year 2021 proved challenging in many respects. Thanks to the the efforts of its employees, Boralex was once again able to perform well in a disrupted world.

There were many significant business achievements in 2021, including:

- Continued growth, supported by the first major acquisitions in the United States solar segment, power purchase agreements (PPAs) signed with private corporate buyers and major milestones passed on large projects such as Apuiat in Québec and Moulins du Lohan in France;
- Creation and implementation of a new commercialization service that gives Boralex the flexibility it needs to respond to its customers' changing business models;
- Review of the strategic plan, which led to the adoption of even more ambitious targets and integration of CSR into the Corporation's strategic objectives;
- Finalization of a first sustainability-linked loan, attesting to the Corporation's commitment to sustainability and social responsibility.

All this was accomplished in a context of the ongoing pandemic, which required Boralex employees to significantly adapt their work methods at the same time as we were finalizing a transition in the Corporation's senior management, with Patrick Decostre having just succeeded Patrick Lemaire as President and Chief Executive Officer. The Board of Directors is very proud to report that the transition was completed with success.

A promising future for Boralex

The future bodes well for Boralex, with the current business environment strongly supporting continued growth:

- Several countries where the Corporation already operates and other target countries where it is developing its business and are poised to make huge investments in the energy transition.
- Renewable energy development and use are benefiting from a significant drop in production costs.
- Boralex's reputation as a partner, project developer and operator in its industry is stronger than ever.
- The Corporation has sufficient financial flexibility and balance sheet strength to pursue all its ambitions.
- Continuous optimization of its asset portfolio, processes and operations has sharpened Boralex's competitive edge.

In addition, the expertise of Boralex's teams continues to be its greatest strength and a true differentiator. On that front, we note decentralization of our development teams in our target markets, the strengthening of our in-house mergers and acquisitions expertise and a sustained focus on employee engagement.

THE ACCOMPLISHED DIRECTORS
ON OUR BOARD OF DIRECTORS

(1) Member of the Audit Committee
(2) Member of the Nominating and Corporate Governance Committee
(3) Member of the Human Resources Committee
(4) Member of the Environmental, Health and Safety Committee
(5) Member of the Investment and Risk Management Committee

Alain Rhéaume
Chairman of the Board Boralex Inc.
Corporate Director

Patrick Decostre
President and Chief Executive Officer
Boralex Inc.

Patrick Lemaire
Corporate Director

André Courville (1) (3) (5)
Corporate Director

Ghyslain Deschamps (4) (5)
Chief Operating Officer and Executive Vice President, EBC Inc.

Lise Croteau (1) (5)
Corporate Director

Zin Smati (2) (3) (4) (5)
Corporate Director

Marie Giguère (2) (3) (4)
Corporate Director

Dany St-Pierre (1) (2) (4)
President Cleantech Expansion LLC

The Board of Directors goes a step further

With their diversified expertise, the directors on the Board provide Boralex management with solid support and guidance in creating value for all the Corporation's stakeholders. The renewal of the Board, which has been under way for several years now, is being accomplished with an eye to meeting our updated diversity targets. The Board of Directors is more diverse than ever in terms of gender, expertise, geographic origin and market experience.

In addition, in an effort to better align the interests of senior management with those of Boralex's stakeholders, the Board has raised the minimum stock ownership thresholds for senior management, increased the proportion of compensation tied to long-term results and incorporated CSR objectives into senior management compensation. Finally, having adopted a shareholder engagement policy in 2021, the Boralex Board of Directors now offers shareholders the fully open dialogue they are entitled to expect.

The year 2021 not only saw many significant achievements in terms of Boralex's performance, it was also a year when the Corporation strengthened its foundations in order to remain a key player in renewable energy and capitalize on the energy transition, for the benefit of its stakeholders.

Edward H. Kernaghan (1) (2)
Senior Investment Advisor Kernaghan & Partners Ltd
President Principia Research Inc. and Kernwood Ltd

Marie-Claude Dumas (3) (5)
President and CEO, WSP Canada

Biographical information on each director can be found on Boralex's website.

Alain Rhéaume
Chairman of the Board

Message from the President and Chief Executive Officer

ACCELERATING OUR GROWTH IN A HIGHLY FAVOURABLE BUSINESS ENVIRONMENT

The business environment in which Boralex operates has never been more favourable. Over the past few years, production costs for renewable energy – solar and wind power in particular – have fallen considerably, to a degree that now makes these energy sources highly competitive. In addition, several countries around the world have announced recovery packages focused on accelerating the transition to a greener, low-carbon economy.

In that context, Boralex is particularly well positioned to accelerate growth and take advantage of proliferating opportunities. In 2021, our teams worked on updating our strategic plan to boost ambition, identifying the best ways to seize the opportunities offered by the current environment across our four strategic directions: growth, both organic and through acquisitions, diversification of our portfolio of assets, development of our customer base and optimization of our assets, operations and financing. Our teams were poised and ready and began implementing the plan during the year, which yielded several major achievements. At the same time, we introduced a corporate social responsibility strategy that is integral to all our business objectives as well as day-to-day management. In short, our teams went about laying the foundations for our future growth and success.

New opportunities and more organic growth

Today, our renewable energy projects, whether solar or wind powered, can compete very well with projects to build fossil fuel or nuclear-powered facilities and even with new hydroelectric facilities. In truth, our projects are less expensive and require much less time to develop. It is thus clear that the world will be tapping renewable energy to provide the electricity needed to convert and decarbonize economies that are presently highly dependent on fossil fuels (due in particular to consumption in the transportation industry and industrial processes, for instance).

These market developments are prompting us to view our growth with an even more ambitious eye. We want to invest at an earlier stage in our new renewable energy projects to increase the organic share of our growth. Our premise is that if our projects are well executed and successful, they will attract customers, especially given a rapidly expanding customer base that includes a growing number of companies looking to secure a supply of renewable energy on terms that are beneficial in the medium and long term.

Consequently, we worked very hard in 2021 to identify the markets where we want to expand in the next few years. If we want our new projects to be successful, we need to locate them in the areas where the economic parameters are most favourable and we can make the most of our competitive strengths. We intend to significantly increase our presence in target markets in the United States, diversify our geographic coverage in Europe, accelerate the development of wind power in Canada and France and increase the share of solar power in our portfolio.

Competition is sure to be strong in certain markets, but the coming energy transition is of such magnitude that opportunities will be plentiful. We intend to fully tap the huge potential by following the unique consultation and dialogue practices that characterize our approach to responsible, sustainable development.

Execution – the key element that calls for all hands on deck

For our strategic plan to generate the desired results, we must target opportunities that are aligned with our vision for growth and walk away from those that are not. That requires all our teams to look in the right direction and make optimal use of their energy. They must also strive for continuous improvement, seeking out the marginal gains that can maximize project quality and value for Boralex. For that, we need all our employees to be fully engaged.

In that respect, I must admit that we are fortunate. We are lucky enough to have committed teams of people who are passionate about their work and our mission. Our employees, who have exceptionally solid technical expertise, have shown true entrepreneurial spirit while remaining cautious and thorough. In fact, they have completed a record number of projects in the past two years. In spite of the pandemic that continues to disrupt daily life, our teams have managed to remain efficient and cohesive.

Thanks to our employees' stellar performance and their ability to find new ways of working, 2021 was a year for Boralex to be proud of. If Boralex succeeds in making its mark by going beyond renewable energy, it will be because of our talented teams. They are what has made us successful so far, and they are what will enable us to reach our future goals.

Patrick Decostre
President and Chief Executive Officer

THE EXPERIENCED MANAGERS ON OUR EXECUTIVE COMMITTEE

Patrick Decostre
President and Chief Executive Officer

Bruno Guilmette
Vice President and Chief Financial Officer

Pascal Hurtubise
Vice President and Chief Legal Officer

Marie-Josée Arsenault
Vice President, Talent and Culture

Julie Cusson
Vice President, Public and Corporate Affairss

Hugues Girardin
Vice President, Development

Nicolas Wolff
Vice President and General Manager, Europe

Alain Pouliot
Vice President, Operations, North America

PEYROLLES EN PROVENCE, France

6

RENEWABLE ENERGY **TRENDS**

In developing Boralex's 2025 strategic plan, we updated our analyses of renewable energy industry trends and opportunities for growth in our target markets. COVID-19 has led all governments in Boralex's target markets to introduce green recovery plans with more ambitious greenhouse gas reduction targets, leading to an accelerated transition to renewable energy and increased grid interconnection, particularly in North America. These elements create a particularly favourable business environment for growth, both organic and through mergers and acquisitions.

1. **Green recovery plans, more ambitious targets and national action plans are driving accelerated demand for renewable energy.**
2. **The increase in renewables in the energy production mix creates a need for more grid integration.**
3. **Solar and wind are now the lowest cost energy sources.**
4. **The more dynamic market is driving rapid change and requires companies to be flexible and agile.**
5. **Growing consumer interest in socially responsible companies creates strong demand for power purchase agreements (PPAs) and more sustainable investing.**
6. **Energy storage enables increased deployment of renewables through, decentralized production, especially in solar.**

REVIVAL OF WIND POWER IN QUEBEC

SEIGNEURIE DE BEAUPRÉ, Canada

3

MARKETS WITH HUGE **GROWTH** POTENTIAL FOR BORALEX

There are various trends supporting renewable energy development in Boralex's three key target markets.

United States

In a report published in 2021, the United States Department of Energy outlined how the country could produce nearly half of its electricity from solar energy by 2050 (approximately 3,000 GW). To reach that goal, it will have to double its installed solar power capacity every year for the next four years and then double it again by 2030. Boralex is developing projects totalling 1,085 MW in the United States.

New York

70% of renewable energy **by 2030**

Request for proposals of **4,500 GWh for solar energy every year** from 2021 to 2026

California

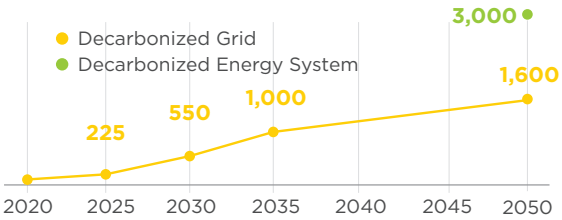
60% of renewable energy **by 2030**

Addition of **10 GW of storage** over the next 10 years

Coal and nuclear power generation accounts for 19% and 20% of U.S. generation mix

Solar deployment 2020-2050

In GW



Source: Solar Futures study by US Department of Energy

Canada

There are excellent opportunities in the Quebec and Ontario markets, where Boralex already has expertise, large producing assets and major projects at various stages of development. Hydro-Québec's planned electricity exports to the United States and Quebec's plan for a green economy, support expectations of accelerated energy demand in Quebec, furthermore, Ontario's commitments to reduce natural gas consumption and near-term power requirements, combined with medium-to-long-term supply needs that exceed its baseline scenario, also support the expectation of accelerated energy demand in Quebec and Ontario. Boralex is developing 975 MW in wind and 75MW in solar in the Canadian market.

Revival of wind power in Quebec

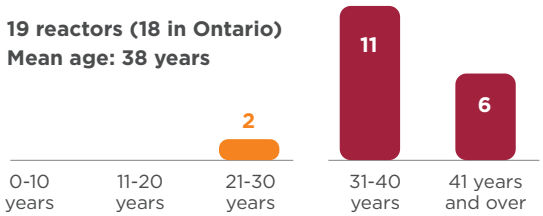
45% reduction target of greenhouse gas emissions in 2030 vs 2005

Request for proposals of **300 MW for wind energy** in 2022

Request for proposals of **480 MW renewable energy** in 2022

Aging of Ontario's nuclear fleet

19 reactors (18 in Ontario)
Mean age: 38 years



Number of reactors

Source : World Nuclear Industry Status Report 2021

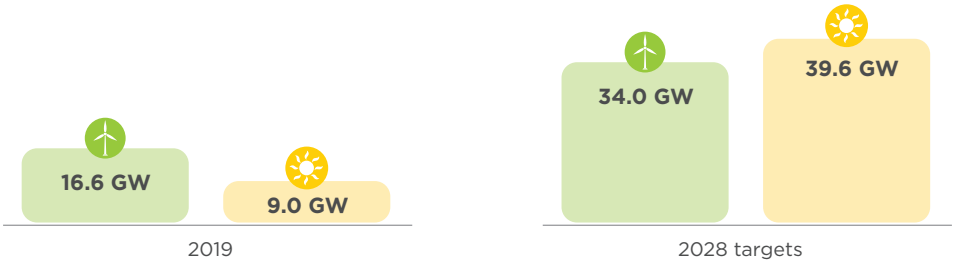
3,100MW nuclear plant located in Pickering, Ontario can be safely operated until 2024.

Refurbishment work planned for different sites totaling approximately 3,300MW will put pressure on electricity supply during the next years.

France

Réseau de transport d'électricité (RTE), France's electricity transmission system operator, recently published six scenarios for the mix of installed capacity by energy source in 2050. They all augur well for the renewable energy industry, especially given the recent assertion by the president of the French nuclear safety authority (*Autorité de sûreté nucléaire*, or ASN) regarding the lack of margin to support contingencies and the difficulty the nuclear industry will have to achieve even the most conservative RTE scenario of 50% nuclear and 50% renewable energy. The ASN president also insisted that margins need to be maintained in order to avoid facing a trade-off between security of supply and facility safety. In February 2022, the President of France said that he hoped to double the country's renewable energy production by 2030 and increase solar production tenfold and double onshore wind power capacity by 2050. Those aspirations underscore France's commitment to renewable energy and the positive outlook for Boralex's development prospects. Boralex currently has 1,185 MW in wind projects and 339 MW in solar projects in France.

Targets of French renewable energy program



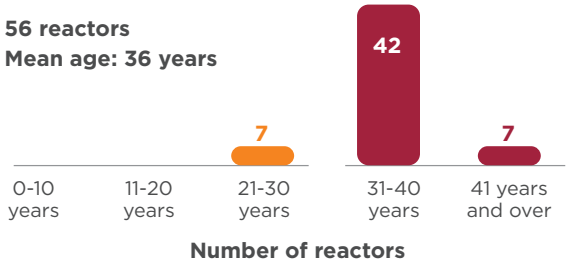
Source : Programme pluriannuel de l'énergie

Around **1.85 GW/year of additional capacity** for a 8% CAGR[1]

Around **3 GW/year of additional capacity** (2/3 ground-based solar and 1/3 solar buildings) for a 17% CAGR[1]

[1] CAGR : Compound annual growth rate is a supplementary financial measure. For more details, refer to the *Non-IFRS and other financial measures* section of this report.

Aging of French nuclear fleet



Source : World Nuclear Industry Status Report 2021

The Fessenheim 1 nuclear power plant in France ceased operations on February 20, 2020 and Fessenheim 2 ceased operations in June 30, 2020.

Coal, gas and CO_2 costs are very high in Europe thus creating the most favourable conditions for development of renewable energies.

High refurbishment costs and long lead times of new nuclear assets also benefit renewable energies projects that are less expensive and take less time to implement.

Installed capacity and mix of installed capacity by energy source in 2050

Réseau de transport d'électricité (RTE), France's electricity transmission system operator, recently published six scenarios for the mix of installed capacity by energy source in 2050. They are very favourable for the renewable energy industry.

100% of production from Renewables in 2050

50% of production from Renewables in 2050

	Solar	Onshore wind	Offshore wind	Historical nuclear	New nuclear
1	208 GW 21.0 x	74 GW 4.0 x	62 GW	-	-
2	200 GW 20.0 x	58 GW 3.5 x	45 GW	16 GW	-
3	125 GW 12.0 x	72 GW 4.0 x	60 GW	16 GW	-
4	110 GW 11.0 x	55 GW 3.3 x	45 GW	16 GW	13 GW
5	85 GW 8.5 x	50 GW 2.9 x	35 GW	16 GW	23 GW
6	70 GW 7.0 x	43 GW 2.5 x	22 GW	24 GW	28 GW

Source : Futurs énergétiques 2050, RTE

Strategic plan 2021–2025

BUILDING ON OUR STRENGTHS TO MAKE OUR MARK IN A BOOMING INDUSTRY


LES CIGALETTES, France

The renewable energy industry is currently evolving in a business environment with many growth opportunities. In view of the highly favourable market and building on Boralex's strong balance sheet, we have updated our strategic plan to accelerate our growth between now and 2025. To reach our ends, we will rely the strengths that have set us apart over the years: discipline, rigour and respect for our stakeholders.

We have built our strategic plan around four broad strategic directions, and because we want to grow ethically and sustainably, we have integrated our corporate social responsibility strategy into it. As a result, we systematically consider the non-financial effects of our decisions, which leads us to proactively manage the risks and impacts of our activities.

Our updated strategic plan is consistent with the actions we have taken to date in segments where there is high growth potential and we have developed strong expertise. It also includes complementary initiatives aimed at diversifying and optimizing our activities and sources of revenue.

Boralex will continue to pursue growth in the high-potential markets of Canada, the United States, France, the United Kingdom and other European countries. More specifically, we plan to significantly increase the share of solar power in our asset and project portfolio, position the United States as our main development market, diversify our geographic presence in Europe, accelerate the development of wind power in Canada and make inroads into energy storage. Our goal is to achieve an optimal mix of installed capacity, both in terms of geographic markets and technologies.

Discipline, rigour and respect for our stakeholders


NIAGARA REGION WIND FARM, Canada

BORALEX

OUR PURPOSE

On our planet where electricity is central to fighting climate change, we have a responsibility to produce it sustainably

MISSION and VISION

At Boralex, we provide renewable and affordable energy for all, creating value to share with our partners.

To achieve our mission, we rely on the best of our strengths.

Thanks to our fearlessness, our discipline, our expertise, and our diversity, we continue to be an industry leader.

And we do it with pleasure.

OUR VALUES

CREATIVITY
Go further with resourcefulness and ingenuity

TEAM SPIRIT
Build on each other's differences to succeed together

RESPECT
Act ethically and with a sense of duty

ENTREPRENEURSHIP
Decide with agility and courage

COMMUNICATION
Cultivate the exchange of ideas to create an open and lasting dialogue

Beyond
RENEWEABLE ENERGY

Our corporate social repsonsibility and strategic directions **guide our business decisions** and constitute a **strategic differentiating factor**.

STRATEGIC DIRECTIONS

GROWTH	Grow our **project pipeline** and **create value** that **we share** with all our partners, communities and territories.
DIVERSIFICATION	Accelerate the development of our **skills** to produce electricity as markets and technologies **evolve**.
CUSTOMERS	Develop **business practices** that are aligned with the needs of customers interested in improving their **climate footprint**.
OPTIMIZATION	**Improve** our **practices** to maximize the productivity and profitability of our assets and services.

CORPORATE SOCIAL RESPONSIBILITY

E ENVIRONMENT	Responsible use of Resources	Biodiversity	Climate change adaptation	Greenhouse gas emissions (scopes 1 and 2)
S SOCIETY	Inclusion, Diversity and Equal opportunity	Health and Safety	Community and territory consultation and involvement	
G GOVERNANCE	Responsible Corporate Governance	Ethics in Business and Behaviour	Sustainable procurement	

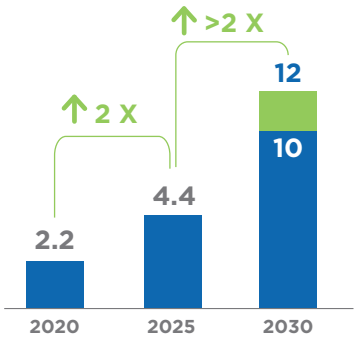
Our strategic plan targets

DOUBLING THE SIZE OF BORALEX FROM 2020 TO 2025

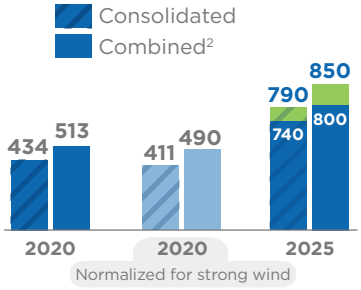
Over the past few years, Boralex's teams have succeeded in identifying and seizing market opportunities and executing many strong and promising projects, thereby strengthening the Corporation's competitive position. That, combined with an exceptionally favourable market for renewable energy production, led us to update our strategic plan and set ambitious new targets for 2025, with added non-financial aspects that will also allow us to excel in the CSR arena. We have also worked on laying the foundation for the implementation of our strategic plan over the next few years, so that our teams are now ready to take action and know exactly where to focus their efforts.

2025 TARGETS

Installed Capacity
(GW)

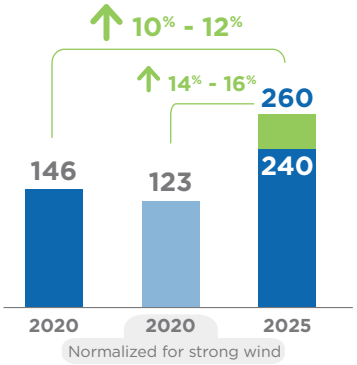


EBITDA(A)[1]
(M$)



	2020 - 2025	2020 Normalized - 2025
Consolidated	↑ 11% - 13%	↑ 12% - 14%
Combined[1]	↑ 9% - 11%	↑ 10% - 12%

Discretionary Cash Flows[2] Consolidated
(AFFO) (M$)



Reinvest 50 to 70%
of discretionary cash flows[2] towards our growth

To be a CSR reference
for our partners by going beyond renewable energy

Increase the proportion of corporate financing, including sustainable financing and obtain an *Investment Grade*[3] credit rating

[1] EBITDA(A) represents a total of segmentes measure. For more details, see the Non-IFRS financial measures and other financial measures section in this report.

[2] The terms combined information and cash flows from operations represent are non-GAAP measures and do not have a standardized meaning under IFRS. Accordingly, they may not be comparable to similarly named measures used by other companies. For more details, see the Non-IFRS financial measures and other financial measures section in this report.

[3] Minimum corporate credit of BBB-.

Management’s Discussion and Analysis

As at December 31, 2021

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Highlights

Note that the information provided on a *Consolidated* basis (formerly IFRS) is calculated using the same methodology previously used to prepare the information provided under *IFRS* in previous MD&As.

Three-month periods ended December 31

	Consolidated		Combined[1]	
(in millions of Canadian dollars, unless otherwise specified)	2021	2020	2021	2020
Power production (GWh)[2]	1,492	1,468	1,661	1,763
Revenues from energy sales and feed-in premium	192	193	211	225
Operating income	74	60	82	76
EBITDA(A)[3]	152	137	163	155
Net earnings	20	30	20	36
Net earnings attributable to shareholders of Boralex	17	25	17	31
Per share - basic and diluted	$0.17	$0.24	$0.17	$0.30
Net cash flows related to operating activities	81	59	91	78
Cash flows from operations[1]	116	101	—	—
Discretionary cash flows[1]	58	67	—	—

Years ended December 31

	Consolidated		Combined[1]	
(in millions of Canadian dollars, unless otherwise specified)	2021	2020	2021	2020
Power production (GWh)[2]	5,552	4,727	6,215	5,834
Revenues from energy sales and feed-in premium	671	619	743	738
Operating income	182	172	219	225
EBITDA(A)[3]	490	434	535	513
Net earnings	26	61	30	56
Net earnings attributable to shareholders of Boralex	17	55	21	50
Per share - basic and diluted	$0.16	$0.55	$0.21	$0.51
Net cash flows related to operating activities	345	362	364	399
Cash flows from operations[1]	363	338	—	—
Discretionary cash flows[1]	132	146	—	—
	As at Dec. 31	**As at Dec. 31**	**As at Dec. 31**	**As at Dec. 31**
Total assets	5,751	5,314	6,162	5,753
Debt - Principal balance	3,682	3,609	4,030	3,976
Total project debt	3,141	3,190	3,489	3,557
Total corporate debt	541	419	541	419

[1] The terms, Combined, Cash flows from operations and Discretionary cash flows are non-GAAP financial measures and do not have a standardized meaning under IFRS. Accordingly, they may not be comparable to similarly named measures used by other companies. For more details, see the *Non-IFRS and other financial measures* section in this report.

[2] Power production includes the production for which Boralex received financial compensation following power generation limitations imposed by its clients since management uses this measure to evaluate the Corporation's performance. This adjustment facilitates the correlation between power production and revenues from energy sales and feed-in premium.

[3] EBITDA(A) is a total of segment measures. For more details, see the *Non-IFRS and other financial measures* section in this report.

Abbreviations

CDPQ	Caisse de dépôt et placement du Québec
Corporate PPA / CPPA	Power purchase agreement concluded with commercial and industrial corporations
CRE	Centaurus Renewable Energy LLC
DC&P	Disclosure controls and procedures
DM I and II	Des Moulins Wind Power L.P.
EBITDA	Earnings before taxes, interest, depreciation and amortization
EBITDA(A)	Earnings before taxes, interest, depreciation and amortization adjusted to include other items
EDF	Électricité de France
FiP	Feed-in premium
GAAP	Generally accepted accounting principles
GWh	Gigawatt-hour
HQ	Hydro-Québec
IASB	International Accounting Standards Board
ICFR	Internal control over financial reporting
IFRS	International Financial Reporting Standards
Interests	Interests in the Joint Ventures and associates
Invenergy	Invenergy Renewables LLC
LP I	Le Plateau Wind Power L.P.
LP II	Le Plateau Community Wind Power L.P.
LTM	Last twelve months
MW	Megawatt
MWac	Megawatt alternating current
MWdc	Megawatt direct current
MWh	Megawatt-hour
NRWF	Niagara Region Wind Farm
NYPA	New York Power Authority
NYSERDA	New York State Energy Research and Development Authority
Ontario ISO	The Independent Electricity System Operator of Ontario
PPA	Power purchase agreement
RECs	Renewable Energy Certificates
RFP	Request for proposals
Roncevaux	Roncevaux Wind Power L.P.
RTE	Manager of Réseau de Transport d'Électricité (France's transmission system operator)
SDB I	Seigneurie de Beaupré Wind Farms 2 and 3
SDB II	Seigneurie de Beaupré Wind Farms 4
Six Nations	Six Nations of the Grand River
SOP	Standing Offer Program
TWh	Terawatt-hour

Definitions

Comparable assets

All the wind farms and power stations in operation during the entirety of a given period and the comparative period.

CAC 40

The CAC 40 (Cotation Assistée en Continu) is a free float market capitalization weighted index that reflects the performance of the 40 largest and most actively traded shares listed on Euronext Paris, and is the most widely used indicator of the Paris stock market.

Repowering

Increase in installed capacity through equipment replacement.

Corporate PPA with additionality

A corporate PPA with additionality contributes to the development of new renewable power supply capabilities, and enables to secure the funds necessary for a future asset's construction and commissioning.

Introductory comments

General

This Management's Discussion and Analysis ("MD&A") reviews the operating results and cash flows for the three-month period and fiscal year ended December 31, 2021, compared with the corresponding periods of 2020, as well as the Corporation's financial position as at December 31, 2021, compared to December 31, 2020. 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, 2021.

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

In this MD&A, Boralex or the Corporation means, as applicable, either Boralex and its subsidiaries and divisions or Boralex or one of its subsidiaries or divisions. The information contained in this MD&A reflects all material events up to February 22, 2022, 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 2020.

As discussed under the *Non-IFRS and other financial measures* section, this MD&A contains asset and segment performance assessment measures consisting of non-IFRS measures. Theses measures do not have standardized meaning under IFRS; consequently they may not be comparable to similarly named measures used by other companies. For more details, see the *Non-IFRS and other financial measures* section in this report.

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.

The information in this MD&A is presented as at December 31, 2021, with the exception of the number of sites, which is as of February 22, 2022. Installed capacity is presented as at December 31, 2021 and February 22, 2022.

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 units for the periods covered by our financial statements and this MD&A.

	Closing rate[1]	
	As at December 31,	
Currency	2021	2020
USD	1.2637	1.2725
EUR	1.4373	1.5545
GBP	1.7107	1.7422

	Average rate[2]			
	Three-month periods ended December 31		Years ended December 31	
Currency	2021	2020	2021	2020
USD	1.2603	1.3030	1.2535	1.3415
EUR	1.4408	1.5537	1.4828	1.5298
GBP	1.6990	1.7206	1.7246	1.7199

[1] Source: Bloomberg
[2] Source: Bank of Canada - Average daily exchange 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 22, 2022.

This forward-looking information includes statements about the Corporation's strategies, strategic plan, business model (including with respect to results and performance for future periods, installed capacity targets, EBITDA(A)[1] and discretionary cash flows[2], organic growth and growth through mergers and acquisitions, obtaining an investment grade credit rating by 2025, maintaining a quarterly dividend of $0.1650 per share, and corporate social responsibility (CSR) objectives), Corporations's objectives, the 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, installed capacity or megawatt growth objectives, including those set in connection with the Corporation's pipeline of projects and *Growth Path*, growth outlook, the expected timing of project commissioning, planned production[3], 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 shareholders, as well as the anticipated distribution ratio[4], 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 the 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.

[1] EBITDA(A) is a total of segment measures. For more details, see the *Non-IFRS and other financial measures* section in this report.

[2] Discretionary cash flows is a non-GAAP measure and does not have a standardized meaning under IFRS. Accordingly, it may not be comparable to similarly named measures used by other companies. For more details, see the *Non-IFRS and other financial measures* section in this report.

[3] Planned production is a supplementary financial measure. For more details, refer to the *Non-IFRS and other financial measures* section of this report.

[4] Distribution ratio is a non-GAAP ratio and does not have a standardized meaning under IFRS. Accordingly, it may not be comparable to similarly named ratios used by other companies. For more details, see the *Non-IFRS and other financial measures* section in this report.

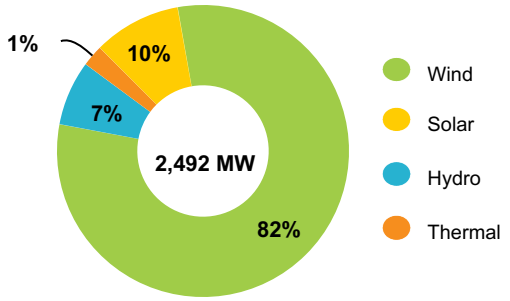
Description of business

Boralex is a Canadian corporation operating in the renewable energy segment for over 30 years. It draws on a workforce of 562 people to develop, build and operate power generating facilities in Canada, France, the United States and the United Kingdom. A leader in the Canadian market and France's largest independent producer of onshore wind power, Boralex's installed capacity has more than doubled over the past five years to 2,492 MW as at December 31, 2021. The Corporation is developing a portfolio of more than 3 GW of wind and solar projects and almost 200 MW of storage projects, guided by its values and its corporate social responsibility (CSR) approach. Projects under construction or ready to build represented an additional 154 MW, to be commissioned by the end of 2023, while the pipeline of secured projects amounts to 493 MW. Through profitable and sustainable growth, Boralex is actively participating in the fight against global warming. With its fearlessness, discipline, expertise and diversity, Boralex remains an industry leader.

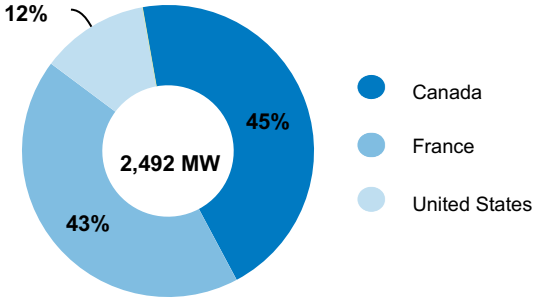
Segment and geographic breakdown

Boralex is active in four complementary power generation segments: wind, solar, hydroelectric and thermal. A major portion of Boralex's installed capacity originates from the wind power segment. The following table provides information about the makeup of the Corporation's energy portfolio in operation as at February 22, 2022.

Segment breakdown



Geographic breakdown



Installed capacity[(1)(2)]

	Canada		France		United States		Total	
	Installed capacity (MW)	Number of sites	Installed capacity (MW)	Number of sites	Installed capacity (MW)	Number of sites	Installed capacity (MW)	Number of sites
Wind power stations	985	23	1,047	67	—	—	2,032	90
Solar power stations[(3)]	1	1	34	4	209	7	244	12
Hydroelectric power stations	100	9	—	—	81	7	181	16
Thermal power stations	35	1	—	—	—	—	35	1
	1,121	34	1,081	71	290	14	2,492	119

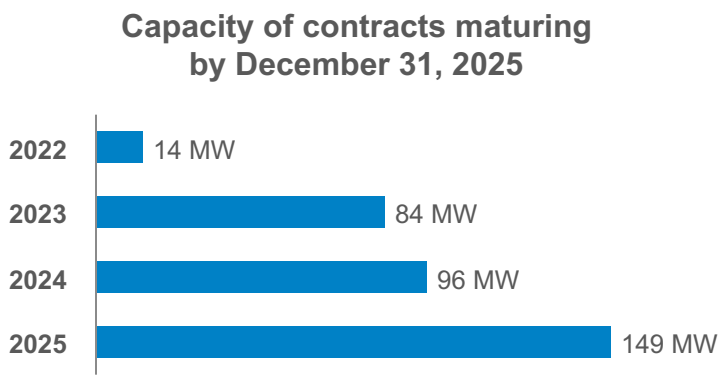
(1) Installed capacity in this MD&A reflects 100% of Boralex's subsidiaries in which Boralex is the controlling shareholder. It also reflects Boralex's share in entities over which it does not have control and which are accounted for using the equity method in this MD&A, consisting of 170 MW in the Joint Ventures operating the Seigneurie de Beaupré Wind Farms in Québec, representing 50% of a total installed capacity of 340 MW, plus 50 MW from interests in two wind farms in Québec, out of a total installed capacity of 96 MW. In November 2020, Boralex acquired the CDPQ's interest in three facilities in which Boralex also held an interest in joint ventures. Since this acquisition, Boralex has control over these wind farms and consolidates the results of these subsidiaries.

(2) First energy storage asset commissioned on March 1, 2020, with an installed capacity of 2 MW and covered by a two-year contract, located on an existing wind farm in France. Storage asset capacity is not included in Boralex's aggregate installed capacity.

(3) The installed capacity comprises 100% of the 9 MW capacity of the **Clé des Champs** solar power station in France. As at December 31, 2021, only 70% of its total capacity or 6 MW had been brought on stream. Work continues to bring the remaining capacity on stream.

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

Of Boralex's installed capacity, 99 %[1] is covered by indexed, fixed-price energy sales contracts or feed-in premium contracts setting floor prices[2]. These contracts have a weighted average remaining contractual term of 13 years. The Corporation estimates that the equivalent of 343 MW (14% of installed capacity or 11% of expected current production, excluding *Growth path* projects for which contracts have been secured) are covered by contracts expiring through December 2025. If new contracts have not been negotiated beforehand, this production will then be sold at market prices. The Corporation is pursuing entering into long-term contracts with commercial and industrial corporations for its projects under development and capacity upgrade projects.



Weighted average remaining contractual term

Canada and United States	15 years
France and other	9 years
Global weighted average	13 years

Strategy following maturity

60%	40%
Repowering projects	TBD: Repowering, Corporate PPA or Market/hedging

Existing active corporate PPAs:

- 5-year term - Orange (2020);
- 3-year term - Auchan (2020);
- 5-year term - IBM (2021);
- 3-year term - L'Oréal (2021).

Corporate PPA for new project:

- 20-year term - METRO France (2021).

[1]The percentage of installed capacity covered by energy sales contracts or feed-in premium contracts is a supplementary financial measure. For more details, refer to the *Non-IFRS and other financial measures* section of this report.

[2]Feed-in premiums (FiP), which are in substance a government grant in the form of a premium between the energy sales prices and a contractually agreed price for each contract, are recorded at the same time as the related energy sales revenue. When the energy sales prices are higher than the contractual price, a negative FiP is recorded only up to the FiP generated since the beginning of the FiP contract. As the Corporation has no legal or constructive obligation to pay the excess negative FiP over and above the FiP received, the excess amounts are not recorded. Some of the Corporation's FiP contracts contain a carry-over provision under which excess negative FiP are reported to subsequent periods to offset any FiP that will be generated over the remaining term of the FiP agreement. However, at expiration of the FiP agreement, any excess negative FiP are eliminated.

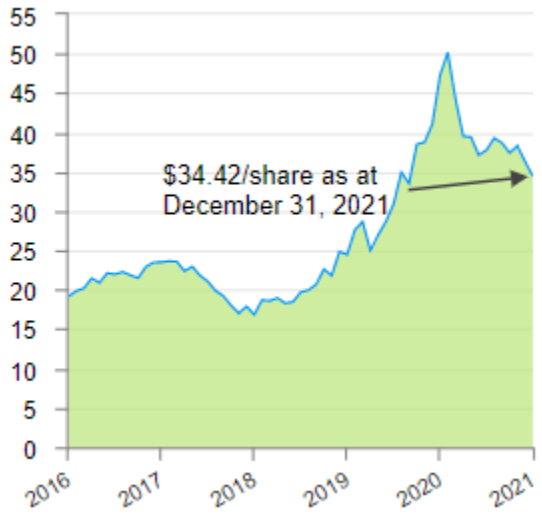
Selected financial information: A growth company

Since December 31, 2016, Boralex's EBITDA(A) and operating income have grown at compound annual rates[1] of 20% (18% on a Combined basis) and 23% (19% on a Combined basis), respectively. Boralex's market capitalization increased at a compound annual rate of 23% over the same period while the share price rose 12%.

Boralex's shares are listed on the Toronto Stock Exchange under the ticker symbol BLX. As at December 31, 2021, the Caisse de dépôt et placement du Québec, one of Canada's largest institutional investors, held 12.6% of Boralex's outstanding shares.

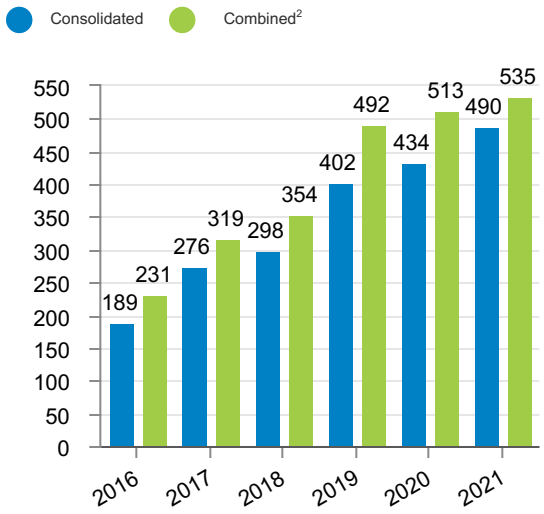
Share price

(Monthly closing price in Canadian dollars)
Compound annual growth rate[1]: 12%
(Toronto Stock Exchange under the ticker BLX)



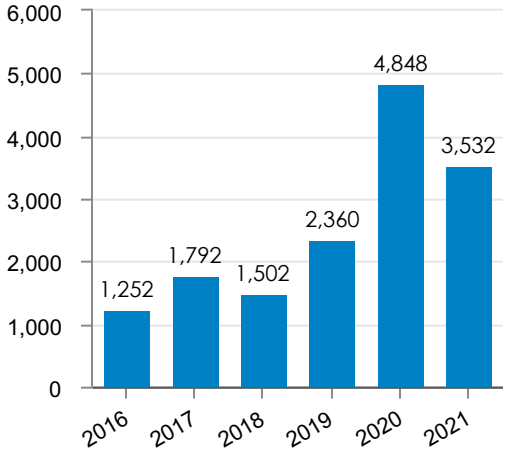
EBITDA(A)[3]

(in millions of Canadian dollars)
Compound annual growth rate[1]: 20% (Consolidated) and 18% (Combined[2])



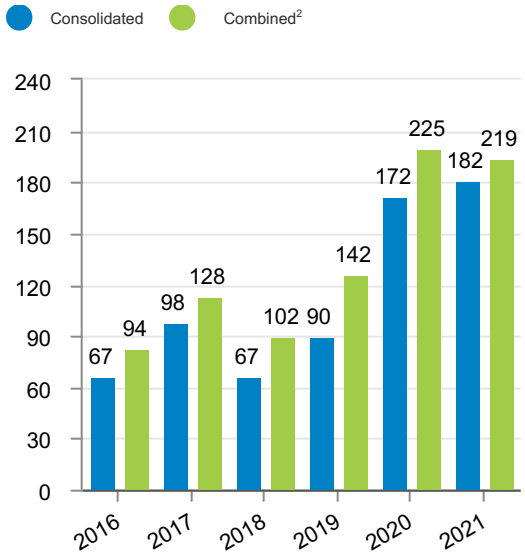
Market capitalization

(in millions of Canadian dollars)
Compound annual growth rate[1]: 23%



Operating Income

(in millions of Canadian dollars)
Compound annual growth rate[1]: 23% (Consolidated) and 19% (Combined[2])



[1] Compound annual growth rate is a supplementary financial measure. For more details, refer to the *Non-IFRS and other financial measures* section of this report.

[2] Combined basis is a non-GAAP financial measure and does not have a standardized meaning under IFRS. Accordingly, it may not be comparable to similarly named measures used by other companies. For more details, see the *Non-IFRS and other financial measures* section in this report.

[3] EBITDA(A) is a total of segment measures. For more details, see the *Non-IFRS and other financial measures* section in this report.

Overview of past three fiscal years

Selected annual information (Consolidated)

Results and cash flow data

(in millions of Canadian dollars, unless otherwise specified)	Years ended December 31			Change (%)	
	2021	2020	2019	2021 vs 2020	2020 vs 2019
Power production (GWh)[1]	5,552	4,727	4,371	17	8
Revenues from energy sales and feed-in premium	671	619	564	8	10
Operating income	182	172	90	7	91
EBITDA(A)[2]	490	434	402	13	8
Net earnings (loss)	26	61	(43)	(57)	>100
Net earnings (loss) attributable to shareholders of Boralex	17	55	(39)	(69)	>100
Net earnings (loss) per share attributable to shareholders of Boralex - basic and diluted	$0.16	$0.55	($0.43)	(71)	>100
Net cash flows related to operating activities	345	362	294	(5)	23
Cash flows from operations[3]	363	338	310	7	9
Dividends paid on common shares	68	66	60	3	9
Dividends paid per common share	$0.66	$0.66	$0.66	—	—
Weighted average number of shares outstanding – basic	102,618,657	98,547,826	90,604,799	4	9

Statement of financial position data

(in millions of Canadian dollars, unless otherwise specified)	As at December 31			Change (%)	
	2021	2020	2019	2021 vs 2020	2020 vs 2019
Total cash, including restricted cash	259	277	168	(7)	65
Property, plant and equipment	3,227	3,112	2,715	4	15
Total assets	5,751	5,314	4,557	8	17
Debt - principal balance	3,682	3,609	3,149	2	15
Total liabilities	4,540	4,323	3,682	5	17
Total equity	1,211	991	875	22	13
Net debt to market capitalization ratio[4] (%)	48%	41%	56%	7	(8)

(1) Includes compensation following electricity production limitations imposed by clients.
(2) EBITDA(A) is a total of segment measures. For more details, see the *Non-IFRS and other financial measures* section in this report.
(3) Cash flows from operations is a non-GAAP measure and does not have a standardized meaning under IFRS. Accordingly, it may not be comparable to similarly named measures used by other companies. For more details, see the *Non-IFRS and other financial measures* section in this report.
(4) Net debt to market capitalization ratio is a capital management measure. For more details, see the *Non-IFRS and other financial measures* section in this report.

Changes in the portfolio in operation

Project name	Type of transaction	Total capacity (MW)	Effective date	Segment | Country	Energy contract term / Client	Ownership (%)
Basse Thiérache Nord	Commissioning	20	February 1 and March 1	Wind | France	15 years/EDF/FiP	100
Yellow Falls	Commissioning	16	March 6[1]	Hydro | Canada	40 years/IESO	90
Moose Lake	Commissioning	15	April 4[2]	Wind | Canada	40 years/BC Hydro	100
Catésis	Commissioning	10	June 1	Wind | France	20 years/EDF/FiP	100
Buckingham[3]	Commissioning	10	October 17	Hydro | Canada	25 years/HQ	100
Seuil du Cambrésis	Commissioning	24	December 1	Wind | France	15 years/EDF/FiP	100
2019		**+ 95 MW**			Installed capacity: **2 040 MW**	
Santerre	Commissioning	15	August 1	Wind | France	20 years/EDF/FiP	100
Blanches Fosses	Commissioning	11	November 1	Wind | France	20 years/EDF/FiP	100
LP I, DM I and II	Acquisition	145	December 1	Wind | Canada	12.5 years/HQ[4]	100[4]
Cham Longe I Repowering	Commissioning	17	December 1	Wind | France	20 years/EDF/FiP	100
Extension Seuil de Bapaume	Commissioning	17	December 1	Wind | France	20 years/EDF/FiP	100
2020		**+ 205 MW**			Installed capacity: **2 246 MW[5]**	
Solar portfolio - Boralex US Solar	Acquisition	209	January 29	Solar | United States	21.5 years[6]/CPPA	50-100[6]
Blendecques	Disposal	-12	May 1	Thermal | France	N/A	100
Bazougeais	Commissioning	12	May 1	Wind | France	20 years/EDF/FiP	100
Oldman	Disposal	-4	July 9	Wind | Canada	N/A	100
Extension Plaine d'Escrebieux	Commissioning	14	August 1	Wind | France	20 years/EDF/ FiPRFP	100
La Grande Borne	Commissioning	9	December 1	Wind | France	20 years/EDF/FiP	100
Peyrolles	Commissioning	12	December 14	Solar | France	20 years/EDF/ FiPRFP	100
La Clé des Champs	Commissioning	9	December 23[7]	Solar | France	20 years/EDF/ FiPRFP	60
2021		**+ 249 MW**			Installed capacity: **2,492 MW[5]**	

[1] 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.

[2] 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.

[3] 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.

[4] Boralex now owns 100% of the shares of these three wind farms. The long-term power purchase agreements entered into with Hydro-Québec Distribution expire between 2032 and 2033 with a weighted average remaining term under contract of nearly 12.5 years, as at the date of acquisition.

[5] During fiscal 2020, capacity increases totalling 2 MW were made to existing French facilities, while net capacity in the United States was reduced by 1 MW. During fiscal 2021, for consistency purposes, an adjustment of 3 MW was made to the French solar facilities.

[6] The long-term power purchase agreements will expire between 2029 and 2046 with a weighted average remaining term of nearly 21.5 years, as at the date of acquisition. Boralex has a controlling interest ranging from 50% to 100% in the solar power stations.

[7] The power station brought on stream 70% of its total capacity or 6 MW on December 23, 2021.

2021

Acquisitions, commissioning and disposals

In January 2021, the Corporation acquired all of the majority interests held by CRE in solar power stations in the United States with a total installed capacity of 209 MWac. The interests acquired by Boralex represent a net installed capacity of 118 MWac, for a consideration of $275 million.

The Corporation added 56 MW to its installed capacity with the commissioning of three wind farms and two solar power stations in France. Boralex also disposed of a 4 MW wind farm in Alberta, Canada, and the 12 MW Blendecques cogeneration power station, in France, its last fossil energy production asset, thus becoming a 100% renewable energy producer.

Financing transactions

At the same time as the acquisitions of the solar power stations in the United States, Boralex finalized a long-term financing of $192 million (US $149 million) with a seven-year term and a 25-year amortization period.

In September 2021, Boralex had the maturity of its revolving credit facility and letter of credit facility for a total of $525 million extended to September 2026 and obtained a reduction in the interest rate on its line of credit. During the fourth quarter, the credit facility qualified as a sustainable loan for which annual ESG objectives must be met. This is the first sustainable financing for Boralex. The agreement was also enhanced to include an accordion clause that provides Boralex with future access to an additional amount of $150 million under the same terms and conditions as for the line of credit.

In October 2021, Six Nations repaid the amount of the advance including interest, for a total of $31 million.

Results

In 2021, the Corporation generated 5,552 GWh of electricity, up 17% from the prior fiscal year, driven mainly by acquisitions in the first quarter of 2021 and the fourth quarter of 2020. These favourable results with regards to production led to an 8% rise in *Revenues from energy sales and feed-in premium* to $671 million, a 7% growth in *Operating income* to $182 million and a 13% increase in *EBITDA(A)* to $490 million.

2020

Acquisitions and commissioning

The Corporation added 60 MW to its net installed capacity with the commissioning of four wind farms in France, including repowering of the **Cham Longe I** wind farm for a total installed capacity of 35 MW.

In November 2020, the Corporation acquired the CDPQ's 49% interest in three wind farms in Québec, in which Boralex already held 51%, for a consideration of $121 million plus a $4 million contingent consideration if certain future conditions are met. This acquisition represents 145 MW of additional net installed capacity.

Financing transactions

In January 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.

In August 2020, Boralex concluded an $806 million refinancing over 16 years for its 230 MW NRWF wind farm located in Ontario. Boralex is the wind farm operator and owns a 50% interest in the facility. This refinancing generated annual recurring savings of more than $5 million in interest expense. The Corporation also closed a public offering of Class A shares for gross proceeds of $201 million that was used in part to finance the two acquisitions mentioned previously.

Results

In 2020, the Corporation generated 4,727 GWh of electricity, up 8% from the prior fiscal year, driven by better weather conditions during the first quarter of the year and the expanded operating asset base. These favourable results with regards to production led to a 10% rise in *Revenues from energy sales and feed-in premium* to $619 million, a 91% growth in *Operating income* to $172 million and an 8% increase in *EBITDA(A)* to $434 million.

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.

Financing transactions

During fiscal 2019, Boralex obtained changes to its revolving credit facility for a total authorized amount of $560 million up to April 27, 2023.

In France, the maturity of the bridge financing facility with BNP Paribas was extended to May 18, 2019 for the first tranche and to 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 debt was refinanced on November 25, 2019, 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 CDPQ, a shareholder of the Corporation.

Furthermore, 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.

Lastly, as per the same principles, the Corporation entered into a $209 million agreement to refinance LP I, a wind farm, on more favourable terms. This agreement will reduce the annual interest expense 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, a 35% growth in *Operating income* to $90 million and a 35% increase in *EBITDA(A)* to $402 million.

Growth strategy and development outlook

Strategic plan and financial objectives for 2025

In June 2021, Boralex's management announced its updated strategic plan for steering its actions to achieve the new corporate objectives by 2025. The Corporation continues to build on the four key strategic directions of the plan launched in 2019 and also integrates its corporate social responsibility (CSR) strategy.

The plan describes the rapid and significant changes in renewable energy development policies and greenhouse gas emission reduction targets in some countries, and also reports strong demand for renewable energy from environmentally conscious companies. These factors have created a business environment that offers numerous opportunities for growth, both organic and through acquisitions.

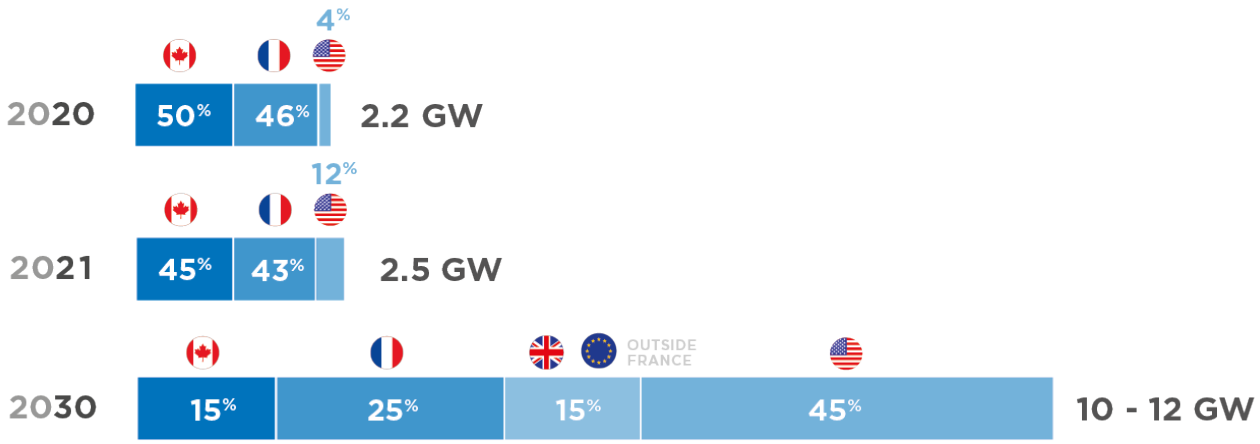
This plan is a continuation of the actions undertaken to date in sectors with strong growth potential and for which the Corporation has developed solid expertise. It also includes complementary initiatives to diversify and optimize its activities and revenue sources. Boralex will continue growing in its high-potential markets in Canada, United States, France and other European countries. The implementation of sustainable recovery plans and more ambitious greenhouse gas reduction targets in these countries should accelerate the demand for renewable energy and the need for interconnections between networks, particularly in Canada and the United States.

Highlights of the 2025 strategic plan

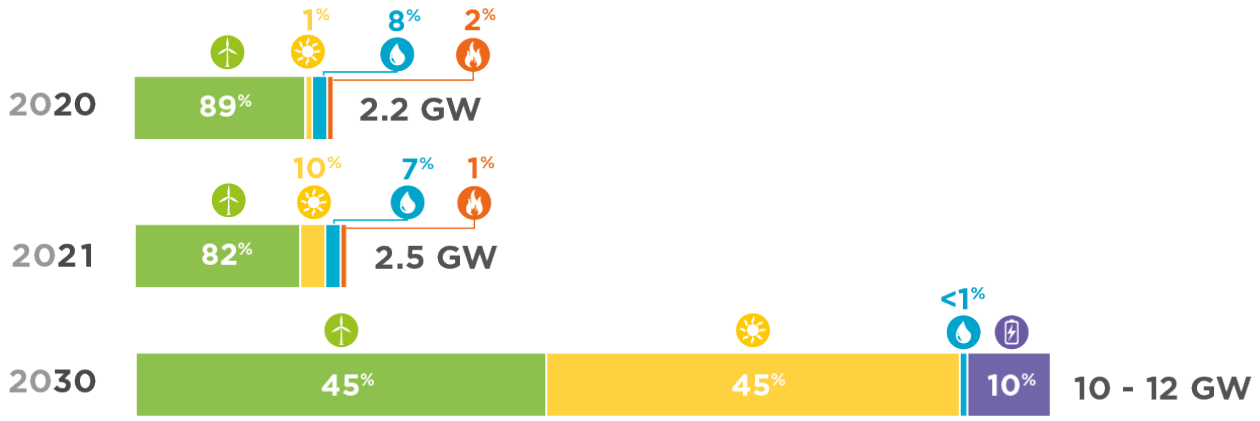
- Significantly increase the share of solar power in the portfolio of assets and projects and make inroads into the energy storage market.
- Position the United States as the main development market, diversify geographical presence in Europe as well as in U.S. states, other than those in which Boralex already owns assets.
- Accelerate wind power development in Canada.
- Optimize the capital structure by increasing the share of corporate financing, including the new sustainable financing facilities.
- Broaden the current client base to directly supply electricity-consuming industries seeking to improve their climate and social footprint.
- Integrate the Corporate Social Responsibility (CSR) strategy, including the environmental, social and governance (ESG) priorities, in Boralex's strategic directions.

As shown by the charts below, the plan announced by Boralex provides for strong growth in installed capacity targets over the next nine years with an optimized breakdown of installed capacity by geographical location and technology. Under the plan, the proportion of installed capacity under contracts is expected to be maintained at a very high level.

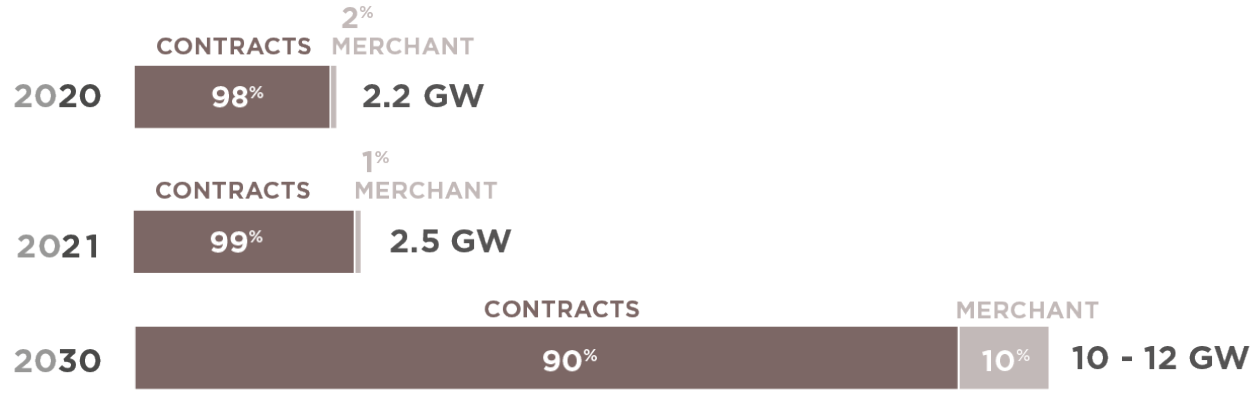
TARGETED GEOGRAPHICAL BREAKDOWN OF INSTALLED CAPACITY (IN GW)



TARGETED TECHNOLOGICAL BREAKDOWN OF INSTALLED CAPACITY (IN GW)



TARGETED BREAKDOWN BY CONTRACT TYPE OF INSTALLED CAPACITY (IN GW)



Growth prospects by territory

United States

Political and consumer support for renewable energy remains high. Both Republican and Democratic voters are generally supportive of implementing policies and initiatives to promote increased renewable energy deployment. President Biden and Congressional Democrats are committed to deal with the climate crisis. In November, the U.S. House of Representatives passed the Build Back Better (BBB) bill, which included US$550 billion in domestic investment to reduce greenhouse gas emissions of the power generation sector. Despite delays, the Speaker of Congress is making progress toward signing the bill into law to increase and expand renewable energy tax benefits, either as part of BBB or as a stand-alone measure.

The Department of Energy has outlined in a new report how the U.S. could move toward generating nearly half of its electricity from solar power by 2050 (about 3,000 GW). To achieve this objective, the U.S. would need to double the installed capacity of solar power each year over the next four years, and then double it again by 2030.

In August, Kathy Hochul was sworn in as the 57th Governor of the State of New York. Upon taking office, she reiterated her commitment to achieve the State's climate-related targets through the accelerated deployment of renewable energy. In September 2021, Governor Hochul announced the results of the Tier 4 RFP. Two renewable energy transmission projects were selected: the Clean Path NY ("CPNY") project, developed by Forward Power (a joint venture of Invenergy and EnergyRe) and the New York Power Authority, and the Champlain Hudson Power Express ("CHPE") project, developed by Transmission Developers, Inc. (backed by Blackstone) and Hydro-Québec. Together, these projects could provide New York City with approximately 18 million MWh of renewable energy per year, enough to power more than 2.5 million homes. These two renewable energy transmission projects will support the construction of projects in both upstate New York and Québec.

NY STATE, US TARGETS

70% renewables by **2030**

Zero emission electrical grid by **2040**

Have **10,000 electrical vehicles (EV)** charging stations by the end of 2021 and **850,000** zero emission vehicles by 2025

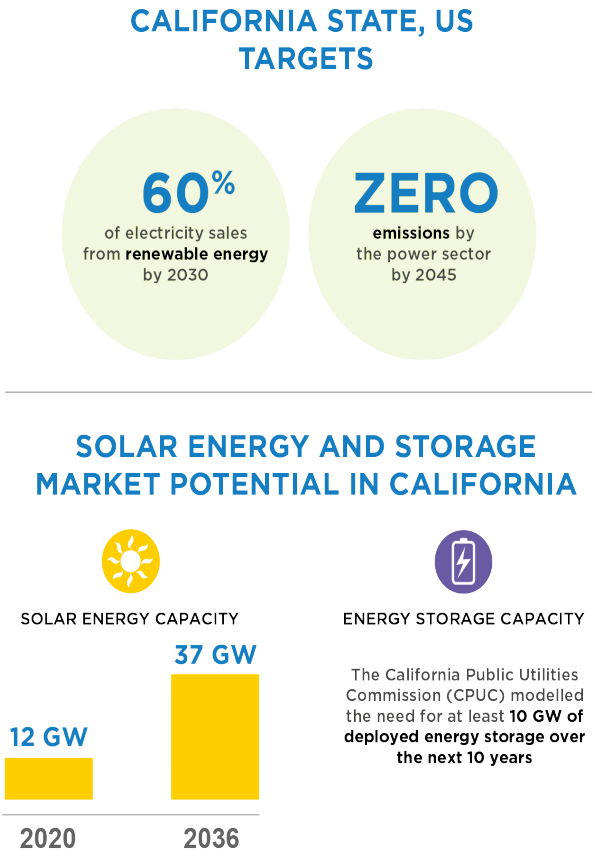
Add 3 GW of energy **storage** production capacity by **2030**

ISSUE ORDER TO ACCELERATE THE TRANSITION

+40% of the demand **of Tier 1 projects** requiring NYSERDA to contract **4,500 GWh/year** between **2021 and 2026**

New Tier 4 of RECs for up to **3,000 MW** through one or more RFPs

In January 2021, Boralex closed the acquisition of a majority interest in a portfolio of seven solar power stations in the United States with an installed capacity of 209 MWac. The majority of the facilities are in the state of California, a fast-growing market for renewable energy. In June 2021, the California Public Utilities Commission ("CPUC") ordered state utilities to procure the equivalent of 11,500 MW of new electricity resources, such as distributed energy resources, renewables, and zero-emitting sources.



When announcing its 2025 strategic plan in June 2021, Boralex stated its intention to make the United States its primary growth market and expand its presence in the coming years to other States with high potential for growth. To do this, the Corporation is investing in expanding its U.S. development team and is working to set up an integrated structure of development for new facilities and acquisitions in order to accelerate its growth.

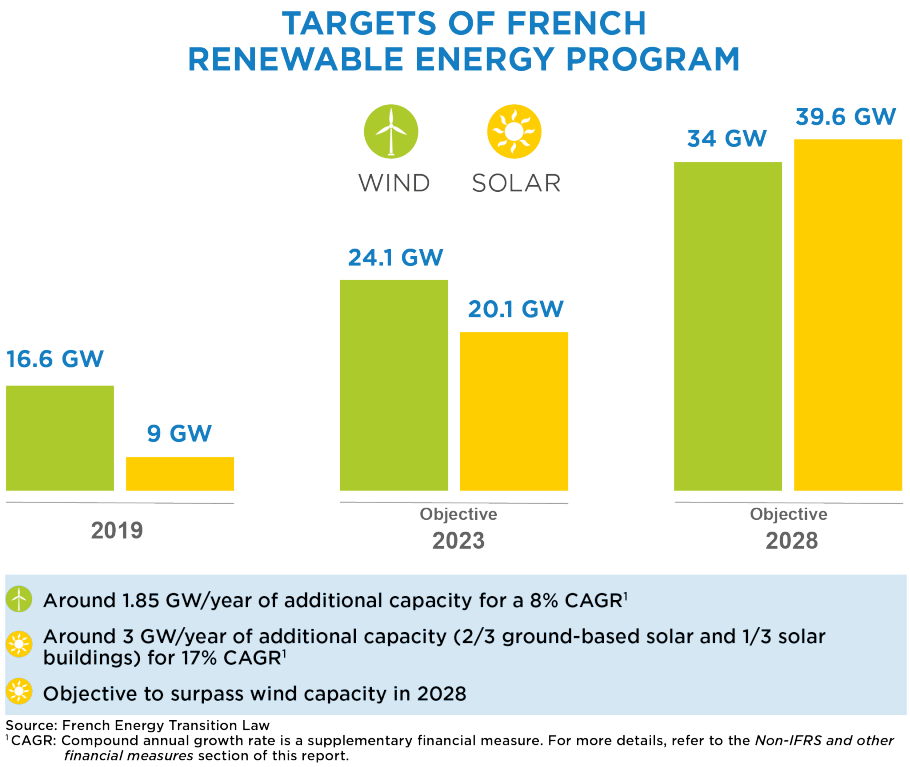
Canada

The Canadian government remains firmly committed to fighting climate change, increasing its 2030 greenhouse gas (GHG) reduction target from 40% to 45% of 2005 levels. Concrete measures are being proposed to achieve this goal, ranging from carbon pricing to the transition to a carbon neutral electricity grid. We expect these measures to have a structural impact on the entire Canadian electricity grid, resulting in a significant increase in demand for electricity from renewable sources.

In Québec, the government and Hydro-Québec continue to focus on wind power to meet future energy needs. Two calls for tenders are underway – 300 MW of wind power and 480 MW of renewable energy – which will only cover a portion of Québec's power needs up to 2029. Hydro-Québec's 2020-2029 Electricity Supply Plan will require new supply ranging from 1.9 TWh in 2026 to 6.9 TWh in 2029. The government intends to earmark a significant portion for wind power. The forecasted needs for Québec are mainly based on the implementation of the Plan for a Green Economy ("PEV"), which forecasts that Québec will reduce its GHG emissions by 37.5% compared to 1990 levels by 2030 and will become carbon neutral by 2050. Projects to export power to the Northeastern United States have to be added to these new domestic needs, namely the CHPE project to power New York City, and the annual 9.45 TWh in power for the Massachusetts export project (NECEC).

France and other European countries

In France, as shown in the following chart, government programs anticipate a substantial and sustained increase in the share of wind and solar power as energy sources over the next decade. From an economic perspective, projects are made to compete against each other through tendering mechanisms, and purchase agreements are negotiated directly with electricity consuming companies. The RTE study published in September 2021, "Futurs Énergétiques 2050," shows that large-scale development of renewable energy, including onshore wind power and solar photovoltaics, will be necessary to achieve carbon neutrality in 2050 and ensure the security of power supplies.



Source: French Energy Transition Law
[1]CAGR: Compound annual growth rate is a supplementary financial measure. For more details, refer to the *Non-IFRS and other financial measures* section of this report.

When announcing its 2025 strategic plan in June 2021, Boralex stated its intention to expand its presence in the coming years to other European countries with high potential for growth, particularly in the solar power segment. The markets of Spain and Sweden represent high-potential markets suitable for the type of development contemplated by Boralex. The Corporation will prioritize these markets as well as the United Kingdom where it is developing both organic and acquisition projects outside France with its partner Infinergy.

A plan built around four strategic directions

Based on the market analysis carried out, Boralex's management built its strategic plan around four main directions and six corporate objectives. To successfully implement its plan, the Corporation relies on its solid expertise and long track record in project development.

UPDATED STRATEGIC DIRECTIONS AND INTEGRATION OF CSR STRATEGY

GROWTH

- **Accelerate our organic growth** to maximize future value creation across our markets
- **Make the US one of our priority markets and diversify our European presence** by targeting a few additional growth markets
- **Take charge of our growth through M&A** and structure our activities to achieve it

DIVERSIFICATION

- **Grow our presence** in the **solar energy sector** and take part in the development of the storage market
- **Anticipate market / technology developments and accelerate the development of our energy marketing skills** in order to optimize our contract portfolio

CUSTOMERS

- **Develop and expand our current customer base** in order to directly supply **electricity-consuming industries** interested in improving their climate footprint
- **Modify our business practices** to focus on customer needs, which vary by territory

OPTIMIZATION

- **Optimize our assets and develop the sustainable performance culture** of our organization
- **Increase the efficiency of corporate services** through simplification, digitization, and automation
- **Use corporate financing and asset management** as integral tools **of our growth**

CORPORATE SOCIAL RESPONSIBILITY

Our corporate social responsibility weaves through all of our strategic directions. It aligns our non-financial performance with ESG criteria and guides our everyday business decisions.

It is a true strategic differentiator to:

- Strengthen trust with our stakeholders
- Promote the well-being of our employees and partners
- Consolidate our social license to operate
- Access new markets and clients
- Strengthen the resilience of our business model in the face of non-financial risks
- Capitalize on opportunities arising from the energy transition
- Enhance our corporate reputation

Ultimately, it allows us to have a strategic plan that goes **beyond renewable energy**.

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

The Corporation intends to accelerate organic growth to maximize future value creation across the identified markets. It wishes to make the United States the priority market and extend its European presence by targeting a few additional growth markets. The Corporation is also seeking to complement organic growth with targeted acquisitions. It has a portfolio of projects at various stages of development, according to clearly identified criteria.

BREAKDOWN OF BORALEX DEVELOPMENT PROJECTS

			CANADA AND UNITED STATES	FRANCE AND OTHERS	TOTAL BORALEX
PIPELINE					
TOTAL 3,243 MW STORAGE 190 MW	EARLY STAGE				
	• Real estate secured • Interconnection available • Confirmation of the project by local communities and regulatory risks		315 MW	315 MW	630 MW
			115 MW	193 MW	308 MW
		PRODUCTION CAPACITY	430 MW	508 MW	938 MW
		STORAGE	190 MW	-	190 MW
	MID STAGE				
	• North America: Preliminary valuation and design to submit a bid under a request for proposals • Europe: Preliminary design and request to obtain administrative authorizations		500 MW	617 MW	1,117 MW
			-	121 MW	121 MW
		PRODUCTION CAPACITY	500 MW	738 MW	1,238 MW
		STORAGE	-	-	-
	ADVANCED STAGE				
	• North America: Project submitted under a request for proposals[1] • Europe: Project authorized by regulatory authorities and submitted under a request for proposals (France)[1] [1] or actively looking for a partner for the Corporate PPA projects		60 MW	162 MW	222 MW
			845 MW	-	845 MW
		PRODUCTION CAPACITY	905 MW	162 MW	1,067 MW
		STORAGE	-	-	-
	TOTAL		875 MW	1,094 MW	1,969 MW
			960 MW	314 MW	1,274 MW
		PRODUCTION CAPACITY	1,835 MW	1,408 MW	3,243 MW
		STORAGE	190 MW	-	190 MW
GROWTH PATH					
TOTAL 647 MW STORAGE 3 MW	SECURED STAGE				
	• North America: Contract win (REC or PPA) and interconnection secured • Europe: Contract win (PPA) and interconnection secured (France); project authorized by regulatory authorities and interconnection secured (Scotland)		100 MW	180 MW	280 MW
			200 MW	13 MW	213 MW
		PRODUCTION CAPACITY	300 MW	193 MW	493 MW
		STORAGE	-	-	-
	UNDER CONSTRUCTION OR READY-TO-BUILD				
	• Permits obtained • Financing in progress • Commissioning date determined • Cleared of any claims (France) • Aproved by Boralex Board of Directors		-	142 MW	142 MW
			-	12 MW	12 MW
		PRODUCTION CAPACITY	-	154 MW	154 MW
		STORAGE	-	3 MW	3 MW
	TOTAL		100 MW	322 MW	422 MW
			200 MW	25 MW	225 MW
		PRODUCTION CAPACITY	300 MW	347 MW	647 MW
		STORAGE	-	3 MW	3 MW

CURRENTLY IN OPERATION 2,492 MW

As at December 31, 2021[1]

[1] And as at February 22 2022

The pipeline comprises projects totalling the equivalent of 3,243 MW, up 99 MW from the end of the third quarter of 2021. The *Growth path* totals 647 MW, down 17 MW from the previous quarter.

The **wind** power segment remains the Corporation's main driver of growth, with a project pipeline totalling 1,969 MW, up 79 MW from the previous quarter. The **solar** power segment pipeline comprises projects totalling 1,274 MW, up 20 MW from the previous quarter. This segment offers high growth potential in Europe and North America.

Note that in France, 137 MW of wind and solar projects were added to the early stage projects pipeline during the fourth quarter for a total addition of 973 MW for fiscal 2021, in addition to 193 MW of storage projects added during the year.

Europe

The Corporation has a portfolio of **wind** power projects at varying stages of completion, equal to a capacity of about 953 MW, up 79 MW from the previous quarter. Building on these achievements, Boralex actively participates in the tendering process for the construction of wind farms in France. For the 2021-2024 period, this process aims to award all feed-in premium contracts in two tranches of 925 MW each every year. Each contract will have a 20-year term as of commissioning. Following the wins under RFPs since they were launched, 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 producer of onshore wind power in France.

The **Moulins du Lohan** project, which was selected under the November 2020 RFP and is covered by a 20-year contract, obtained a favourable decision from the Conseil d'État in its ruling issued on April 15, 2021. As a result, the 65 MW project is included under *Projects under construction or ready to build*. For more information on the ruling of the Conseil d'État, see the *Commitments and contingencies* note to the annual financial statements.

Boralex is also well placed to penetrate the market in Scotland as result of a partnership entered into in October 2017 with Infinergy. A total of 141 MW of projects are included in the Corporation's project portfolio. Furthermore, the 90 MW **Limekiln** project in Scotland was approved in 2019 and is included under secured projects in the Corporation's *Growth path*.

Boralex has a portfolio of **solar** power projects at varying stages of completion, with a capacity of about 314 MW in France, up 20 MW from the previous quarter. Details on the segment's development program are provided in the *Diversification* section of this report.

North America

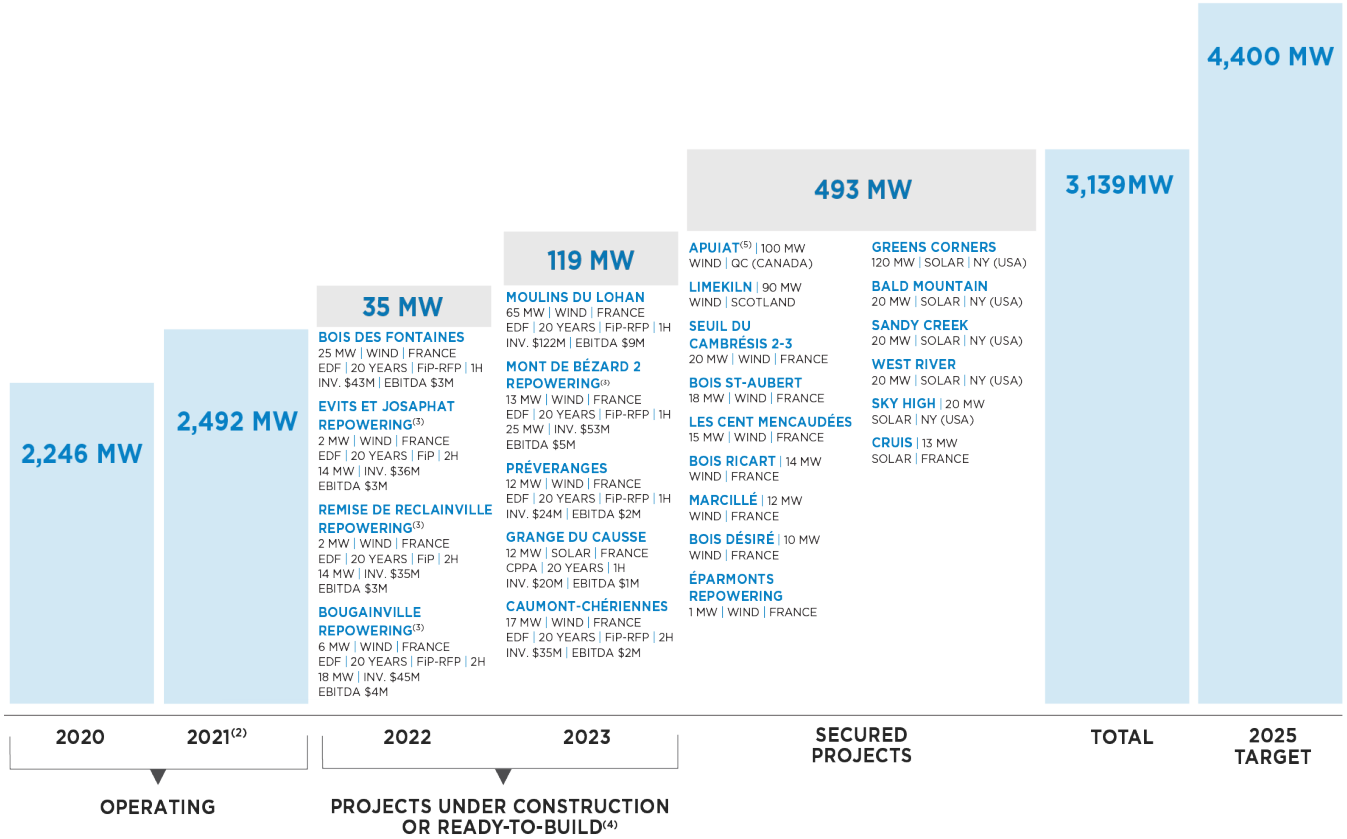
Boralex's portfolio of **wind** power projects in North America represents 875 MW. The signing of a power purchase agreement for the **Apuiat** project in February 2021 marks the recovery of the wind power sector in Québec.

In December 2021, Hydro-Québec called for tenders for 480 MW of renewable energy and 300 MW of wind power as part of its efforts to increase its energy supply amid growing domestic and export demand as well as electrification and carbon neutral projects. The contracts to be entered into with Hydro-Québec will ensure power supplies over the long term, that is, for a target of 30 years with a minimum of 20 years. The State of New York will be sourcing imported energy from Canada, which will increase demand for power in Québec.

The Corporation also has a portfolio of **solar** power projects totalling 960 MW, stable from the previous quarter. Details on the development program for this segment are provided in the *Diversification* section of this report.

Growth path

Installed capacity[1]



(1) Installed capacity of production, excluding the installed capacity of energy storage projects.
(2) As at December 31, 2021 and February 22, 2022.
(3) The Evits et Josaphat repowering project represents a total capacity of 14 MW with an increase of 2 MW, the Remise de Reclainville repowering project represents a total capacity of 14 MW up 2 MW, the Bougainville repowering project represents a total capacity of 18 MW up 6 MW and the Mont de Bézard 2 repowering project represents a total capacity of 25 MW up 13 MW.
(4) Total project investment and estimated annual EBITDA for projects in France have been translated into Canadian dollars at the closing rate on December 31, 2021.
(5) The Corporation holds 50% of the shares of the 200 MW wind power project but does not have control over it.

As shown in the chart above, Boralex had assets in operation with 2,492 MW of installed capacity as at December 31, 2021, up 246 MW from December 31, 2020, mainly following the acquisition of solar power stations in the United States totalling 209 MW, the commissioning of 56 MW of wind and solar power stations and the sale of a wind farm and a thermal power station totalling 16 MW of installed capacity.

Boralex has an additional 30 MW of assets in operation compared with the end of the third quarter of 2021, following the commissioning of two solar power stations and one wind farm during the last few months of 2021.

In France, eight wind power projects, one solar power project and an energy storage project are under construction or have completed all preliminary stages and obtained pre-construction approvals. The wind and solar power projects are all subject to long-term feed-in premium contracts or power purchase agreements with commercial and industrial corporations. These projects will contribute to the Corporation's results when commissioned in 2022 and 2023 as illustrated in the *Growth path*.

Overall, the contribution to EBITDA of *Projects under construction or ready-to-build* is estimated at $32 million, based on total expected production and adjusted using the Canadian dollar exchange rate at the end of the quarter. This amounts to an additional estimated contribution to EBITDA of $23 million, taking into account the estimated EBITDA generated by the wind farms before the repowering work. The implementation of these projects is expected to require total planned investments[1] of about $413 million and planned financing[1] of up to $331 million. As at December 31, 2021, the funds invested[1] in these projects totalled $126 million.

The capacity of *Secured projects* was down 28 MW from the previous quarter, following the inclusion of the **Préveranges** and **Caumont Chériennes** projects as ready to build or under construction.

Commissioning of secured facilities and projects under construction is expected to bring Boralex's installed capacity to 3,139 MW.

The boxed information below provides the *Growth* highlights.

Growth

- Commissioning in France of a wind farm and two solar power stations with a total installed capacity of 30 MW.
- Inclusion of two wind power projects totalling 29 MW under *Projects under construction or ready to build*.
- Addition of wind power projects totalling 71 MW to the preliminary phase of the project portfolio.

Diversification

The Corporation intends to strengthen its presence in the solar power sector and participate in developing storage markets. It is also seeking to accelerate the development of its energy marketing skills in order to optimize its portfolio of contracts.

Boralex is focusing its business diversification efforts on its **solar** power segment. Projects considered to be part of Diversification represent a potential additional capacity of 1,274 MW.

Europe

Boralex has accelerated the development of this segment's initiatives in France with the aim of actively competing in RFPs. Under this process, feed-in premium contracts will be awarded through 2026, of which more than two thirds of the volume is allocated for ground mounted projects above 5 MWac, the market targeted by Boralex. The initial round foresees a capacity of 700 MWac and nine more rounds will take place twice a year until 2025, and then once in 2026, for 925 MWac of capacity.

The Corporation is also active in developing new solar power projects, both ground-based and floating, to be added to its pipeline as well as in prospecting for potential acquisitions. Accordingly, two solar power stations were commissioned during the fourth quarter: **Peyrolles**, a 12 MWac floating solar power project and **La Clé des Champs**, a 9 MWac ground mounted solar power project of which 70% of capacity has been brought on stream.

The Corporation has joined forces with Sun'Agri to develop agrivoltaics in France and Europe and build new solar power stations that protect agricultural operations from increasing challenging weather conditions. This partnership consists of a 10-year framework agreement under which Boralex will work exclusively with Sun'Agri to develop agrivoltaic projects in the European Union.

North America

In North America, as a first step, Boralex is 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 it has a competitive advantage. The Corporation has an office in New York City and employs nearly twenty highly qualified local employees to carry out prospecting, marketing, financing and liaise with communities and governments. They have been supported by the team members in place in Canada for a number of years, who were tasked with responsibilities and priorities related to the development of the State of New York market.

Note that during the third quarter of 2021, Boralex submitted proposals for solar power projects totalling 800 MW under NYSERDA's fifth Tier 1 RFP in the State of New York. The results are expected during the first quarter of 2022.

[1] Total planned investments, planned financing and funds invested are supplementary financial measures. For more details, refer to the *Non-IFRS and other financial measures* section of this report.

Under the Tier 4 RFP in the State of New York, Boralex had an agreement to include in the Clean Path line portfolio projects totalling 200 MWac that were selected under the 2019 Tier 1 RFP. Since the Clean Path NY (CPNY) project was selected under that RFP, Boralex can potentially count on additional revenues from these projects when this line will be completed.

Energy storage

Boralex is 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 and wind power by shifting peak production to periods of high energy demand. It also serves to meet excess requirements during peak periods or when the supply system fails. Its portfolio of projects represents 190 MW in this respect.

Also, during the fourth quarter, the Corporation's second energy storage asset with an installed capacity of 3 MW was added to the *Projects under construction or ready-to-build* phase. It will be located on an existing wind farm.

During the third quarter, the Corporation also submitted bids for energy storage associated with solar power projects under NYSERDA's Tier 1 RFP.

The boxed information below provides the *Diversification* highlights.

Diversification

- Commissioning of the **Peyrolles** solar power station and coming on stream of the **La Clé des Champs** solar power station.
- Addition of solar projects totalling 66 MW to the preliminary phase of the project portfolio.
- Addition of a 12 MW solar power project and a 3 MW energy storage asset to the *Projects under construction or ready-to-build phase*.

Customers

As indicated in its updated strategic plan, the Corporation intends to develop and expand its current clientele to directly supply energy-consuming industries seeking to reduce their carbon footprint. Boralex also wishes to adjust its business practices to focus on customer needs based on geographic location.

The Corporation has deployed commercial teams in France and the United States to serve a wider customer base. The main objective is to sign power purchase agreements directly with electricity-consuming commercial or industrial companies (Corporate PPAs), as well as the gradual addition of complementary services offered to energy transmission networks and large-scale electricity consumers.

During the fourth quarter, the Corporation announced the signing of a power purchase agreement with METRO France, which will enable the financing and construction of the 12 MWac **Grange du Causse** solar power station. With the signing of this first corporate PPA with "additionality", Boralex demonstrates its ability to respond to the need for competitive, green power supply for businesses.

The Corporation has also entered into a three-year electricity supply contract with the L'Oréal group in France, through an existing wind farm.

Note that during the first quarter of 2021, Boralex entered into a new five-year renewable power purchase agreement with IBM France. The signing of such contracts is a testament to Boralex's production quality and industrial expertise in asset maintenance, which have extended the useful life of assets beyond the initial long-term power purchase agreement terms.

During the year, Boralex observed an increase in demand from potential clients owing to the rise in energy prices.

The boxed information below provides the *Customers* highlights.

Customers

- Signing of a 20-year renewable power purchase agreement with METRO France for its electricity consumption (Corporate PPA).
- Signing of a 3-year renewable power purchase agreement with L'Oréal in France for its electricity consumption (Corporate PPA).

Optimization

This strategic direction has three main components:

- Optimize our assets and promote our organization's sustainable performance culture;
- Use corporate financing, including sustainable financing, and partnerships to promote our growth;
- Increase the efficiency of corporate services through simplification, digitalization, and automation.

Boralex's first initiatives focus on the optimization of existing assets. These are concrete actions to increase performance and reduce both operating and financing costs.

In particular, this resulted in repowering initiatives for certain wind farms in France. Note that four *Growth path* projects that are in the *Projects under construction or ready-to-build* phase aim to replace existing wind turbines with new equipment (repowering) for wind farms with power purchase agreements that have expired or will expire over the next few years. This initiative will substantially increase installed capacity and is expected to result in an additional contribution to annual EBITDA and a new 20-year contract.

Construction for the **Mont de Bézard 2 Repowering** project was started while work continued on three other repowering projects. The **Éparmonts Repowering** project is in the secured phase since the second quarter of 2021. Following repowering work, these five projects will increase their total installed capacity from 60 MW to 84 MW, an increase of 24 MW. These projects will benefit from more high-performance equipment and a new 20-year feed-in premium contract.

Boralex intends to take over and perform service and maintenance work in-house for assets in several wind farms in Canada, currently under external maintenance contracts. During the fourth quarter of 2021, the Corporation also repatriated service and maintenance work in-house for assets with a total installed capacity of 161 MW in Canada.

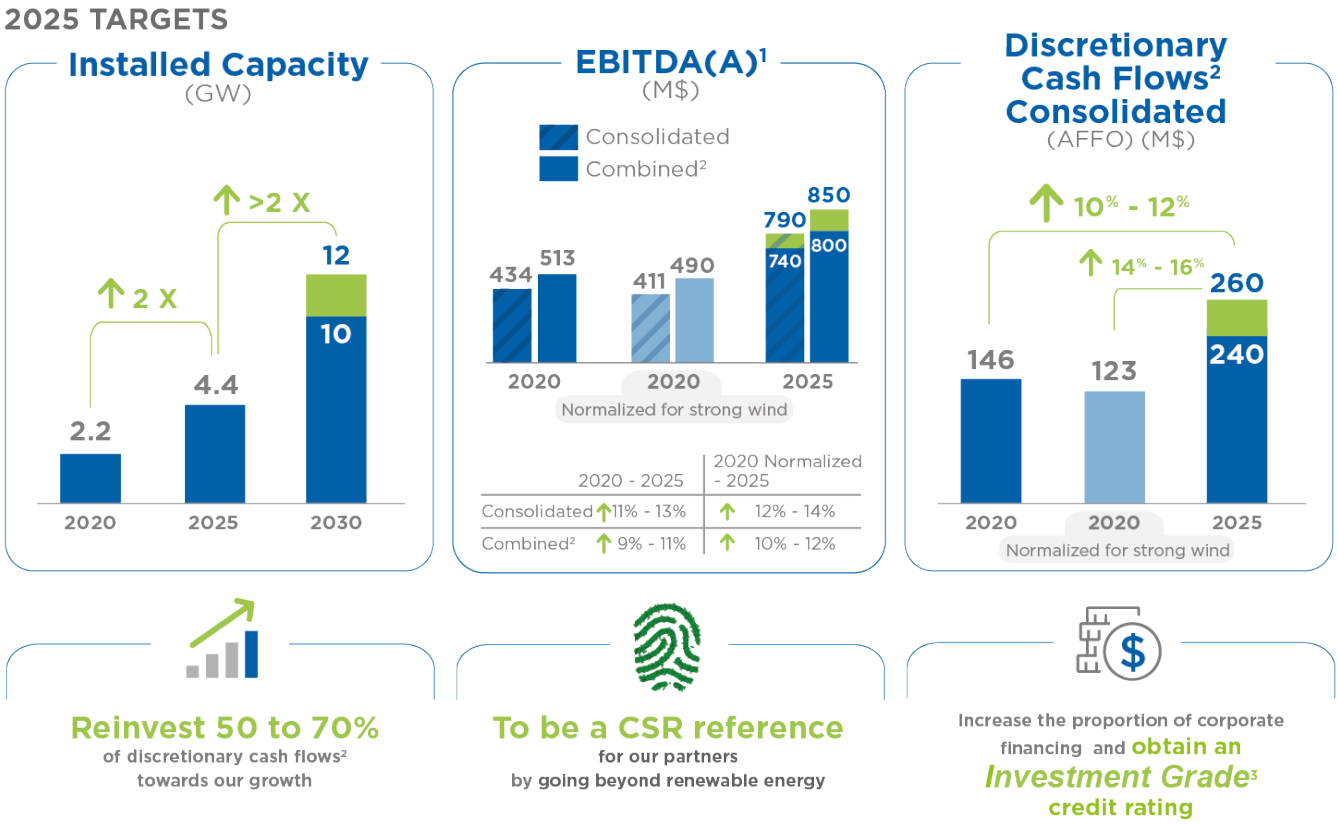
In June 2021, the Corporation announced the signing of long-term maintenance contracts with Vestas for its assets equipped with Vestas wind turbines that are currently operating (328 MW). The term of these contracts coincides with that of power purchase agreements specific to these wind farms. These contracts will allow Boralex to benefit from competitive operating costs, production commitments in line with its optimization strategy and an optimal allocation of Boralex maintenance teams across its 1 GW of operating assets. They also guarantee availability, ensure maximum effectiveness and maintain connections with Boralex's host regions. Internal teams dedicated to operational excellence will continue to track the performance of all of Boralex's assets in France, including those serviced by Vestas.

On September 29, 2021, the Corporation obtained a five-year extension to September 29, 2026 for its revolving credit facility. Including Export Development Canada's guaranteed letter of credit facility, the total authorized amount is $525 million. The facility also includes an amount of $150 million under an accordion clause that can be drawn as needed. This renewal resulted in an enhancement of lines of credit as well as favourable amendments and adjustments to the general terms and conditions.

The boxed information below provides the *Optimization* highlights.

Optimization

- Start of construction work on the **Mont de Bézard 2 Repowering** project.
- Optimization of service and maintenance for wind farms in Canada with a total installed capacity of 161 MW (of which Boralex's share is 119 MW).



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.

Boralex is also maintaining the same approach that has contributed to its success to date, which consists in relying primarily on predictable cash flows through long-term, indexed, fixed-price energy sales contracts or feed-in premium contracts setting floor prices with financially solid corporations (including EDF, Hydro-Québec, Ontario ISO, NYISO and BC Hydro). These contracts do not contain a price adjustment or production clause for situations such as the COVID-19 pandemic. As at December 31, 2021, 99% of the Corporation's installed capacity was covered under contracts with a weighted average remaining term of 13 years.

Lastly, significant efforts were made in recent quarters to formalize Boralex's Corporate Social Responsibility (CSR) strategy and its position regarding ESG (environmental, social and governance) criteria. Boralex management has also decided to integrate the CSR strategy in its corporate objectives for 2025. This plan will allow Boralex to accelerate its development initiatives in the high-growth renewable energy sector. This development will be carried out in a disciplined manner and with the utmost respect for environmental, social and corporate governance criteria. Our primary objective is to become the leading CSR reference for our partners by going beyond renewable energy.

[1] EBITDA(A) is a total of segment measures. For more details, see the *Non-IFRS and other financial measures* section in this report.
[2] Combined basis and discretionary cash flows are non-GAAP measures and do not have a standardized meaning under IFRS. Accordingly, they may not be comparable to similarly named measures used by other companies. For more details, see the *Non-IFRS and other financial measures* section in this report.
[3] Minimum corporate credit rating of BBB.

E
ENVIRONMENT

Growing in a Sustainable and Resilient Manner

- Greenhouse Gas Emissions (scopes 1 and 2)
- Responsable Resource Utilization
- Biodiversity
- Adapting to Climate Change

S
SOCIETY

Respect our People, our Planet and our Community

- Inclusion, Diversity and Equal Opportunities
- Health and Safety
- Local Communities and Territories Consultation and Engagement

G
GOVERNANCE

Leading Through Example

- Responsible Corporate Governance
- Ethics in Business and Behaviour
- Responsible Procurement

Corporate objectives for 2025 - 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 financial criteria included in the corporate objectives for 2025.

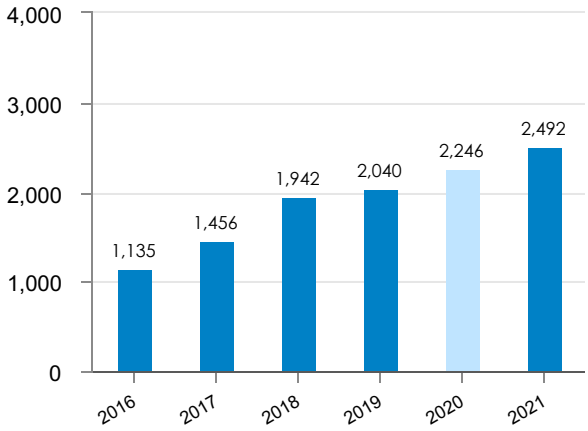
1. Double 2020 installed capacity between 2020 and 2025

Boralex's installed capacity increased from 1,135 MW as at December 31, 2016 to 2,492 MW as at December 31, 2021, which represents compound annual growth of **17%** for this five-year period. This growth has been achieved both organically and through acquisitions. Since the end of fiscal 2020, Boralex's installed capacity has grown by 246 MW.

Installed capacity

(in MW)

Compound annual growth rate[1]: 17%



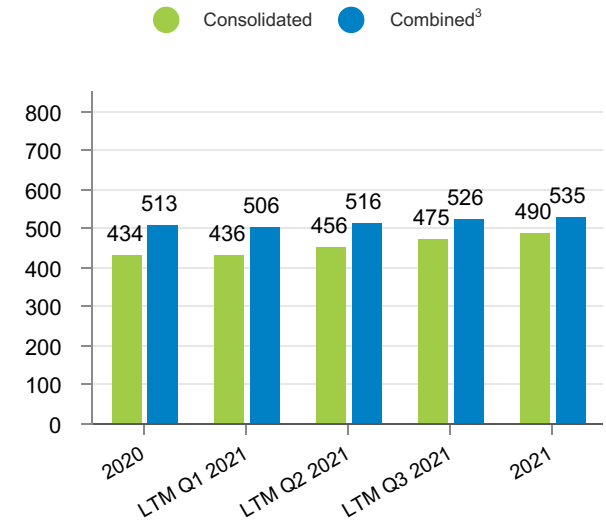
2. Achieve $740 million to $790 million of consolidated EBITDA(A), or $800 million to $850 million of EBITDA(A) on a Combined basis, by 2025

EBITDA(A) amounted to $152 million on a Consolidated basis and $163 million on a Combined basis for the three-month period ended December 31, 2021, compared with $137 million and $155 million, respectively, for the corresponding quarter of 2020. These differences stemmed mainly from the contributions of commissioned and acquired facilities, which largely offset lower volumes, mainly for comparable assets in the wind power segment.

EBITDA(A) amounted to $490 million on a Consolidated basis and $535 million on a Combined basis for the year ended December 31, 2021 compared with $434 million and $513 million, respectively, for fiscal 2020. This change was mainly due to the growth of the Corporation.

EBITDA(A)[2]

(in millions of Canadian dollars)



[1] Compound annual growth rate is a supplementary financial measure. For more details, see the *Non-IFRS and other financial measures* section in this report.

[2] EBITDA(A) is a total of segment measures. For more details, see the *Non-IFRS and other financial measures* section in this report.

[3] Combined basis is a non-GAAP financial measure and does not have a standardized meaning under IFRS. Accordingly, it may not be comparable to similarly named measures used by other companies. For more details, see the *Non-IFRS and other financial measures* section in this report.

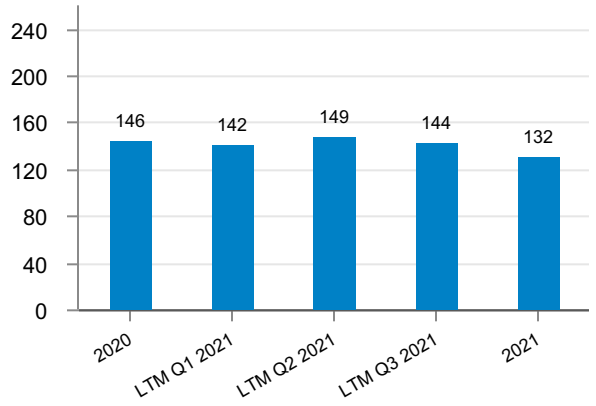
3. Generate $240 million to $260 million in discretionary cash flows by 2025

Discretionary cash flows amounted to $58 million for the three-month period ended December 31, 2021 compared with $67 million for the corresponding quarter of fiscal 2020.

For the year ended December 31, 2021, discretionary cash flows reached $132 million compared with $146 million for the year ended December 31, 2020. This $14 million decrease is explained by lower volumes in 2021 mainly for comparable assets in the wind power segment. It should be recalled that during the first quarter of 2020, discretionary cash flows benefited from wind production well above anticipated levels in France.

Discretionary cash flows[1]

(in millions of Canadian dollars)

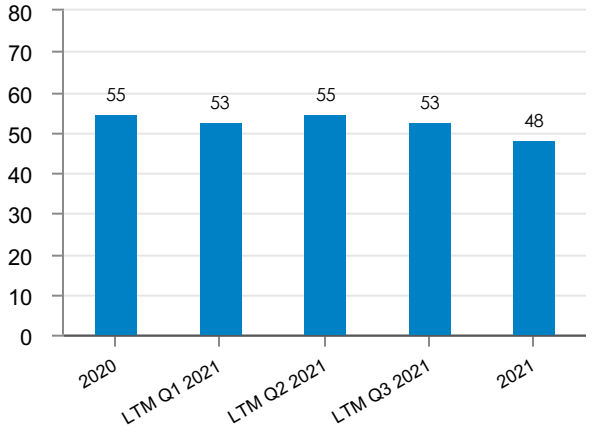


4. Reinvest 50% to 70% of discretionary cash flows in growth

For the year ended December 31, 2021, the reinvestment ratio[2] stood at 48%, close to the target range of 50% to 70%.

Reinvestment ratio[2]

(as a %)



[1] Discretionary cash flows is a non-GAAP measure and does not have a standardized meaning under IFRS. Accordingly, it may not be comparable to similarly named measures used by other companies. For more details, see the *Non-IFRS and other financial measures* section in this report.

[2] Reinvestment ratio is a non-GAAP ratio and does not have a standardized meaning under IFRS. Accordingly, this ratio may not be comparable to similarly named measures used by other companies. For more details, see the *Non-IFRS and other financial measures* section in this report.

5. Be the leading CSR reference for our partners

Boralex published its first separate corporate social responsibility (CSR) report in 2021 with a second separate report to be published along with the 2021 Annual Report. This report illustrates the disciplined approach taken by the Corporation in developing its CSR strategy, which is also well aligned with its strategic plan as well as its corporate objectives. The Corporation consulted all of its stakeholders to identify the priority issues for which specific action plans have been developed and will be implemented over the coming years. Ten priorities have been identified and are presented in the report under three separate headings: Leading through example, Making renewable energy in a sustainable and resilient manner, and Respect our people, our planet and our community. To accelerate implementation of its CSR strategy and ensure a smooth and disciplined deployment, Boralex hired, in mid-April, a CSR director reporting directly to the President and CEO. Also created in 2021, the CSR committee brings together all the leaders responsible for one of the 10 CSR priorities and who represent Boralex's geographic diversity.

In 2021, Boralex made disclosures to various third parties:

- EcoVadis, a sustainability and CSR ratings organization, which awarded a silver medal to Boralex for its commitment and placed it in the 92nd percentile in its industry.
- The Institutional Shareholder Services group of companies' (ISS) ESG Corporate Rating, for which Boralex obtained a B- rating and Prime status. A company is ranked as Prime if it achieves or exceeds the sustainability performance requirements as defined by ISS ESG for a given industry.
- S&P Global Corporate Sustainability Assessment (CSA), an annual assessment of corporate sustainability practices, which covers over 10,000 businesses across the world and focuses on sustainability criteria that are both industry-specific and financially material. In 2021, Boralex received an overall score of 38/100, which matches the average score in its industry.
- CDP, formerly the Carbon Disclosure Project, which runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts and is considered the global benchmark for environmental information. In 2021, Boralex received a D score. Note that this score for this benchmark does not take into account important environmental initiatives implemented during 2021, particularly the quantification of Boralex's CO2 emissions and the work begun to assess the impacts of climate change on the Corporation.
- Board Games, a ranking of Canadian corporate boards compiled by The Globe and Mail using a set of governance criteria that go well beyond the rules imposed by regulatory organizations. Researchers from University of Toronto's David and Sharon Johnston Centre for Corporate Governance Innovation evaluated the work of the boards of 220 S&P/TSX Composite Index companies and trusts for the quality of their governance practices. Boralex placed 105th in this prestigious Canadian ranking, up from rank 125 in 2020.

We evaluate the results of each external benchmark to identify areas for continuous improvement to drive the ongoing evolution of our CSR strategy.

E
ENVIRONMENT

Making Renewable Energy in a Sustainable and Resilient Manner

Greenhouse gases: Calculated scope 1 and 2 GHS for years 2019-2021. Defined the CO_2 tonnes objectives avoided annually by 2025 through our renewable energy production.

Adapt to climate change: Formed an internal working group to pilot integration of recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Voluntary training for all employees on the impacts of climate change and COP26 conclusions.

S
SOCIETY

Respect our People, our Planet and our Community

Consult with communities: Rolled out internal training on indigenous cultures with a completion rate of 96% in Canada and 93% for all North America. Participated in a DUNOD book on the management of social and territorial acceptability of renewable energy.

Inclusion, diversity and equal opportunities: Signed on to the Equal by 30 campaign.

G
GOVERNANCE

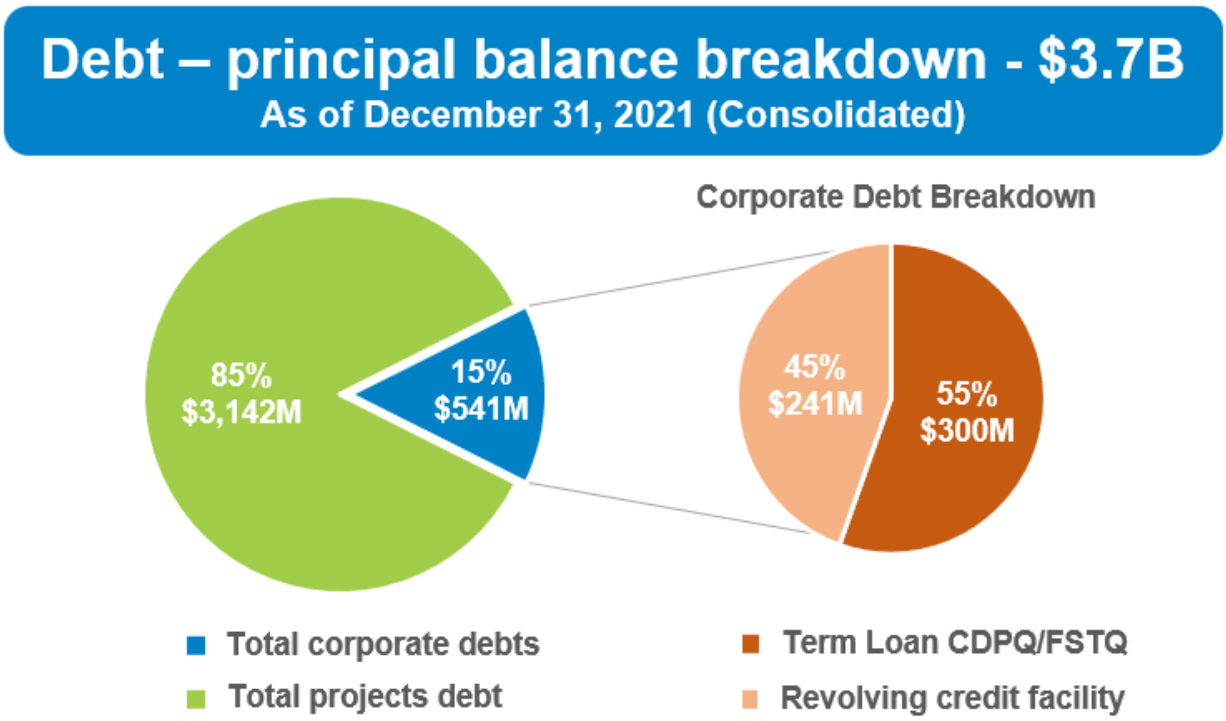
Leading Through Example

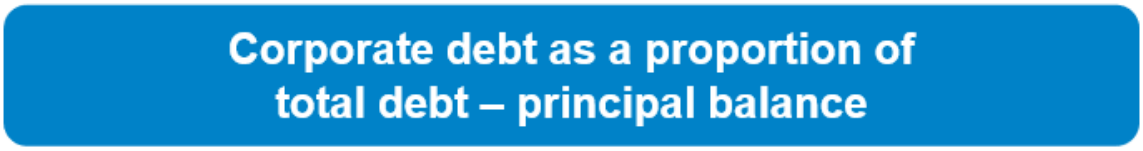
Responsible sourcing: Finalized review of Responsible Sourcing Charter to be rolled out starting Q1 2022.

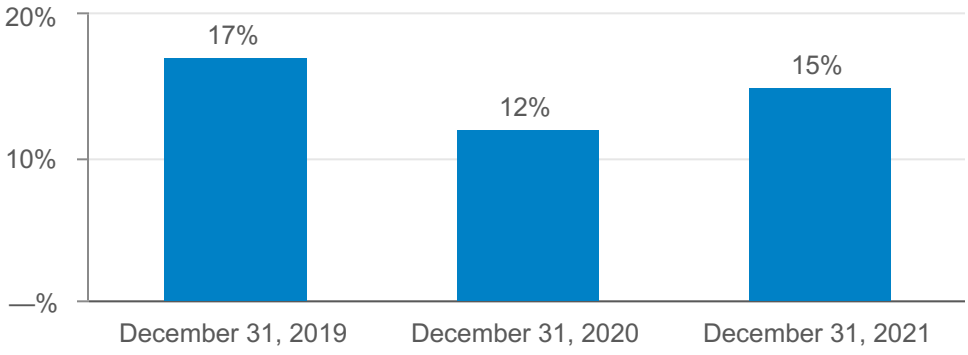
6. Increase the portion of corporate financing, including sustainable financing, and obtain an investment grade credit rating

Boralex intends to make greater use of corporate financing by slightly reducing its use of project financing and by obtaining a prime investment grade credit rating from at least one recognized credit rating agency. In addition to more diversified access to financial markets, this type of financing has other advantages compared with project financing, as it is generally subject to fewer restrictions, thereby reducing the need to build up financial reserves, increasing financial flexibility and allowing Boralex to better use the cash generated by the operation of its facilities. Also, although the terms are shorter, corporate financing generally costs less and does not require principal repayments before maturity.

Also, during the third quarter, the Corporation renewed its $525 million revolving credit facility for a residual five-year term with an amount of $150 million under an accordion clause that can be drawn as needed. This renewal has resulted in a lower interest rate, facilitates development in the United States and the flow of cash generated by the operation of U.S. facilities. The credit facility qualified as a sustainability-linked financing for which annual ESG objectives must be met. This is Boralex's first sustainability-linked financing.







Analysis of results, cash position and financial position - Consolidated

Segment and geographic financial information for the three-month periods and years ended December 31

	Three-month periods ended December 31				Years ended December 31			
	2021	2020	Change		2021	2020	Change	
(in millions of Canadian dollars, unless otherwise specified)			GWh or $	%			GWh or $	%
POWER PRODUCTION (GWh)[1]	**1,492**	**1,468**	**24**	**2**	**5,552**	**4,727**	**825**	**17**
Wind power stations	1,168	1,228	(60)	(5)	4,135	3,794	341	9
Canada	555	513	42	8	1,987	1,456	531	36
France	613	715	(102)	(14)	2,148	2,338	(190)	(8)
Hydroelectric power stations	223	186	37	20	789	746	43	6
Canada	91	115	(24)	(21)	382	409	(27)	(7)
United States	132	71	61	85	407	337	70	21
Solar power stations	81	3	78	>100	483	21	462	>100
United States	76	—	76	—	461	—	461	—
France	5	3	2	40	22	21	1	4
Thermal power stations[2]	20	51	(31)	(60)	145	166	(21)	(12)
REVENUES FROM ENERGY SALES AND FEED-IN PREMIUM	**192**	**193**	**(1)**	**(1)**	**671**	**619**	**52**	**8**
Wind power stations	164	170	(6)	(3)	542	526	16	3
Canada	72	71	1	2	259	210	49	23
France	92	99	(7)	(7)	283	316	(33)	(11)
Hydroelectric power stations	18	15	3	20	64	63	1	2
Canada	9	10	(1)	(16)	36	40	(4)	(10)
United States	9	5	4	>100	28	23	5	23
Solar power stations	7	—	7	>100	44	5	39	>100
United States	6	—	6	—	39	—	39	—
France	1	—	1	41	5	5	—	2
Thermal power stations[2]	3	8	(5)	(64)	21	25	(4)	(18)
EBITDA(A)[3]	**152**	**137**	**15**	**10**	**490**	**434**	**56**	**13**
Wind power stations	152	155	(3)	(2)	475	464	11	2
Canada	71	74	(3)	(5)	248	210	38	17
France	81	81	—	—	227	254	(27)	(10)
Hydroelectric power stations	13	10	3	30	47	45	2	4
Canada	6	7	(1)	(17)	27	30	(3)	(12)
United States	7	3	4	>100	20	15	5	39
Solar power stations	5	1	4	>100	37	3	34	>100
United States	4	—	4	—	33	—	33	—
France	1	1	—	—	4	3	1	3
Thermal power stations[2]	—	—	—	(44)	4	2	2	59
Corporate and eliminations	(18)	(29)	11	35	(73)	(80)	7	9

[1] Includes compensation following electricity production limitations imposed by clients.

[2] On May 1, 2021, the Corporation disposed of the Blendecques cogeneration power station, its last fossil energy production asset, thus becoming a 100% renewable energy producer.

[3] EBITDA(A) is a total of segment measures. For more details, see the *Non-IFRS and other financial measures* section in this report.

Analysis of consolidated operating results for the three-month period ended December 31, 2021

23% increase in operating income and 10% growth in EBITDA(A), driven in large part by expansion in the Corporation's operating base.

The following table shows the main differences in production, revenues from energy sales and FiP, and EBITDA(A):

(in millions of Canadian dollars, except as otherwise stated)	Production (GWh)	Energy sales and FiP	EBITDA(A)[1]
Consolidated			
Three-month period ended December 31, 2020	1,468	193	137
Acquisitions[2]	196	19	13
Commissioning, temporary shutdown and disposition [2]	36	5	9
Pricing, power purchase agreements and FiP	—	8	8
Volume	(208)	(27)	(27)
Foreign exchange effect	—	(7)	(5)
Other	—	1	17
Three-month period ended December 31, 2021	**1,492**	**192**	**152**
Wind power stations			
Three-month period ended December 31, 2020	1,228	170	155
Acquisitions[2]	120	12	9
Commissioning and temporary shutdown[2]	47	9	9
Pricing, power purchase agreements and FiP	—	8	8
Volume	(227)	(28)	(28)
Foreign exchange effect	—	(7)	(6)
Other	—	—	5
Three-month period ended December 31, 2021	**1,168**	**164**	**152**
Hydroelectric power station			
Three-month period ended December 31, 2020	186	15	10
Volume	37	2	2
Other	—	1	1
Three-month period ended December 31, 2021	**223**	**18**	**13**
Solar power stations			
Three-month period ended December 31, 2020	3	—	1
Acquisitions[2]	76	7	4
Commissioning[2]	1	—	—
Volume	1	—	—
Three-month period ended December 31, 2021	**81**	**7**	**5**
Thermal power stations			
Three-month period ended December 31, 2020	51	8	—
Disposition[2]	(12)	(4)	—
Volume	(19)	(1)	(1)
Other	—	—	1
Three-month period ended December 31, 2021	**20**	**3**	**—**
Corporate and eliminations			
Three-month period ended December 31, 2020			(29)
Foreign exchange effect			1
Other			10
Three-month period ended December 31, 2021			**(18)**

[1] EBITDA(A) is a total of segment measures. For more details, see the *Non-IFRS and other financial measures* section in this report.
[2] See the *Changes in the portfolio in operation* table in the *Overview of past three fiscal years* section.

Acquisitions, commissioning and disposition

In the **wind** power segment, the acquisition in **Canada** of the CDPQ's 49% interest in the LP I and DM I and II wind farms in the fourth quarter of 2020 added 120 GWh to production, $12 million to revenues from energy sales and FiP, and $9 million to EBITDA(A).

In **France**, the commissioning of new facilities and the resumption of operations at the Cham Longe I wind farm after a temporary shutdown (see *Changes in the portfolio in operation* table in the *Overview of past three fiscal years* section) added 47 GWh to production and $9 million to revenues from energy sales and FiP, and EBITDA(A).

In the **solar** power segment, the acquisition of interests in facilities in the **United States** in the first quarter of 2021 added 76 GWh to production, $7 million to revenues from energy sales and FiP, and $4 million to EBITDA(A).

Volume

The **wind** power segment experienced less favourable wind conditions in both France and in Canada. As a result, comparable assets recorded a decline of 20% or 227 GWh in production volume, which gave rise to an unfavourable difference of $28 million for both revenues from energy sales and FiP, and EBITD(A).

In the **hydroelectric** segment, better water flow conditions allowed the U.S. power stations to double their production to 132 GWh, offsetting the 21% decline in volume at Canadian facilities and resulting in favourable differences of 37 GWh for production and $2 million for both revenues from energy sales and FiP, and EBITDA(A).

Pricing, power purchase agreements and FiP

During the three-month period ended December 31, 2021, the Corporation generated higher revenues from energy sales for facilities earning feed-in premiums, given higher market prices in France. Given the structure of feed-in premium contracts for wind farms in operation, the Corporation is not required to repay the difference between the market price and the benchmark tariff for the feed-in premium when the cumulative amount paid by the Corporation equals the cumulative feed-in premiums received.

Other

The $17 million favourable difference in EBITDA(A) resulted mainly from an $8 million decline in payroll and a $6 million decrease in the maintenance expense.

Reconciliation between EBITDA(A) and operating income

For the three-month period ended December 31, 2021, the Corporation recorded operating income of $74 million, an increase of $14 million from $60 million for the corresponding period of 2020. EBITDA(A) also increased by $15 million from $137 million to $152 million.

Relationship between revenues and costs

Excluding the acquisitions, the facilities commissioned and the resumption of operations following repowering projects, revenues from energy sales and FiP declined 18% in the fourth quarter of 2021 compared with a year earlier, taking into account less favourable weather conditions while operating expenses decreased by about 33%, primarily due to savings on maintenance, taxes and the short-term incentive plan.

Net earnings

Overall, for the three-month period ended December 31, 2021, Boralex recognized net earnings of $20 million, compared with $30 million for the same period of 2020.

As shown in the accompanying table, for the fourth quarter of 2021, the Corporation reported net earnings attributable to shareholders of Boralex of $17 million or $0.17 per share (basic and diluted), compared with $25 million or $0.24 per share (basic and diluted) for the corresponding period of 2020.

Main differences in net income attributable to shareholders of Boralex

(in millions of Canadian dollars)

Net earnings for the three-month period ended December 31, 2020	25
EBITDA(A)[1]	15
Excess of the interest over the net assets of Joint Venture SDB I	8
Change in fair value of a derivative included in the share of Joint Ventures	(6)
Amortization	(13)
Impairment	4
Acquisition costs	4
Financing costs	(7)
Income taxes	(18)
Non-controlling shareholders	2
Other gains	1
Other	2
Change	(8)
Net earnings for the three-month period ended December 31, 2021	17

[1] EBITDA(A) is a total of segment measures. For more details, see the *Non-IFRS and other financial measures* section in this report.

The $8 million unfavourable difference resulted mainly from:

- A $13 million increase in the amortization expense related to the expansion in the Corporation's operating base, partly offset by exchange rate differences;
- A $7 million increase in financing costs, also due to the expansion in the operating base;
- An $18 million increase in the income tax expense attributable to the increase in income for the three-month period, non-deductible expenses and the provision for impairment for certain losses of a subsidiary in France;
- A $6 million unfavourable difference in fair value of a derivative included in the joint ventures.

Partly offset by:

- A $15 million increase in EBITDA(A);
- An $8 million favourable difference resulting from the change in the Excess of the interest over the net assets of Joint Venture SDB I;
- A $4 million favourable difference resulting from the higher impairment loss recorded in 2020 compared with 2021; and
- A $4 million favourable difference resulting from acquisition costs recorded in 2020.

Analysis of consolidated operating results for the year ended December 31, 2021

7% increase in operating income and 13% growth in EBITDA(A), driven in large part by expansion in the Corporation's operating base.

(in millions of Canadian dollars, except as otherwise stated)	Production (GWh)	Energy sales and FiP	EBITDA(A)[1]
Consolidated			
Year ended December 31, 2020	4,727	619	434
Acquisitions[2]	1,136	110	96
Commissioning, temporary shutdown and disposition[2]	163	21	22
Volume	(474)	(66)	(66)
Foreign exchange effect	—	(10)	(5)
Other	—	(3)	9
Year ended December 31, 2021	**5,552**	**671**	**490**
Wind power stations			
Year ended December 31, 2020	3,794	526	464
Acquisitions[2]	675	71	63
Commissioning and temporary shutdown[2]	174	25	22
Volume	(508)	(68)	(68)
Exchange rate effect	—	(7)	(6)
Other	—	(5)	—
Year ended December 31, 2021	**4,135**	**542**	**475**
Hydroelectric power station			
Year ended December 31, 2020	746	63	45
Volume	43	2	2
Foreign exchange effect	—	(3)	—
Other	—	2	—
Year ended December 31, 2021	**789**	**64**	**47**
Solar power stations			
Year ended December 31, 2020	21	5	3
Acquisitions[2]	461	39	33
Commissioning[2]	1	—	—
Other	—	—	1
Year ended December 31, 2021	**483**	**44**	**37**
Thermal power stations			
Year ended December 31, 2020	166	25	2
Disposition[2]	(12)	(4)	—
Volume	(9)	—	—
Other	—	—	2
Year ended December 31, 2021	**145**	**21**	**4**
Corporate and eliminations			
Year ended December 31, 2020			(80)
Foreign exchange effect			1
Other			6
Year ended December 31, 2021			**(73)**

[1] EBITDA(A) is a total of segment measures. For more details, see the *Non-IFRS and other financial measures* section in this report.
[2] See the *Changes in the portfolio in operation* table in the *Overview of past three fiscal years* section.

Acquisitions, commissioning and disposition

In the **wind** power segment, the acquisition, in **Canada,** of the CDPQ's 49% interest in the LP I and DM I and II wind farms in the fourth quarter of 2020 added 675 GWh to production, $71 million to revenues from energy sales and FiP, and $63 million to EBITDA(A).

In **France**, the commissioning of new facilities and the resumption of operations at the Cham Longe I wind farm after a temporary shutdown (see *Changes in the portfolio in operation* table in the *Overview of past three fiscal years* section) added 174 GWh to production, $25 million to revenues from energy sales and FiP, and $22 million to EBITDA(A).

In the **solar** power segment, the acquisition of interests in facilities in the **United States** in the first quarter of 2021 added 461 GWh to production, $39 million to revenues from energy sales and FiP, and $33 million to EBITDA(A).

Volume

The **wind** power segment experienced less favourable wind conditions in both France and Canada. As a result, comparable assets recorded a decline of 14% or 508 GWh in production volume, giving rise to an unfavourable difference of $68 million for both revenues from energy sales and FiP, and EBITDA(A).

In the **hydroelectric** power segment, better water flow conditions in the second half of 2021 allowed the U.S. power stations to offset the 7% decline in volume at Canadian facilities, resulting in favourable differences of 6% or 43 GWh for production and $2 million for both revenues from energy sales and FiP, and EBITDA(A).

Other

The $9 million favourable difference in EBITDA(A) resulted mainly from an $8 million decline in payroll and a $5 million decrease in the maintenance expense, partly offset by $6 million unfavourable difference in the *Share of Joint Ventures and associates*.

Reconciliation between EBITDA(A) and operating income

For the year ended December 31, 2021, the Corporation recorded EBITDA(A) of $490 million, an increase of $56 million from $434 million for the corresponding period of 2020. Operating income increased by $10 million from $172 million in 2020 to $182 million in 2021. The $46 million difference between the two measures was mainly attributable to the $60 million increase in amortization and the $3 million decrease in impairment between the two fiscal years.

Relationship between revenues and costs

Excluding the acquisitions, the facilities commissioned and the resumption of operations following repowering projects, revenues from energy sales and FiP declined 14% in fiscal 2021 compared with last year, taking into account less favourable weather conditions for the wind power segment while operating expenses decreased by about 15%, primarily due to savings on maintenance, taxes, leases and the short-term incentive plan.

Net earnings

Overall, for the year ended December 31, 2021, Boralex recognized net earnings of $26 million, compared with net earnings of $61 million for 2020.

As shown in the table below, the Corporation reported net earnings attributable to shareholders of Boralex of $17 million or $0.16 per share (basic and diluted) for fiscal 2021, compared with net earnings attributable to shareholders of Boralex of $55 million or $0.55 per share (basic and diluted) in 2020.

Main changes in net earnings attributable to shareholders of Boralex

(in millions of Canadian dollars)

Net earning for the year ended December 31, 2020	55
EBITDA(A)[1]	56
Excess of the interest over the net assets of Joint Venture SDB I	(12)
Change in fair value of a derivative included in the share of Joint Ventures	2
Amortization	(60)
Impairment	3
Financing costs	(31)
Income taxes	(13)
Non-controlling shareholders	(3)
Other gains	5
Other	15
Change	(38)
Net earnings for the year ended December 31, 2021	17

[1] EBITDA(A) is a total of segment measures. For more details, see the *Non-IFRS and other financial measures* section in this report.

The $38 million unfavourable difference resulted mainly from:

- A $60 million increase in the amortization expense related to the expansion in the Corporation's operating base, partly offset by the revision of estimated useful lives of certain equipment and exchange rate fluctuations;
- A $31 million increase in financing costs, also due to the expansion in the operating base;
- A $12 million unfavourable difference resulting from the Excess of the interest over the net assets of Joint Venture SDB I;
- A $13 million increase in income tax expense mainly attributable to non-deductible expenses and the provision for impairment for certain losses of a subsidiary in France.

Partly offset by:

- A $56 million increase in EBITDA(A);
- A $3 million favourable difference resulting from the higher impairment loss recorded in 2020 compared with 2021;
- A $15 million favourable difference in *Other*, attributable to a loss on financial instruments recorded in 2020 as well as a loss on deemed disposal of the repurchase of interests in the LP1 and DM I and II wind farms.

Cash flows

Cash flows for the year ended December 31, 2021 reflected the Corporation's capacity to generate net cash flows related to operating activities, through its growth strategy, comparable with the same period of 2020 despite less favourable weather conditions overall for comparable assets.

(in millions of Canadian dollars) (unaudited)	2021	2020
Net cash flows related to operating activities	345	362
Net cash flows related to investing activities	(433)	(247)
Net cash flows related to financing activities	75	—
Translation adjustment on cash and cash equivalents	(6)	7
NET CHANGE IN CASH AND CASH EQUIVALENTS	(19)	122
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	275	153
CASH AND CASH EQUIVALENTS – END OF YEAR	256	275

For the three-month period ended December 31, 2021

Operating activities

During the fourth quarter of 2021, net cash flows related to operating activities generated $81 million, comprising cash flows from operations[1] of $116 million and an unfavourable difference in non-cash operating items of $35 million.

Investing activities

Net cash flows related to investing activities represent a cash outflow of $60 million for the fourth quarter following the addition of property, plant and equipment of $32 million and the payment in deposits totalling $61 million for facilities under construction. During the quarter, the Corporation received repayment of the $31 million advance made to a non-controlling shareholder, namely Six Nations, for their investment in FWRN LP's equity.

Financing activities

As part of its financing activities, the Corporation drew down $79 million from its revolving credit facility and $13 million from the construction facility of the Boralex Energy Investments portfolio and repaid $76 million on its non-current debt. The Corporation also paid $4 million in lease liabilities, $7 million in distributions to non-controlling shareholders and $17 million in dividends to shareholders of Boralex. Net cash flows related to financing activities represent a cash outflow of $14 million for the fourth quarter of 2021.

Net change in cash and cash equivalents

Total cash movements in the fourth quarter of 2021 resulted in an $8 million increase, bringing *Cash and cash equivalents* to $256 million as at December 31, 2021.

For the year ended December 31, 2021

Operating activities

Excluding non-cash net earnings items, the $25 million increase in cash flows from operations for fiscal 2021 compared with fiscal 2020 resulted in particular from growth of $56 million in EBITDA(A), as discussed above. This increase was partially offset by a $21 million increase in *Interest paid*, owing primarily to the acquisition of the CDPQ's interest in the three wind farms in Québec at the end of 2020 and the interests in solar power stations in the United States, and a $12 million decrease in *Distributions received from the Joint Ventures and associates* and a $9 million increase in *Income taxes paid*.

[1] Cash flows from operations is a non-GAAP financial measure and does not have a standardized meaning under IFRS. Accordingly, it may not be comparable to similarly named measures used by other companies. For more details, see the Non-IFRS and other financial measures section in this report.

Distributions received from the Joint Ventures and associates

(in millions of Canadian dollars)	2021	2020	Change $
SDB I and II	16	16	—
LP II and Roncevaux	4	4	—
DM I and II and LP I [1]	—	12	(12)
	20	32	(12)

[1] On November 30, 2020, the Corporation acquired control of these entities, which were subsidiaries as at December 31, 2021.

Funds used after changes in non-cash operating items amounted to $18 million in fiscal 2021, owing primarily to an increase in *Trade and other receivables* related to account receivables from Joint Ventures for maintenance performed by the Corporation.

Operating activities generated net cash inflows totalling $345 million for fiscal 2021, compared with $362 million for the prior year.

Investing activities

Investing activities for the year ended December 31, 2021 used cash amounting to $433 million compared with $247 million in 2020. In particular, the Corporation invested $106 million in additions to property, plant and equipment as broken down below and paid $61 million in deposits for construction sites. In addition, in the first quarter of 2021, the Corporation paid $274 million, net of cash acquired, to acquire interests in solar power stations in the United States and invested $6 million in the Joint Venture for the **Apuiat** project.

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

(in millions of Canadian dollars)	Canada	Europe	United States	**Total**
Wind				
Construction[1]	—	60	—	**60**
In operation	1	3	—	**4**
Wind - total	**1**	**63**	**—**	**64**
Hydroelectric				
In operation	3	—	1	**4**
Hydroelectric - total	**3**	**—**	**1**	**4**
Solar	**—**	**29**	**6**	**35**
Corporate	**1**	**2**	**—**	**3**
Total	**5**	**94**	**7**	**106**

[1] See the Changes in the portfolio in operation table in the Overview of past three fiscal years section.

In 2021, the Corporation paid $12 million consisting primarily of additional consideration for the **Extension Plaine d'Escrebieux** and **La Grande Borne** wind farms. The Corporation also received the entire amount due and interest on the advance to a non-controlling shareholder for a total amount of $31 million.

In 2020, Boralex invested $145 million in additions to property, plant and equipment, including $124 million in the wind power segment in France. The Corporation also paid the $98 million consideration, net of cash acquired, for the acquisition of the CDPQ's interest in three wind farms in Québec as well as the $11 million additional consideration for the **Extension Seuil de Bapaume** project. During the same fiscal year, restricted cash decreased by $12 million, largely due to the release of funds early in the year subsequent to the refinancing in France.

Financing activities

Financing activities for the year ended December 31, 2021 generated total net cash flows of $75 million.

New financing arrangements and repayments on existing debt

For fiscal 2021 as a whole, new non-current debt contracted by Boralex totalled $553 million, comprising:

- $261 million under the revolving credit facility including $87 million (US$69 million) for the acquisition of interests in solar power stations in the United States;
- $192 million to finance the acquisition of interests in solar power stations in the United States;
- $67 million drawn down under the term loan related to the Sainte-Christine portfolio in France;
- $33 million drawn down under the term loan related to the Boralex Energy Investments portfolio.

Conversely, the Corporation repaid $222 million in total for debt related to various facilities in operation and $12 million in value added tax bridge financing for the Sainte-Christine portfolio. Boralex also repaid $137 million on its revolving credit facility.

Dividends and other items

During fiscal 2021, the Corporation paid dividends to shareholders totalling $68 million, compared with $66 million in fiscal 2020. For both years, dividends paid were equivalent to $0.1650 per share per quarter.

Note that in the third quarter of 2020, Boralex announced the closing of a public offering of Class A common shares for proceeds of $194 million, net of issuance costs.

Also, in 2021, the Corporation paid $20 million to non-controlling shareholders, compared with $6 million in 2020. The increase resulted primarily from the distributions to non-controlling shareholders of the solar power stations acquired in the United States.

Net change in cash and cash equivalents

Total cash movements for fiscal 2021 resulted in a $19 million decrease in *Cash and cash equivalents* to $256 million as at December 31, 2021 from $275 million a year earlier.

Discretionary cash flows and payout ratio

Fiscal 2021 generated $132 million in discretionary cash flows compared with $146 million in fiscal 2020.

This $14 million decrease resulted mainly from the lower volumes mainly recorded by comparable assets in the wind power segment. Note that in the first quarter of 2020, discretionary cash flows benefited from wind production well above anticipated levels in France.

Discretionary cash flows amounted to $1.28 per share for fiscal 2021 compared with $1.48 per share in 2020. The reinvestment ratio stood at 48%, slightly below the target range of 50% to 70%.

Financial position

Overview of the consolidated condensed statements of financial position

(in millions of Canadian dollars) (unaudited)	As at December 31, 2021	2020	Change ($)
ASSETS			
Cash and cash equivalents	256	275	(19)
Restricted cash	3	2	1
Other current assets	201	195	6
CURRENT ASSETS	460	472	(12)
Property, plant and equipment	3,227	3,112	115
Right-of-use assets	407	316	91
Intangible assets	1,147	1,027	120
Goodwill	218	222	(4)
Interests in the Joint Ventures and associates	107	74	33
Other non-current assets	185	91	94
NON-CURRENT ASSETS	5,291	4,842	449
TOTAL ASSETS	5,751	5,314	437
LIABILITIES			
CURRENT LIABILITIES	395	403	(8)
Debt	3,383	3,287	96
Lease liabilities	290	243	47
Other non-current liabilities	472	390	82
NON-CURRENT LIABILITIES	4,145	3,920	225
TOTAL LIABILITIES	4,540	4,323	217
EQUITY			
TOTAL EQUITY	1,211	991	220
TOTAL LIABILITIES AND EQUITY	5,751	5,314	437

Highlights

Assets

As at December 31, 2021, Boralex's total assets amounted to $5,751 million, up $437 million from total assets of $5,314 million as at December 31, 2020. This difference resulted primarily from a $449 million increase in *Non-current assets,* partially offset by a $12 million decline in *Current assets*.

The $12 million change in *Current assets* was primarily driven by a $19 million decrease in *Cash and cash equivalents* as previously explained.

Non-current assets were up $449 million due primarily to the following:

- A $115 million increase in the value of *Property, plant and equipment* (net of amortization for the period), which breaks down as follows:
  - A $118 million increase mainly related to projects under construction;
  - A $314 million increase related to the acquisition of interests in solar power stations in the United States;
  - A $112 million decrease related to exchange rate fluctuations;
  - A $183 million decrease related to amortization of assets in operation.
- A $91 million increase in *Right-of-use assets*, including $47 million from additions, $57 million from revisions to cash flow projections, $24 million from the acquisition of interests in solar power stations in the United States, all partly offset by amortization expense of $22 million and a $12 million decrease related to exchange rate fluctuations.
- A $120 million increase in *Intangible assets* primarily as a result of a $220 million increase related to the acquisition of interests in solar power stations in the United States, and $12 million in additional consideration for the acquisition of projects under construction, in particular for the **Extension Plaine d'Escrebieux** wind farm and the **La Grande Borne** project, all partially offset by the $30 million unfavourable foreign exchange difference and a $92 million amortization expense for assets in operation.

- A $33 million increase in *Interests in the Joint Ventures and associates* owing to:
  - A $28 million contribution to the **Apuiat** project;
  - A $17 million share in net earnings, which includes the gain on the embedded derivative in the power purchase agreement of the **Apuiat** project;
  - A $14 million share in other comprehensive income;
  - A decrease resulting from $20 million in distributions and a $6 million reversal of the excess of the interest over the net assets of Joint Venture **SDB I.**
- A $94 million change in *Other non-current assets*, owing to an increase of $25 million in *Other non-current financial assets* resulting from changes in the fair value of financial instruments following increases in interest rates and an increase of $69 in *Other non-current assets* due to a change in deposits for facilities under construction.

Current liabilities

Current liabilities as at December 31, 2021 amounted to $395 million compared with $403 million recognized as at December 31, 2020. The $8 million decrease resulted from a $9 million decline in the *Current portion of debt* following a $12 million refund of value added tax for the Sainte-Christine portfolio in 2021.

Working capital[1]

As at December 31, 2021, the Corporation had working capital of $65 million for a ratio[1] of 1.16:1, compared with working capital of $69 million and a ratio of 1.17:1 as at December 31, 2020.

Non-current liabilities

Total non-current liabilities grew $225 million to $4,145 million as at December 31, 2021.

The increase stems primarily from a $96 million rise in *Non-current debt*, which resulted mainly from:

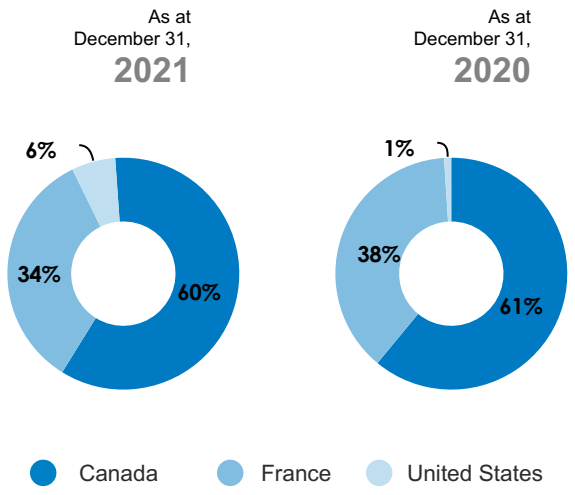
- An increase related to a $261 million drawdown under the revolving credit facility (including $87 million (US$69 million) for the acquisition of solar power stations in the United States);
- A $192 million increase related to the direct financing of the acquisition of solar power stations in the United States;
- A $102 million decrease in value resulting from exchange rate fluctuations;
- A $358 million decrease resulting from various debt repayments, excluding the refund of value added tax, including $137 million under the revolving credit facility and $215 million in respect of term loans related to facilities in operation.

The increase in *Non-current liabilities* also resulted from:

- A $47 million increase in lease liabilities resulting from additions and indexing;
- An $82 million increase in *Other non-current liabilities* including a $36 million increase in *Deferred income tax liabilities* and a $63 million increase in the *Decommissioning liability* all partly offset by a $24 million decrease in *Other non-current financial liabilities*.

As at December 31, 2021, Boralex had $159 million in debt contracted for construction projects[1] that remained undrawn. At the same date, the Corporation also had access to a $150 million accordion clause as well as to an amount of $251 million available under its revolving credit facility and letters of credit facility. Project debt included letters of credit facilities with a total authorized amount of $229 million as at December 31, 2021. As at December 31, 2021, $119 million was drawn down to issue letters of credit

Geographic breakdown of debt



Equity

Total *Equity* increased $220 million during fiscal 2021 to $1,211 million as at December 31, 2021. This increase resulted from net earnings of $26 million and a $62 million increase in *Other comprehensive income*, related primarily to the change in fair value of financial instruments following higher interest rates, in addition to a $218 million share of a non-controlling shareholder resulting from a business combination. The increase was partly offset by $68 million in dividends paid to shareholders of Boralex and $20 million in distributions to non-controlling shareholders.

[1] Working capital, working capital ratio and debt contracted for construction projects are supplementary financial measure. For more details, see the Non-IFRS and other financial measures section in this report.

Debt ratios[1]

Net debt[1] amounted to $3,423 million as at December 31, 2021 compared with $3,332 million as at December 31, 2020.

As a result, the net debt to market capitalization ratio rose from 41% as at December 31, 2020 to 48% as at December 31, 2021.

Boralex's share price was $34.42 per share as at December 31, 2021 compared with $47.24 per share as at December 31, 2020.

Information about the Corporation's equity

As at December 31, 2021, Boralex's capital stock consisted of 102,618,702 Class A shares issued and outstanding (102,616,653 as at December 31, 2020) due to the issuance of 2,049 shares following the exercise of stock options held by management and key employees.

As at December 31, 2021, there were 322,946 outstanding stock options, 210,816 of which were exercisable.

From January 1 to February 22, 2022, no new shares were issued on exercise of stock options.

Related party transactions

Boralex has entered into a management agreement with R.S.P. Énergie Inc., an entity of which Patrick Lemaire, a director of the Corporation, is one of three shareholders. For the years ended December 31, 2021 and 2020, management fees were not material.

The Corporation had an office lease with Ivanhoé Cambridge, an entity in which the CDPQ holds interests. On September 1, 2021, Ivanhoé Cambridge sold its interests to The Manufacturers Life Insurance Company and is no longer the property manager.

In addition, the Corporation holds a $250 million financing arrangement with the CDPQ in the form of an unsecured term loan with a 10-year maturity as well as a $57 million (€40 million) term loan maturing in five years with repayment of the full amount of both loans on the maturity date. For the year ended December 31, 2021, the interest related to these loans amounted to $17 million ($17 million in 2020).

On November 30, 2020, Boralex announced the closing of the acquisition of the CDPQ's 49% interest in three wind farms in Québec, in which Boralex already held 51%, for a cash consideration of $121 million ($98 million net of cash acquired), plus a $4 million contingent consideration subject to the settlement of certain future conditions.

The Six Nations' equity interest in FWRN LP was financed by Boralex through a non-recourse loan, which will be repaid, with interest, through Six Nations' share of the payouts that FWRN LP will make during the term of the energy sales contract. In October 2021, Six Nations repaid the advance including interest in the total amount of $31 million. As at December 31, 2021, the amount of the advance plus interest was $29 million.

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 finance construction of the facility. This amount is repayable in 2024. For the years ended December 31, 2021 and 2020, interest related to this amount owing was not material.

The Corporation charges management fees and maintenance costs to certain joint ventures for services rendered. The related revenues for the year ended December 31, 2021 amounted to $18 million ($12 million in 2020).

In February 2021, the Corporation entered into a partnership for the **Apuiat** wind power project in which Boralex has a 50-50 interest with Innu communities. Boralex recorded a $20 million amount owing to a joint venture following recognition of its interest in the project. As at December 31, 2021, the amount owing stood at $18 million.

[1] Debt ratio and net debt are capital management measures. For more details, see the *Non-IFRS and other financial measures* section in this report

Seasonal factors

(in millions of Canadian dollars, unless otherwise specified) (unaudited)	March 31, 2020	June 30, 2020	Sept. 30, 2020	Dec. 31, 2020	March. 31, 2021	June 30, 2021	Sept. 30, 2021	Dec 31, 2021
POWER PRODUCTION (GWh)								
Wind power stations	1,266	704	596	1,228	1,312	940	716	1,168
Hydroelectric power stations	198	218	144	186	171	190	205	223
Solar power stations	4	7	7	3	77	176	150	81
Thermal power stations[1]	65	8	42	51	70	17	37	20
	1,533	937	789	1,468	1,630	1,323	1,108	1,492
REVENUES FROM ENERGY SALES AND FEED-IN PREMIUM								
Wind power stations	172	99	85	170	171	115	92	164
Hydroelectric power stations	16	18	14	15	15	14	17	18
Solar power stations	1	2	2	—	7	16	14	7
Thermal power stations[1]	11	2	4	8	13	2	3	3
	200	121	105	193	206	147	126	192
OPERATING INCOME	84	24	3	60	77	25	7	74
EBITDA(A)[2]								
Wind power stations	150	90	69	155	148	101	75	152
Hydroelectric power stations	12	14	9	10	10	11	13	13
Solar power stations	—	1	1	1	6	13	12	5
Thermal power stations[1]	4	(2)	—	—	5	(1)	—	—
	166	103	79	166	169	124	100	170
Corporate and eliminations	(17)	(17)	(17)	(29)	(18)	(18)	(19)	(18)
	149	86	62	137	151	106	81	152
NET EARNINGS (LOSS)	44	(6)	(8)	30	38	(10)	(22)	20
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX	41	(6)	(6)	25	34	(14)	(20)	17
Per share (basic and diluted)	$0.43	($0.07)	($0.06)	$0.24	$0.33	($0.14)	($0.20)	$0.17
CASH FLOWS FROM OPERATIONS[3]	124	51	63	101	115	66	66	116

(1) On May 1, 2021, the Corporation disposed of the Blendecques cogeneration power station, its last fossil energy production asset, thus becoming a 100% renewable energy producer.
(2) EBITDA(A) is a total of segment measures. For more details, see the *Non-IFRS and other financial measures* section in this report.
(3) Cash flows from operations is a non-GAAP financial measure and does not have a standardized meaning under IFRS. Accordingly, it may not be comparable to similarly named measures used by other companies. For more details, see the *Non-IFRS and other financial measures* section in this report.

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's facilities are covered by long-term energy sales contracts at fixed and indexed prices or feed-in premiums setting floor prices, 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 by favourable geographical positioning. Operating volumes at Boralex's 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.
- For solar power, sunlight conditions are typically more favourable in the spring and summer.
- 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 with power generation limitation periods for Boralex. Since the disposal of its co-generation plant in France in April 2021, Boralex's thermal energy production is generated solely by its power station in Canada.

	Installed capacity (MW)[2]	Power production average of the past five years[1]			
		Q1	Q2	Q3	Q4
Wind	2,032	32%	20%	17%	31%
Solar	244	19%	32%	32%	17%
Hydroelectric	181	24%	30%	20%	26%
Thermal	35	43%	17%	16%	24%
Total power production	2,492	31%	22%	18%	29%

(1) The power production average over the past five years is a supplementary financial measure. For more details, see the *Non-IFRS and other financial measures* section in this report.
(2) As of February 22, 2022.

Financial risk management

To mitigate the various financial risks to which it is exposed, the Corporation employs various strategies, including the use of derivative instruments and natural hedge management techniques.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk through:

Net investments in foreign operations - The Corporation operates internationally and is subject to fluctuations in exchange rates on its investments in foreign operations and primarily on the residual liquidity that can be distributed to the parent company. The Corporation benefits from partial natural coverage from this risk exposure, as revenues, expenses and financing are in the local currencies. The Corporation contracts debt denominated in foreign currencies and derivative financial instruments, including foreign exchange forward contracts and cross-currency swaps to mitigate this risk. Cross-currency swaps mainly provide a hedge of the net investment in Europe and allow the conversion of the amounts drawn from the revolving credit facility in Canada to benefit from the lower interest rates in other countries. Local currency debt was incurred for the acquisition of solar power stations in the United States and was designated as a hedging item for this net foreign investment. With the expected increase in strategic investments in the United States, the Corporation will manage the U.S. dollar more actively during the coming years.

Equipment purchases - Significant future expenditures (wind turbines and solar panels) may be denominated in foreign currencies and the Corporation will use derivatives to protect the anticipated return on its projects, as necessary.

Price risk

Revenues from energy sales – The energy sales price risk represents the risk that future cash flows will fluctuate based on changes in prices that vary according to supply, demand and certain external factors including weather conditions, and the price of energy from other sources. Substantially all of the power stations have long-term energy sales contracts, the vast majority of which are subject to partial or full indexation clauses tied to inflation or feed-in premiums setting floor prices. The Corporation is thus exposed to fluctuations in energy prices when power production is sold at market prices without feed-in premiums or under short-term contracts. As at December 31, 2021, about 1% of the Corporation's power production was sold at market prices without feed-in premiums or under short-term contracts.

Interest rate risk

As at December 31, 2021, about 79% of term loan - projects bore interest at variable rates, exposing the Corporation to fluctuations in the loan amounts. To mitigate this risk, the Corporation has entered into interest rate swaps to lock in loan interest rates, reducing its exposure to 15% of total debt[1].

The following table summarizes the Corporation's hedging relationships as at December 31, 2021:

As at December 31,

2021

(in millions of Canadian dollars)

				Current notional		Fair value[1]	
Hedging instrument	**Hedged type / Hedged item**	**Hedged risk**	**Currency**	(currency of origin)	(CAD)	(currency of origin)	(CAD)
Cross-currency swaps	Cash flows / Net investment in Europe	Foreign currency risk	EUR for CAD	264	405	25	25
Cross-currency swaps	Cash flows	Foreign currency risk	CAD for USD	101	130	(3)	(3)
U.S. dollar-denominated debt	Cash flows / Net investment in the United States	Foreign currency risk	USD	69	87	—	—
Interest rate swaps	Cash flows / Term borrowings in Euro	Interest rate risk	EUR	716	1,029	(14)	(20)
Interest rate swaps	Cash flows / Term borrowings in USD	Interest rate risk	USD	136	172	3	4
Interest rate swaps	Cash flows / Term borrowings in CAD	Interest rate risk	CAD	1,002	1,002	22	22

[1] Unfavourable values only indicate future fluctuations in interest rates or exchange rates and have no bearing on the effectiveness of the risk management strategy.

[1] Percentage of non-current debt bearing interest at a variable rate is a supplementary financial measure. For more details, see the *Non-IFRS and other financial measures* section in this report.

Non-IFRS and other financial measures

Performance measures

In order to assess the performance of its assets and reporting segments, Boralex uses 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 and other financial measures also provide investors with insight into the Corporation's decision making as the Corporation uses these non-IFRS financial measures to make financial, strategic and operating decisions. The non-IFRS and other financial measures should not be considered as a substitute for IFRS measures.

These non-IFRS financial 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 and other financial measures are not audited. They 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 financial measures.

Non-GAAP financial measures			
Specific financial measure	***Use***	***Composition***	***Most directly comparable IFRS measure***
Financial data - Combined (all disclosed financial data)	To assess the operating performance and the ability of a company to generate cash from its operations. The Interests represent significant investments by Boralex.	Results from the combination of the financial information of Boralex Inc. under IFRS and the share of the financial information of the Interests. 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 then replaced with Boralex's respective share (ranging from 50% to 59.96%) in the financial statements of the Interests (revenues, expenses, assets, liabilities, etc.)	Respective financial data - Consolidated
Cash flows from operations	To assess the cash generated by the Corporation's operations and its ability to finance its expansion from these funds.	Net cash flows related to operating activities before changes in non-cash items related to operating activities.	Net cash flows related to operating activities
Discretionary cash flows	To assess the cash generated from operations and the amount available for future development or to be paid as dividends to common shareholders while preserving the long-term value of the business. *Corporate objectives for 2025* from the strategic plan.	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), (iii) repayments on non-current debt (projects) and repayments to tax equity investors; (iv) principal payments related to lease liabilities; (v) adjustments for non-operational items; plus (vi) development costs (from the statement of earnings).	Net cash flows related to operating activities

Non-GAAP financial measures - Non-GAAP ratios		
Specific financial measure	***Use***	***Composition***
Net debt ratio - Combined	For capital management purposes.	Net debt - Combined divided by the sum of (i) market value of equity attributable to shareholders, (ii) non-controlling shareholders, (iii) net debt.
Reinvestment ratio	To assess the portion of cash flows available for reinvestment in growth for the Corporation. *Corporate objectives for 2025* from the strategic plan.	Discretionary cash flows less dividends paid to shareholders divided by discretionary cash flows.
Payout ratio	To assess ability to sustain current dividends as well as its ability to fund its future development.	Dividends paid to shareholders divided by discretionary cash flows.
Discretionary cash flows per share	To assess the amount per share available for future development or to be paid as dividends to common shareholders while preserving the long-term value of the business as well as to assess operating results.	Discretionary cash flows divided by the weighted average number of basic outstanding shares

Other financial measures - Total of segment measures	
Specific financial measure	***Most directly comparable IFRS measure***
EBITDA(A)	Operating income

Other financial measures - Capital management measures	
Specific financial measure	***Use***
Net debt ratio - Consolidated	For capital management purposes
Net debt	To assess debt level for capital management purposes.

Other financial measures - Supplementary financial measures	
Specific financial measure	***Composition***
Total market capitalization	Total market capitalization consists of the sum of market value of equity attributable to shareholders, non-controlling shareholders and net debt.
Working capital ratio	Working capital ratio is calculated by dividing current assets by current liabilities.
Debt contracted for construction projects	Debt contracted for construction projects consists of the amount of debt for which the Corporation has obtained financing and for which the full amount available has not been drawn.
Planned financing	Planned financing represents financing the Corporation expects to obtain for the construction of its projects.
Working capital	Working capital is the difference between current assets and current liabilities.
Power production average of the past five years	5-year average of historical power production is calculated using the average electricity generated during the last five full fiscal years of the Corporation, from 2017 to 2021.
Total planned investments	Total planned investments represent the sums that will need to be invested to complete the projects up to commissioning.
Percentage of installed capacity subject to power purchase agreements or feed-in premium contracts.	Percentage of installed capacity subject to power purchase agreements or feed-in premium contracts represents the portion of total installed capacity of Boralex subject to power purchase agreements or feed-in premium contracts.
Percentage of non-current debt bearing interest at variable rates	Percentage of non-current debt bearing interest at variable rates is calculated by dividing total variable rate debt excluding the revolving credit facility and subordinated debt by total non-current debt.
Exposure percentage of total debt	The percentage of actual exposure of non-current debt to interest rate fluctuations is calculated by dividing the amount of debt less the notional amounts of interest rate swaps by the total value of non-current debt.
Planned production	For older sites, planned production by the Corporation is based on adjusted historical averages, planned commissioning and shutdowns and, for all other sites, on the production studies carried out.
Funds invested in projects under construction	Funds invested in projects under construction are amounts that have been invested and recognized in the financial statement as of the date of this document.
Compound annual growth rate (CAGR)	The CAGR is a growth rate indicating the annual variation as if the growth had been constant throughout the period for a period of more than one fiscal year.
Market value of equity attributable to shareholders	Market value of equity attributable to shareholders is the number of outstanding shares multiplied by the share market price.

Combined

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

	2021			2020		
(in millions of Canadian dollars)	Consolidated	Reconciliation[1]	Combined	Consolidated	Reconciliation[1]	Combined
Three-month periods ended December 31:						
Power production (GWh)[2]	1,492	169	1,661	1,468	295	1,763
Revenues from energy sales and feed-in premium	192	19	211	193	32	225
Operating income	74	8	82	60	16	76
EBITDA(A)	152	11	163	137	18	155
Net earnings	20	—	20	30	6	36
Net cash flows related to operating activities	81	10	91	59	19	78
Years ended December 31:						
Power production (GWh)[2]	5,552	663	6,215	4,727	1,107	5,834
Revenues from energy sales and feed-in premium	671	72	743	619	119	738
Operating income	182	37	219	172	53	225
EBITDA(A)	490	45	535	434	79	513
Net earnings	26	4	30	61	(5)	56
Net cash flows related to operating activities	345	19	364	362	37	399
As at December 31:						
Total assets	5,751	411	6,162	5,314	439	5,753
Debt - Principal amount	3,682	348	4,030	3,609	367	3,976

(1) Includes 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.
(2) Includes financial compensation following electricity production limitations imposed by clients.

Wind

	2021			2020		
(in millions of Canadian dollars)	Consolidated	Reconciliation[1]	Combined	Consolidated	Reconciliation[1]	Combined
Three-month periods ended December 31:						
Power production (GWh)[2]	1,168	169	1,337	1,228	295	1,523
Revenues from energy sales and feed-in premium	164	19	183	170	32	202
EBITDA(A)	152	11	163	155	17	172
Years ended December 31:						
Power production (GWh)[2]	4,135	663	4,798	3,794	1,107	4,901
Revenues from energy sales and feed-in premium	542	72	614	526	119	645
EBITDA(A)	475	42	517	464	77	541

(1) Includes 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.
(2) Includes financial compensation following electricity production limitations imposed by clients.

EBITDA(A)

EBITDA(A) is a total of segments financial measure and represents earnings before interest, taxes, depreciation and amortization, adjusted to exclude 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.*

Management uses EBITDA(A) to assess the performance of the Corporation's reporting segments.

EBITDA(A) is reconciled to the most comparable IFRS measure, namely, operating income, in the following table:

	2021			2020			Variation 2021 vs 2020	
(in millions of Canadian dollars)	**Consolidated**	**Reconciliation[1]**	**Combined**	**Consolidated**	**Reconciliation[1]**	**Combined**	**Consolidated**	**Combined**
Three-month periods ended December 31:								
Operating income	74	8	82	60	16	76	14	6
Amortization	75	6	81	62	11	73	13	8
Impairment	2	—	2	6	—	6	(4)	(4)
Share in earnings of Joint Ventures and associates	(4)	4	—	1	(1)	—	(5)	—
Excess of the interest over the net assets of Joint Venture SDB I	—	—	—	8	(8)	—	(8)	—
Change in fair value of a derivative included in the share of the Joint Ventures	6	(6)	—	—	—	—	6	—
Other gains	(1)	(1)	(2)	—	(1)	(1)	(1)	(1)
EBITDA(A)	152	11	163	137	17	154	15	9
Years ended December 31:								
Operating income	182	37	219	172	53	225	10	(6)
Amortization	297	23	320	237	47	284	60	36
Impairment	4	—	4	7	—	7	(3)	(3)
Share in earnings of Joint Ventures and associates	9	(9)	—	25	(25)	—	(16)	—
Excess of the interest over the net assets of Joint Venture SDB I	6	(6)	—	(6)	6	—	12	—
Change in fair value of a derivative included in the share of the Joint Ventures	(2)	2	—	—	—	—	(2)	—
Other gains	(6)	(2)	(8)	(1)	(2)	(3)	(5)	(5)
EBITDA(A)	490	45	535	434	79	513	56	22

[1] Includes 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.

Net debt ratio

Consolidated “net debt ratio” is a capital management measure and represents the ratio of “net debt” over “total market capitalization”, each calculated as described below.

Combined “net debt ratio” is a non-IFRS ratio.

	Consolidated		Combined	
	As at December 31,		As at December 31,	
(in millions of Canadian dollars)	2021	2020	2021	2020
Debt	3,383	3,287	3,700	3,624
Current portion of debt	220	229	240	247
Transaction costs, net of accumulated amortization	79	93	90	105
Debt - Principal balance	3,682	3,609	4,030	3,976
Less:				
Cash and cash equivalents	256	275	271	293
Restricted cash	3	2	3	2
Net debt	3,423	3,332	3,756	3,681

The Corporation defines total market capitalization as follows:

	Consolidated		Combined	
	As at December 31,		As at December 31,	
(in millions of Canadian dollars, unless otherwise specified)	2021	2020	2021	2020
Number of outstanding shares (in thousands)	102,619	102,617	102,619	102,617
Share market price (in $ per share)	34.42	47.24	34.42	47.24
Market value of equity attributable to shareholders	3,532	4,848	3,532	4,848
Non-controlling shareholders	210	2	210	2
Net debt	3,423	3,332	3,756	3,681
Total market capitalization	7,165	8,182	7,498	8,531

The Corporation computes the net debt ratio as follows:

	Consolidated		Combined	
	As at December 31,		As at December 31,	
(in millions of Canadian dollars, unless otherwise specified)	2021	2020	2021	2020
Net debt	3,423	3,332	3,756	3,681
Total market capitalization	7,165	8,182	7,498	8,531
NET DEBT RATIO, market capitalization	48%	41%	50%	43%

Cash flow from operations, discretionary cash flows, reinvestment ratio and payout ratio

The Corporation computes the cash flow from operations, discretionary cash flows, payout ratio and reinvestment ratio as follows:

	Consolidated			
	Three-month periods ended December 31,		Years ended December 31,	
(in millions of Canadian dollars, unless otherwise specified)	2021	2020	2021	2020
Net cash flows related to operating activities	**81**	**59**	**345**	**362**
Change in non-cash items relating to operating activities	35	42	18	(24)
Cash flows from operations	**116**	**101**	**363**	**338**
Repayments on non-current debt (projects)[1]	(50)	(40)	(222)	(175)
Adjustment for non-operational items[2]	—	7	8	(17)
	66	68	149	146
Principal payments related to lease liabilities	(4)	(4)	(13)	(11)
Distributions paid to non-controlling shareholders	(7)	(1)	(20)	(6)
Additions to property, plant and equipment (maintenance of operations)	(3)	(3)	(8)	(6)
Development costs (from statement of earnings)	6	7	24	23
Discretionary cash flows	**58**	**67**	**132**	**146**
Dividends paid to shareholders	17	17	68	66
Weighted average number of outstanding shares – basic (in thousands)	102,619	102,571	102,619	98,548
Discretionary cash flows – per share	$0.56	$0.65	$1.28	$1.48
Dividends paid to shareholders – per share	$0.165	$0.165	$0.66	$0.66
Payout ratio			52%	45%
Reinvestment ratio			48%	55%

(1) Excluding VAT bridge financing, early debt repayments and the debt repayments made in December for LP I, DM I and II in respect of the months prior to the acquisition (Q4-2020).

(2) For the year ended December 31, 2021: favourable adjustment of $8 million consisting mainly of $5 million of expense payments and assumed liabilities related to acquisitions as well as $3 million for previous financing activities or not related to operating sites. For the year ended December 31, 2020: unfavourable adjustment of $17 million comprising mainly of interest paid of $3 million on LP I, DM I and II debt for the months prior to the acquisition in Q4-2020, less $22 million in debt repayments to reflect a normalized debt service following debt refinancing in France in Q1-2020.

Analysis of operating results - Combined

The combined information ("Combined") 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 ("Consolidated") and the share of the financial information of the Interests. For more information, see section *III - Non-IFRS and other financial measures* in this MD&A.

Interests in the Joint Ventures and associates

The analysis of results in Combined takes into account the *Joint Ventures and associates* in operation of the Corporation. The data is shown as a percentage of interests held by Boralex. The main *Joint Ventures and associates* are:

	Sector	Country	Status	Boralex % of interests		
				As at Dec. 31		
				2021	2020	
SDB I and II	Wind	Canada	Operating	50.00%	50.00%	
DM I and II[1]	Wind	Canada	Operating	—%	51.00%	(1)
LP I[1]	Wind	Canada	Operating	—%	51.00%	(1)
LP II	Wind	Canada	Operating	59.96%	59.96%	
Roncevaux	Wind	Canada	Operating	50.00%	50.00%	
Apuiat	Wind	Canada	Secured project	50.00%	—%	

[1] The Corporation acquired control of these entities on November 30, 2020. As at December 31, 2021, the entities were subsidiaries.

Highlights - Combined[1]

	SDB I and II[2]		Combined[1]		Variation	
	2021	2020	2021	2020	GWh or $	%
Three-month periods ended December 31:						
Wind power production (GWh)	132	164	1,661	1,763	(102)	(6)
Revenues from energy sales and feed-in premium	15	18	211	225	(14)	(6)
Operating income	8	11	82	76	6	8
EBITDA(A)[3]	11	15	163	155	8	5
Net earnings	4	8	20	36	(16)	(43)
Cash flows related to operating activities	10	14	91	78	13	15
Years ended December 31:						
Wind power production (GWh)	517	566	6,215	5,834	381	7
Revenues from energy sales and feed-in premium	58	63	743	738	5	1
Operating income	34	39	219	225	(6)	(3)
EBITDA(A)[3]	47	54	535	513	22	4
Net earnings	17	22	30	56	(26)	(45)
Cash flows related to operating activities	32	35	364	399	(35)	(8)
Total assets	342	351	6,162	5,753	409	7
Debt - Principal balance	270	285	3,940	3,870	70	2

[1] Combined information is a non-GAAP financial measure and does not have a standardized meaning under IFRS. Accordingly, it may not be comparable to similarly named measures used by other companies. For more details, see the *Non-IFRS and other financial measures* section in this report.

[2] SDB I and II are considered material joint ventures to the Corporation.

[3] EBITDA(A) is a total of segment measures. For more details, see the *Non-IFRS and other financial measures* section in this report.

Analysis of operating results for the three-month period ended December 31, 2021

	Production	Revenues from energy sales and FiP	EBITDA(A)[1]
Consolidated			
Three-month period ended December 31, 2020	1,468	193	137
Acquisitions[2]	196	19	13
Commissioning, temporary shutdown and disposition[2]	36	5	9
Pricing, power purchase agreements and FiP	—	8	8
Volume	(208)	(27)	(27)
Foreign exchange effect	—	(7)	(5)
Other	—	1	17
Three-month period ended December 31, 2021	**1,492**	**192**	**152**
Impact of Joint Ventures, associates and eliminations			
Three-month period ended December 31, 2020	295	32	18
Acquisitions[3]	(62)	(6)	(3)
Volume	(64)	(7)	(7)
Other	—	—	3
Three-month period ended December 31, 2021	**169**	**19**	**11**
Combined[4]			
Three-month period ended December 31, 2020	1,763	225	155
Acquisitions[3]	134	13	10
Commissioning, temporary shutdown and disposition[2]	36	5	9
Pricing, power purchase agreements and FiP	—	8	8
Volume	(272)	(34)	(34)
Foreign exchange effect	—	(7)	(5)
Other	—	1	20
Three-month period ended December 31, 2021	**1,661**	**211**	**163**

[1] EBITDA(A) is a total of segment measures. For more details, see the *Non-IFRS and other financial measures* section in this report.
[2] See the *Changes in the portfolio in operation* table in the *Overview of past three fiscal years* section.
[3] The acquisition of LP I, DM I and II had a different impact on the Consolidated information because it adds 100% to production and results of these wind farms, compared with a 49% impact on a Combined basis, considering that Boralex already held a 51% interest before the acquisition.
[4] Combined information is a non-GAAP financial measure and does not have a standardized meaning under IFRS. Accordingly, it may not be comparable to similarly named measures used by other companies. For more details, see the *Non-IFRS and other financial measures* section in this report.

In the fourth quarter of 2021, power production on a Combined basis amounted to 1,661 GWh, down 6% and 102 GWh from the corresponding period of 2020 while revenues from energy sales and FiP were down 6% and EBITDA(A) was up 5% to reach $211 million and $163 million, respectively. The declines in production and revenues from energy sales was attributable in large part to less favourable weather conditions, as explained in the Consolidated section.

Excluding the 2020 data for **LP I, DM I and II**, the contributions of the comparable facilities of the *Joint Ventures and associates* to production volume was down 21%, revenues from energy sales and FiP were down 17%, and EBITDA(A) was down 24%, compared with a year earlier.

Analysis of operating results for the year ended December 31, 2021

	Production	Revenues from energy sales and FiP	EBITDA(A)[1]
Consolidated			
Year ended December 31, 2020	4,727	619	434
Acquisitions[2]	1,136	110	96
Commissioning, temporary shutdown and disposition[2]	163	21	22
Volume	(474)	(66)	(66)
Foreign exchange effect	—	(10)	(5)
Other	—	(3)	9
Year ended December 31, 2021	**5,552**	**671**	**490**
Impact of Joint Ventures, associates and eliminations			
Year ended December 31, 2020	1,107	119	79
Acquisitions[3]	(345)	(36)	(32)
Volume	(99)	(10)	(10)
Other	—	(1)	8
Year ended December 31, 2021	**663**	**72**	**45**
Combined			
Year ended December 31, 2020	5,834	738	513
Acquisitions[2]	791	74	64
Commissioning, temporary shutdown and disposition[2]	163	21	22
Volume	(573)	(76)	(76)
Foreign exchange effect	—	(10)	(5)
Other	—	(4)	17
Year ended December 31, 2021	**6,215**	**743**	**535**

[1] EBITDA(A) is a total of segment measures. For more details, see the *Non-IFRS and other financial measures* section in this report.

[2] See the *Changes in the portfolio in operation* table in the *Overview of past three fiscal years* section.

[3] The acquisition of LP I, DM I and II had a different impact on the Consolidated information because it adds 100% to production and results of these wind farms, compared with a 49% impact on a Combined basis, considering that Boralex already held a 51% interest before the acquisition.

[4] Combined information is a non-GAAP financial measure and does not have a standardized meaning under IFRS. Accordingly, it may not be comparable to similarly named measures used by other companies. For more details, see the *Non-IFRS and other financial measures* section in this report.

For the year ended December 31, 2021, power production on a Combined basis amounted to 6,215 GWh, up 7% or 381 GWh from the corresponding period of 2020, while revenues from energy sales and FiP, and EBITDA(A) increased by 1% and 4% to reach $743 million and $535 million, respectively. These increases resulted mostly from the contribution of acquired facilities in the Canadian wind power and the U.S. solar power segments, partially offset by the impact of less favourable wind conditions for comparable wind assets.

Excluding the 2020 data for the **LP I, DM I and II wind farms**, the contributions of the comparable facilities of the *Joint Ventures and associates* to production volume was down 9%, revenues from energy sales and FiP were down 8%, and EBITDA(A) was down 12%, compared with a year earlier.

Commitments and contingencies

	Note	Payments			
		Current portion	From 1 to 5 years	Over 5 years	Total
Purchase and construction contracts	a)	161	13	—	174
Maintenance contracts	b)	31	102	164	297
Contingent consideration	c)	12	11	—	23
Other	d)	5	12	24	41
		209	138	188	535

(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 farm and solar power station maintenance contracts with initial terms between 15 and 20 years in Canada and United States and from three to 20 years in France. The Corporation is committed to pay variable amounts based on the achievement of production and availability levels. These amounts are not included in the above commitment table.

(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.

The Corporation is bound by royalty contracts and is subject to variable conditional royalties related to the operation of its wind farms, solar power stations and hydroelectric power stations. The commitment table above does not include these amounts.

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:

		Term
Wind	Canada	2029 - 2059
	France	2022 - 2042
Hydroelectric	Canada	2023 - 2059
	United States	2034 - 2035
Solar	United States	2029 - 2046
	France	2031 - 2042

For secured projects, the Corporation has energy sales or feed-in premium agreements for terms of 20 years. These contracts will take effect when the facilities are commissioned.

Contingencies

COVID-19 outbreak

The COVID-19 epidemic has resulted in governments worldwide enacting emergency measures to combat the spread of the coronavirus, including confinement, mandatory closure of various businesses considered non-essential under the circumstances and implementation of travel restrictions. These measures have caused material disruption to many businesses globally.

Current or future governmental restrictions and measures, and their impact on the financial stability of the Corporation’s suppliers and other counterparties, could have an adverse effect on the Corporation’s operating results and financial position. The procurement of equipment and spare parts, issuance of permits and other authorizations, launch of requests for proposals, negotiation and finalization of agreements or contracts with stakeholders or partners and the construction of assets under development could be delayed or suspended, which could adversely affect the Corporation’s development opportunities, operating results and financial position.

Since restrictions were enforced by authorities to combat COVID-19, Boralex implemented a crisis management plan for continuity of its business, considered essential in all the regions it operates. Administrative personnel have been working remotely since mid-March 2020 and have continued to support the Corporation's day-to-day needs and comply with the Corporation's different business and regulatory requirements.

The Corporation continues to monitor the evolution of COVID-19. The governmental restrictions and measures have not impacted the Corporation's revenues in a material way to date as its production has been maintained and is generally under contract at fixed and indexed prices, or feed-in premium agreements setting a floor price with major government corporations.

Since the beginning of governmental restrictions, health measures have continued to evolve in regions where Boralex operates its assets and develops its projects. In line with applicable deconfinement policies and where possible, Boralex employees have gradually begun their return to the Corporation's offices and places of business while complying with the measures indicated by the various public health authorities. For now, current construction projects are going ahead as planned.

Lastly, different levels of government have mentioned that they intend to use renewable energy in their respective recovery plans.

France - Innovent

On May 17, 2021, Boralex Inc. announced that the Tribunal de Commerce de Lille rendered a decision in its favour, ordering Innovent SAS ("Innovent") and its president, Grégoire Verhaeghe to pay Boralex $72.7 million (€50.6 million) for breach of contractual obligations. The dispute arose in the context of a transaction between the parties that occurred in 2012 whereby Boralex acquired construction-ready wind projects from Innovent. As part of such transaction, the parties entered into a development services agreement pursuant to which Innovent and Mr. Verhaeghe had the obligation to offer Boralex the right to acquire certain wind projects under development. In a well-reasoned judgement, the Court found that the defendants were in breach of their obligation with respect to the then under development Eplessier-Thieulloy-l'Abbaye and Buire-Le-Sec projects, thereby depriving Boralex of its right to acquire the projects at the agreed price and terms. Given such default, Innovent and Grégoire Verhaeghe were ordered by the Court to pay to Boralex $72.7 million (€50.6 million), which decision included a provisional order. Innovent and Grégoire Verhaeghe appealed the decision, including the provisional order.

In addition to appealing the decision, Innovent undertook various additional unfounded legal proceedings in France, challenging the evidence on which the court based its decision in order to prevent the provisional order from being carried out and its assets from being seized. These proceedings were rejected by various authorities and courts or are currently ongoing.

On December 29, 2021, Innovent formally filed a $359 million (€250 million) claim against Boralex, through the Tribunal de Commerce de Paris. The claim alleges that Boralex's actions and counsel in the context of the legal proceedings before the Tribunal de Commerce de Lille, leading to a decision in Boralex's favour, deprived Innovent from going public. Boralex believes that such an appeal is unfounded and intends to defend the matter vigorously.

France - Moulins du Lohan

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 **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 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. In its judgment issued on April 15, 2021, the Conseil d'État made the decision, which is final and without appeal, to validate all the authorizations required for the project and whose validity were initially challenged by the plaintiffs. The project had been selected under an RFP issued by the French Energy and Regulation Commission and is covered by a 20-year Feed-in Premium agreement. The 65 MW project has been included in the *Projects under construction or ready-to-build* phase of the *Growth Path* following approval from the Board of Directors. Its commissioning is scheduled for the first half of 2023.

Canada - Contingencies

Local content

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 turbines 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 **LP I** wind farm in which the Corporation indirectly held 51% of the outstanding units at the time and holds 100% of the outstanding units as of November 30, 2020), 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 a separate 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. All actions filed will be dealt with simultaneously in order to settle the issue. 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. It should be noted that such amounts deducted by Hydro-Québec should be limited to an amount that would not cause a default on the payment under the facility's credit agreement. Based on the above information and at this stage of the matter, the Corporation is not able to determine the eventual outcome of this dispute or to reliably estimate the amount of penalties to be claimed due to the preliminary stage of the matter. However, in the Corporation's opinion, it is not likely that it would be subject to significant penalties, if any, under these energy sales contracts.

Canada - DM I

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 neighborhood disturbances during the construction and operation periods, 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 periods, (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 kilometers 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.

Subsequent event

In February 2022, Boralex Inc. announced an agreement to sell the Senneterre power station with installed capacity of 34.5 MW, the last biomass energy production asset in its portfolio. Senneterre has a power purchase agreement with Hydro-Québec effective until January 2027, and the sale will take effect when the customary closing conditions have been met, including the receipt of Hydro-Québec's consent. This power station's assets have been classified as current assets under *Other current assets*.

Risk factors

The Corporation's Board of Directors approved a risk management policy in August 2019. The Corporation's risk management framework follows the guidance of COSO's *Enterprise Risk Management — Integrated Framework*. Its purpose 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 and do not constitute an exhaustive list of all the exposures which Boralex faces or could face. Moreover, there can be no assurance that the Corporation's risk management activities will identify, assess and mitigate the risks to which the Corporation is exposed. The actual effect of any event on the Corporation's business could be materially different from what is anticipated or described herein.

Strategic risk

Strategic positioning

The Corporation could develop a strategic plan that fails to optimize the political, legislative, regulatory, economic, competitive, or technological environments, or take into account its competitive advantages, risks, or stakeholder expectations.

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 Corporation also intends to achieve environmental, social and governance objectives.

Deployment of the strategic plan

Insufficient financial, IT or human resources could prevent the Corporation from attaining optimal achievement of the objectives of its strategic plan, or the Corporation could fail to respond promptly to major changes in its environment

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 resources, financial or otherwise, 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.

The implementation of the strategic plan and complementary initiatives 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 and its operating results, business operations and prospects.

Operational risks

Uneconomic projects

The Corporation could fail to identify, develop or select the best opportunities to invest in assets that would enable it to achieve the objectives of its strategic plan.

Economic and political environment

While the Corporation operates primarily in Canada, Europe and the United States, it continually assesses potential in other regions. 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.

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.

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.

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 during the completion of the acquisitions any liabilities and contingencies for which the Corporation may not be indemnified. Discovery of any material liability or contingency with respect to shares, assets or businesses acquired following such acquisitions could have a material adverse effect on the business acquired and the Corporation's 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.

Construction risk

Construction of facilities presents risks of cost overruns, delays and diminished performance.

Design, development and construction

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 due to inflation or otherwise, 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 generate necessary revenues 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.

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 and any delay in their delivery 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 power purchase agreements.

Power purchase agreements

There can be no assurance that the Corporation will be able to win power purchase agreements or renew such contracts under equivalent terms.

Obtaining new power purchase and feed-in premium agreements is a key component for the sustainability of the Corporation's profits and cash resources. Winning new power purchase and feed-in premium agreements involves certain risks owing to the competitive environment in which the Corporation operates. In several instances, the Corporation obtains new power purchase and feed-in premium agreements by submitting offers 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 power purchase agreements will be renewed or will be renewed under equivalent terms and conditions on expiry.

Sales at market prices

Supply and demand volatility in the energy market could adversely affect power prices.

Price risk

In Northeastern United States and in France, 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 343 MW (14% of installed capacity) covered by contracts expiring through December 2025 will then be sold at market prices. In France, feed-in-premiums protect the Corporation from declines in market prices, while allowing it to benefit from increases, in some circumstances.

The market price of energy in individual jurisdictions can be volatile, even 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 to levels at which the power stations are unable to yield an operating profit, and the economic prospects of the Corporation's projects in facilities in operation 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.

Partners

It is possible that Boralex's partners (suppliers, joint ventures, clients) fail to meet their contractual commitments and, by association, affect the Corporation's results and reputation.

Relationships with stakeholders

The Corporation enters into various types of arrangements with communities or partners for the development of its projects or for operations. 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.

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.

Low production volumes

Hydro, wind and solar resources at Boralex's facilities could vary significantly against historical data and forecasts.

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.

Furthermore, 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 the wind power segment, variations in wind conditions compared to long-term expectations can also be significant.

Hydroelectric, wind and solar resources will vary. Although the Corporation believes that past resource studies and production data collected demonstrate that the sites are economically viable, 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 and facility performance

The Corporation could fail to optimize operations at its facilities due to a shortfall in operational efficiency or resource optimization, or owing to inadequate maintenance plans or operation in extreme conditions.

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. 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.

Segment and geographical diversification

The Corporation pursues a strategy of 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.

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, translate into spot market price volatility, which has an impact, albeit limited, on approximately 1% of the Corporation's total installed capacity.

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 adversely impacting the Corporation's operating results, financial position or prospects.

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

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

Dam safety

Hydroelectric power stations in Québec, which represented 2% of total installed capacity as at December 31, 2021, 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 licenses, permits and other approvals will remain material to the Corporation.

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 that 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 insured assets or operations of the Corporation.

Accidents, health and safety

The Corporation might be unable to ensure its employees' occupational mental health and well-being or to prevent and manage employee and third-party accidents at the facilities under development, under construction or in operation in accordance with health and safety regulations.

The construction, ownership and operation of the Corporation's generation assets carry an inherent risk of liability related to worker health and safety, including the risk of government-imposed orders to remedy unsafe conditions, of potential penalties for contravention of health and safety laws, licenses, permits and other approvals, and of potential civil liability for the Corporation. Compliance with health and safety 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 and safety matters. Potential penalties or other remediation orders could have a material adverse effect on the Corporation's business and results of operations.

Natural disasters and force majeure events

A natural disaster could affect the assets of Boralex and its business partners, adversely impacting the ability to meet contractual commitments and result in force majeure events. Climate change could cause natural disasters.

The Corporation's power generation facilities and operations are exposed to damage and/or destruction resulting from environmental disasters (for example, floods, high winds, freezing rain, fires and earthquakes) that could lead to equipment failure and the like. Climate change could result in such extreme weather conditions. Moreover, such disasters could impede access to facilities.

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.

Pandemics

Pandemics can impact the health of the employees of the Corporation and its business partners, thereby slowing down operations and the achievement of strategic objectives.

The Company is monitoring and adapting to the COVID-19 pandemic as it evolves. Compared with other businesses, COVID-19 has not had a material impact on the Corporation's operations and financial position.

The pandemic and the health measures implemented by authorities to limit the virus from spreading can slow all of the Corporation's activities, in particular as regards to new project development. Current business disruptions could impact our suppliers which in turn could impact the operating results of the Corporation. The pandemic could impact procurement of equipment and spare parts. Construction, operation and maintenance of the Corporation's assets may be halted or delayed. The pandemic could also have the effect of increasing the other risks discussed in this section. It could therefore have a material adverse effect on the Corporation's business, financial position and operating results.

However, the governments of countries in which Boralex operates are promoting the renewable energy sector to stimulate the economy following the slowdown caused by the pandemic.

Litigation and breach of contract

The Corporation could be involved in litigation that could have a material impact on its results.

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.

Financial risks

Limited access to financing

The ability to finance our operations is subject to various risks related to financial market conditions. Our financing is subject to restrictions that may not be met.

Additional financing and debt

The Corporation's projects require significant capital. The Corporation expects to finance the future development and construction of new facilities, the growth of projects under development and potential projects, acquisitions and other capital expenditures from cash flows from operating activities and also partly from 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, unavailable, or unavailable under reasonable terms and conditions, 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.

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 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.

Furthermore, 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.

Moreover, investors could suffer dilution to their holdings of securities of the Corporation if financing were to be obtained by issuing additional Class A shares of the Corporation.

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 and the duration of the instrument is generally aligned with the amortization period of the loans, which limits the risk related to the changes in benchmark rates when refinancing. As at December 31, 2021, excluding the revolving credit and term loan, and given the effect of the interest rate swaps in force, only about 15% and 14% of the total debt was exposed to interest rate fluctuations on a Consolidated and 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.

Restrictive covenants

The Corporation uses a project-based or project group-based financing approach to optimize its leverage. The cash flows from several of the power stations are subordinated to senior debt when financed through project financing. Such financing arrangements are typically secured by project assets and contracts, as well as Boralex's interests in the project operating entity.

The Corporation is subject to operating and financial restrictions through covenants in the instruments governing its debts. 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.

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. Such situations could have a material adverse effect on the business, results of operations and financial position of the Corporation.

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 businesses.

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

Liquidity and fluctuations of exchange and interest rates

The Corporation is exposed to fluctuations in interest rates on debt and exchange rates and to liquidity risk on liabilities.

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 may enter into forward sales contracts to hedge the exchange rate on a portion of the distributions it expects to repatriate from Europe based on the cash 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 that are in effect 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. The Corporation's objective in this instance 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.

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 on interest rates fluctuations on debt financing or on foreign currency fluctuations. The Corporation does not own or issue financial instruments for speculation purposes.

Financial and management information

Failure to maintain effective internal controls could impair investor confidence and affect the Corporation's ability to obtain financing.

The Corporation is subject to the disclosure requirements of Regulation 52-109 and the rules of the Autorité des marchés financiers. Failure to implement and maintain adequate internal controls over financial reporting could result in material weaknesses or deficiencies in internal control over financial reporting that could lead to material misstatements or errors in the financial statements. Investors could lose confidence in the financial information disclosed, which could make access to financing more difficult. In addition, incomplete or inaccurate financial information could lead to sub-optimal business decisions.

Corporate risk

Adverse political or governmental decisions

Laws, regulations and government policies, including renewable energy incentives, in the countries in which the Corporation operates could change to its disadvantage.

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

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 licenses, leases or permits, including renewals thereof or modifications thereto, may adversely affect its ability to generate revenues.

Regulatory non-compliance

Failure to comply with environmental regulations can result in impacts on communities, biodiversity and the environment, as well as penalties up to and including loss of permits and licenses. Amendments to such regulations could result in additional costs.

The Corporation holds permits and licenses from various regulatory authorities for the construction and operation of its power stations. These licenses and permits are critical to the Corporation's operations. The majority of these permits and licenses are long-term in nature, reflecting the anticipated useful life of the facilities. These permits and licenses are dependent upon the Corporation's compliance with the terms thereof. If the Corporation is unable to renew its existing licenses or obtain new licenses, 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.

The Corporation’s operations carry risk of liability related to the environment, including the risk of government-imposed orders to remedy any instances of environmental non-compliance, and potential penalties for violations of environmental laws, licenses, permits and other approvals, and potential civil liability. In addition, the Corporation may become subject to investigations, inquiries or civil suits relating to environmental matters.

Compliance with environmental laws (and any future changes to these laws) and the requirements of licenses, permits and other approvals will remain material to the Corporation. Potential penalties or other remediation orders could have a material adverse effect on the Corporation’s business and results of operations.

Information systems failure and cybersecurity

Security breaches could harm the Corporation’s business and compromise confidential and strategic information, as well as personal data.

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 seriously disrupt commercial power generation and distribution operations, compromise the confidentiality, integrity and availability of information, including personal data or diminish competitive advantages. In addition, such attacks could result in breaches under data protection regulations. 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 Corporation’s business, financial condition and operating results.

Employee recruitment, engagement and succession

The Corporation could fail to achieve the objectives of its strategic plan due to a lack of resources caused by difficulty attracting, retaining and engaging management, key employees and staff, or due to a lack of succession.

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.

Risk of malfeasance

The Corporation could suffer a material loss as a result of fraudulent or illegal acts.

Despite having implemented policies and procedures to prevent and detect such incidents, the Corporation could suffer significant losses as a result of fraud, bribery, corruption, other illegal acts, or inadequate or ineffective internal processes.

Damage to reputation

The Corporation's reputation with stakeholders could be damaged as a result of business decisions made by management, or by association with business partners.

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, notwithstanding all internal measures to protect it.

Damage to the Corporation’s reputation could harm relationships with its stakeholders, cause it to lose business opportunities, reduce its ability to recruit and engage employees and compromise the social acceptability of its projects.

All of the risks mentioned in this section 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 key 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.

Recoverable amount - Impairment of assets

Every year, on August 31, management 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 performs impairment tests on its assets with indefinite and finite useful lives and *Goodwill* to assess whether their carrying amounts are recoverable. Recoverable amounts are determined based on discounted cash flows projected over the terms of projects using rates 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 key assumptions, including planned production, selling prices, costs and discount rates.

Discount rate

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

Anticipated 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 their expected degradation. 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 estimated long-term average production.

Selling price

The Corporation uses contractual selling prices when fixed-price contracts exist; cash flows subsequent to contract expiry are estimated using projected price curves.

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

In assessing 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 of useful life are reviewed annually and the impacts of any changes are accounted for prospectively. The same useful lives are then used in estimating lease renewals and expected decommissioning of facilities.

Lease liabilities

Lease liabilities are calculated by discounting future lease payments over the lease term. To do so, management must estimate the discount rates and lease terms taking into account any applicable renewal and termination options.

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, and discount rates. 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

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair value is determined using discounted cash flow models and 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 when available. Otherwise, management makes its best estimate of what market participants would use for these instruments. Since they are based on estimates, fair values may not be realized in an actual sale or immediate settlement of the instruments. See note 20 of these financial statements for a more detailed explanation of the bases for the calculations and estimates used.

Hierarchy of financial assets and liabilities measured at fair value

Financial instruments measured at fair value in the financial statements are classified according to the following hierarchy of levels:

- Level 1:
  Consists of measurements based on quoted prices (unadjusted) in markets for identical assets or liabilities;
- Level 2:
  Consists of measurement techniques based mainly on inputs, other than quoted prices, that are observable either directly or indirectly in the market;
- Level 3:
  Consists of measurement techniques that are not based mainly on observable market data.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is to be determined on the basis of the lowest level input that is significant to the financial instrument fair value measurement in its entirety.

Business combinations

The Corporation makes a number of key estimates when allocating fair values to the assets and liabilities acquired in a business combination. Fair values of property, plant and equipment as well as electricity sales contracts are estimated using valuation techniques, such as the discounted cash flows method, that take into account key assumptions such as anticipated production, selling prices, costs and discount rate. When there is a contingent consideration arrangement, management must also use its judgment in determining the amount of contingent consideration to be recognized as part of the business combination. Management estimates the future amounts to be paid to the seller under the terms of the agreements based on the likelihood that the conditions will be met for payment.

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 or groups of 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, that is, those of secured projects in its project portfolio. Recognition of an intangible asset resulting from the development phase starts when a given project meets the capitalization criteria in IAS 38, *Intangible Assets*. 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 or feed-in premium contract.

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 of our investment in the investee. Management is required to make significant judgments regarding the relevant activities of an investee and as to whether it has power over such activities. The relevant activities of an investee can change over time and are therefore subject to periodic review.

Accounting policies and National Instrument

Changes in accounting policies and National Instrument

Changes to IAS 39, IFRS 9 and IFRS 7 (Interest rate benchmark reform) - Phase 2

During the year, Boralex adopted the Phase 2 amendments Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables Boralex to reflect the effects of transitioning from interbank offered rates to alternative benchmark interest rates (also referred to as ‘risk free rates’) without giving rise to accounting impacts that would not provide useful information to users of financial statements. The exceptions allow for prior period comparatives not to be restated to reflect these amendments.

Both the Phase 1 and Phase 2 amendments are relevant to Boralex because it applies hedge accounting to its interest rate benchmark exposures. For the periods under consideration, no modifications in response to the reform have been made to Boralex’s derivative and non-derivative financial instruments that mature post 2021 (the date by which the reform is expected to be implemented). Details of the derivative and non-derivative financial instruments affected by the interest rate benchmark reform together with a summary of the actions taken by Boralex to manage the risks relating to the reform and the accounting impact, including the impact on hedge accounting relationships are provided in Note 21.

IAS 12, Income Taxes

In May 2021, the IASB published *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (Amendments to IAS 12) that clarifies how entities account for deferred tax on transactions such as leases and decommissioning obligations. The main change is an exemption from the initial recognition exemption, which does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of deferred tax assets and liabilities in the same amount. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 with early adoption permitted. The Corporation early adopted this amended standard as at December 31, 2021 and this change had no impact on the Corporation's consolidated financial statements.

IAS 16, Property, Plant and Equipment - Proceeds before Intended Use

In May 2020, the IASB issued *Property, Plant and Equipment — Proceeds before Intended Use* (amendments to IAS 16). The amendments prohibit entities deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the Corporation must recognize the proceeds from sale as well as the production costs in net earnings (loss). The Corporation adopted this amended standard as at December 31, 2021 and this change had no significant impact on the Corporation's consolidated financial statements.

IAS 1, Presentation of Financial Statements

In February 2021, the IASB amended IAS 1, *Presentation of Financial Statements*, to require entities to disclose their material accounting policy information rather than their significant accounting policies. Further amendments to IAS 1 explain how an entity can identify a material accounting policy. The Corporation adopted this amended standard as at December 31, 2021 and this change had no impact on the Corporation's consolidated financial statements.

National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosure

On May 27, 2021, the Canadian Securities Administrators published the final *National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosure* (the “Instrument"), effective August 25, 2021 and applicable to reporting issuers for documents filed for fiscal years ending on or after October 15, 2021. The Instrument addresses disclosure of non-IFRS financial measures, non-IFRS ratios and other financial measures with the intent to provide clarity and consistency with respect to an issuer's disclosure obligations. The Corporation will apply the Instrument for its filings for the year ended December 31, 2021.

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 assessed the effectiveness of Boralex's DC&P as of December 31, 2021 as well as the effectiveness of Boralex's ICFR process as of that same date and concluded that they were effective.

During the three-month period ended December 31, 2021, no changes were made to ICFR that have materially affected, or are reasonably likely to affect, ICFR.

Limitation on the scope and design of DC&P and ICFR

The limitation on the scope and design of the Corporation's DC&P and ICFR as at Decembre 31, 2021, did not cover the controls and procedures of the majority interests in a portfolio of solar power stations in the United States representing 209 MWac acquired on January 29, 2021, and which are included in the December 31, 2021 consolidated financial statements. The Corporation has elected to apply section 3.3(1)(b) of Regulation 52-109, which allows this acquisition to be excluded from the evaluation of the design of DC&P and ICFR for a maximum of 365 days from the acquisition date.

The limitation on the scope is based primarily on the time required to assess DC&P and ICFR with respect to information relating to the majority interests in the portfolio of solar power stations.

Since the acquisition date, these majority interests in the portfolio of solar power stations have contributed $33 million (US$26 million) to revenues from energy sales and generated net earnings of $1 million (US$1 million). In addition, current assets and current liabilities represented 1% and 3% of consolidated current assets and liabilities, respectively. Non-current assets and non-current liabilities represented 10% and 2% of consolidated non-current assets and liabilities, respectively.

Consolidated financial statements

Management's report

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

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

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

(s) Patrick Decostre

Patrick Decostre

President and Chief Executive Officer

(s) Bruno Guilmette

Bruno Guilmette

Vice-President and Chief Financial Officer

Montreal, Canada

February 22, 2022

Independent auditor’s report

To the Shareholders of Boralex Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Boralex Inc. and its subsidiaries (together, the Company) as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Corporation’s consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of earnings for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters

Key audit matter	How our audit addressed the key audit matter
Valuation of intangible assets and property, plant and equipment acquired in the business combination of a portfolio of seven solar power stations *Refer to Note 3 – Significant accounting policies, Note 4 – Main sources of uncertainty and Note 5 – Business combinations to the consolidated financial statements.* On January 29, 2021, the Corporation acquired a majority interest in a portfolio of seven solar power stations in the United States for a consideration of $275 million. The fair value of assets acquired included $314 million of property, plant and equipment (PP&E) and $220 million of energy sales contracts (intangible assets). The determination of the fair value of PP&E and intangible assets, using discounted cash flow models, included the following key assumptions: anticipated production, selling prices, costs and discount rates. We considered this a key audit matter due to the key judgment applied by management in estimating the fair value of PP&E and intangible assets, including the use of key assumptions. This has resulted in a high degree of auditor judgment and subjectivity in performing procedures relating to the key assumptions applied by management. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.	Our approach to addressing the matter included the following procedures, among others: • Tested how management estimated the fair value of PP&E and intangible assets which included the following: – Read the purchase agreement to understand the transaction and key terms. – Tested the mathematical accuracy of the discounted cash flow models. – Tested the underlying data used by management in the discounted cash flow models. – Evaluated the reasonableness of the anticipated production and costs by considering the current and past performance of the acquired business. – Evaluated the reasonableness of the selling prices by considering the power purchase agreements and third party industry forecasts. – Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the appropriateness of the discounted cash flow models used and the reasonableness of the discount rates applied by management.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of indefinite life water rights and goodwill *Refer to Note 3 – Significant accounting policies, Note 4 – Main sources of uncertainty and Note 8 – Intangible assets and goodwill to the consolidated financial statements.* The Corporation had $38 million of indefinite life water rights and $218 million of goodwill as at December 31, 2021. Management conducts an impairment test as at August 31 of each year and if events or circumstances indicate that the carrying value of indefinite life water rights or goodwill may not be recoverable. Indefinite life water rights and goodwill are monitored for impairment by management on a cash generating unit (CGU) basis and groups of CGUs basis, respectively. Where impairment exists, the indefinite life water rights and goodwill are written down to their recoverable amount. Recoverable amounts are determined using the fair value less costs of disposal method using discounted cash flow models. Key assumptions used when estimating recoverable amounts included anticipated production, selling prices, costs and discount rates. We considered this a key audit matter due to the key judgment applied by management in estimating the recoverable amounts of the CGU or groups of CGUs, including the use of key assumptions. This has resulted in a high degree of subjectivity and audit effort in performing procedures to test the recoverable amounts determined by management. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the recoverable amount of the CGU or groups of CGUs, which included the following: – Tested the mathematical accuracy and the underlying data used in discounted cash flow models. – Tested the reasonableness of the anticipated production and costs used in the discounted cash flow models by considering the current and past performance of the CGU and groups of CGUs and whether they were aligned with evidence obtained in other areas of the audit. – Evaluated the reasonableness of selling prices used in the discounted cash flow models by considering the power purchase agreements and third party industry forecasts. – Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the appropriateness of the fair value less costs of disposal method and discounted cash flow models and the reasonableness of the discount rates applied by management.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yves Bonin.

(s) PricewaterhouseCoopers LLP[1]

Montréal (Québec)

February 22, 2022

[1] FCPA auditor, FCA, public accountancy permit No. A110416

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Consolidated statements of financial position

(in millions of Canadian dollars)	Note	As at December 31, 2021	As at December 31, 2020
ASSETS			
Cash and cash equivalents		256	275
Restricted cash		3	2
Trade and other receivables		148	157
Other current financial assets	20	3	—
Other current assets		50	38
CURRENT ASSETS		460	472
Property, plant and equipment	6	3,227	3,112
Right-of-use assets	7	407	316
Intangible assets	8	1,147	1,027
Goodwill	8	218	222
Interests in Joint Ventures and associates		107	74
Other non-current financial assets	20	95	70
Other non-current assets		90	21
NON-CURRENT ASSETS		5,291	4,842
TOTAL ASSETS		5,751	5,314
LIABILITIES			
Trade and other payables		145	161
Current portion of debt	9	220	229
Current portion of lease liabilities		16	13
Other current financial liabilities	20	14	—
CURRENT LIABILITIES		395	403
Debt	9	3,383	3,287
Lease liabilities		290	243
Deferred income tax liability	10	174	137
Decommissioning liability	11	191	128
Other non-current financial liabilities	20	76	100
Other non-current liabilities		31	25
NON-CURRENT LIABILITIES		4,145	3,920
TOTAL LIABILITIES		4,540	4,323
EQUITY			
Equity attributable to shareholders		1,001	989
Non-controlling shareholders		210	2
TOTAL EQUITY		1,211	991
TOTAL LIABILITIES AND EQUITY		5,751	5,314

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

The Board of Directors approved these audited annual consolidated financial statements on February 22, 2022.

(s) Alain Rhéaume

Alain Rhéaume, Director

(s) Lise Croteau

Lise Croteau, Director

Consolidated statements of earnings

(in millions of Canadian dollars, unless otherwise specified)	Note	2021	2020
REVENUES			
Revenues from energy sales		679	596
Feed-in premiums		(8)	23
Revenues from energy sales and feed-in premiums		671	619
Other revenues		20	14
		691	633
COSTS AND OTHER			
Operating	15	153	151
Administrative	15	37	44
Development		24	23
Amortization		297	237
Impairment		4	7
Other gains		(6)	(1)
		509	461
OPERATING INCOME		182	172
Acquisition costs	5	4	4
Financing costs	16	144	113
Share in earnings of Joint Ventures and associates		(9)	(25)
Loss on deemed disposal of interests in the Joint Ventures		—	7
Other		(1)	7
EARNINGS BEFORE INCOME TAXES		44	66
Income tax expense	10	18	5
NET EARNINGS		26	61
NET EARNINGS ATTRIBUTABLE TO:			
Shareholders of Boralex		17	55
Non-controlling shareholders		9	6
NET EARNINGS		26	61
NET EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – BASIC AND DILUTED	17	$0.16	$0.55

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

Consolidated statements of comprehensive income

(in millions of Canadian dollars)	2021	2020
NET EARNINGS	26	61
Other comprehensive income (loss) to be subsequently reclassified to net earnings (loss) when certain conditions are met		
Translation adjustments:		
Unrealized foreign exchange gain (loss) on translation of financial statements of self-sustaining foreign operations	(40)	30
Net investment hedge:		
Change in fair value	32	(32)
Income taxes	(3)	4
Cash flow hedges - Financial swaps:		
Change in fair value	51	(91)
Hedging items realized and recognized in net earnings	36	28
Income taxes	(24)	15
Cash flow hedges – Interests in Joint Ventures and associates:		
Change in fair value	7	(26)
Hedging items realized and recognized in net earnings	7	14
Income taxes	(4)	3
Total other comprehensive income (loss)	62	(55)
COMPREHENSIVE INCOME	88	6
COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Shareholders of Boralex	79	5
Non-controlling shareholders	9	1
COMPREHENSIVE INCOME	88	6

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

Consolidated statements of changes in equity

2021

(in millions of Canadian dollars)	Equity attributable to shareholders						
	Capital stock	Contributed surplus	Accumulated deficit	Accumulated other comprehensive income (loss) (note 14)	Total	Non-controlling shareholders	Total equity
BALANCE AS AT JANUARY 1, 2021	1,320	9	(249)	(91)	989	2	991
Net earnings	—	—	17	—	17	9	26
Other comprehensive income	—	—	—	62	62	—	62
COMPREHENSIVE INCOME	—	—	17	62	79	9	88
Dividends (note 12)	—	—	(68)	—	(68)	—	(68)
Non-controlling shareholders resulting from a business combination (note 5)	—	—	—	—	—	218	218
Distributions to non-controlling shareholders	—	—	—	—	—	(20)	(20)
Other	—	—	1	—	1	1	2
BALANCE AS AT DECEMBER 31, 2021	1,320	9	(299)	(29)	1,001	210	1,211

2020

(in millions of Canadian dollars)	Equity attributable to shareholders						
	Capital stock	Contributed surplus	Accumulated deficit	Accumulated other comprehensive loss (note 14)	Total	Non-controlling shareholders	Total equity
BALANCE AS AT JANUARY 1, 2020	1,125	9	(233)	(41)	860	15	875
Net earnings	—	—	55	—	55	6	61
Other comprehensive loss	—	—	—	(50)	(50)	(5)	(55)
COMPREHENSIVE INCOME	—	—	55	(50)	5	1	6
Dividends (note 12)	—	—	(66)	—	(66)	—	(66)
Issuance of shares (note 12)	194	—	—	—	194	—	194
Exercise of options (note 12)	1	—	—	—	1	—	1
Transaction with a non-controlling shareholder	—	—	(5)	—	(5)	3	(2)
Repurchase of a non-controlling shareholder	—	—	—	—	—	—	—
Distributions to non-controlling shareholders	—	—	—	—	—	(18)	(18)
Other	—	—	—	—	—	1	1
BALANCE AS AT DECEMBER 31, 2020	1,320	9	(249)	(91)	989	2	991

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

Consolidated statements of cash flows

(in millions of Canadian dollars)	Note	2021	2020
Net earnings		26	61
Distributions received from Joint Ventures and associates		20	32
Financing costs		144	113
Interest paid		(123)	(102)
Income tax expense		18	5
Income taxes paid		(14)	(5)
Non-cash items in earnings (loss):			
Amortization		297	237
Share in earnings of Joint Ventures and associates		(9)	(25)
Impairment		4	7
Loss on deemed disposal of interests in the Joint Ventures		—	7
Other		—	8
Change in non-cash items related to operating activities	18	(18)	24
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES		345	362
Business combinations, net of cash acquired	5	(274)	(98)
Increase in the interests in Joint Ventures and associates		(6)	—
Additions to property, plant and equipment		(106)	(145)
Prepayments for property, plant and equipment		(61)	—
Acquisition of energy sales contracts		(12)	(11)
Change in restricted cash		(1)	12
Repayment of advance to a non-controlling shareholder		31	—
Other		(4)	(5)
NET CASH FLOWS RELATED TO INVESTING ACTIVITIES		(433)	(247)
Increase in debt		553	413
Repayments on debt		(377)	(509)
Principal payments relating to lease liabilities	19	(13)	(11)
Distributions paid to non-controlling shareholders		(20)	(6)
Dividends paid to shareholders		(68)	(66)
Shares issued		—	201
Share issuance costs		—	(12)
Settlement of financial instruments	19	5	(9)
Other		(5)	(1)
NET CASH FLOWS RELATED TO FINANCING ACTIVITIES		75	—
TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS		(6)	7
NET CHANGE IN CASH AND CASH EQUIVALENTS		(19)	122
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR		275	153
CASH AND CASH EQUIVALENTS – END OF YEAR		256	275

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

Notes to consolidated financial statements

As at December 31, 2021

(in millions of Canadian dollars, unless otherwise specified)

Note 1. Incorporation and nature of business

Boralex Inc., its subsidiaries and its Joint Ventures and associates ("Boralex" or the "Corporation") are dedicated to the development, construction and operation of renewable energy power facilities. As at December 31, 2021, the Corporation had interests in 90 wind farms, 16 hydroelectric power stations, 12 solar power stations and one thermal power station, representing an asset base with an installed capacity totalling 2,492 megawatts ("MW"). In addition, Boralex currently has new projects under development, representing an additional 154 MW of power and a portfolio of secured projects amounting to 493 MW. The Corporation also operates two hydroelectric power stations on behalf of R.S.P. Énergie Inc., an entity of which one of the three shareholders is a director of the Corporation. Revenues from energy sales are generated mainly in Canada, France and the United States.

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

Note 2. Basis of presentation

These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and set out in the *CPA Canada Handbook*. The Corporation has consistently applied the same accounting policies for all of the periods presented except for the new standards adopted during the year.

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

Note 3. Significant accounting policies

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

Measurement basis

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

Basis of consolidation

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

Subsidiaries

The subsidiaries are entities over which the Corporation exercises control. The Corporation controls an entity when it has power to direct the relevant activities, when it is exposed, or has rights to variable returns, and when it has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date the Corporation acquires control and are deconsolidated on the date control ends. Intercompany transactions and balances as well as unrealized gains and losses on transactions between these entities are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group and comparability of financial information.

As at December 31, the Corporation's main subsidiaries were as follows:

Name of subsidiary	Voting rights held	Location
Boralex Europe Sàrl	100%	Luxembourg
Boralex Energie France S.A.S.	100%	France
Boralex Sainte Christine S.A.S.	100%	France
Boralex Production S.A.S.	100%	France
Boralex Ontario Energy Holdings L.P.	100%	Canada
Boralex Ontario Energy Holdings 2 L.P.	100%	Canada
Éoliennes Témiscouata II L.P.	100%	Canada
Boralex Power Limited Partnership	100%	Canada
FWRN LP	50%	Canada
NR Capital General Partnership	100%	Canada
Des Moulins Wind Power L.P. ("DM I and II")	100%	Canada
Le Plateau Wind Power L.P. ("LP I")	100%	Canada

Joint Ventures and associates

A Joint Venture is a joint arrangement in which the parties are bound by a contractual agreement that gives them joint control over the entity. The decisions about the relevant activities of the joint arrangement require the unanimous consent of the parties that exercise joint control.

An associate is an entity over which the Corporation has significant influence and that is neither a subsidiary nor an interest in a joint venture. The Corporation's interests in Joint Ventures and associates ("Interests") are accounted for using the equity method. Under the equity method, investments are initially recorded at cost and the carrying amount is adjusted thereafter to include the Corporation's pro rata share of post-acquisition earnings or losses of the investee in profit or loss and the Corporation's share of changes in other comprehensive income. Dividends received or receivable from associates and joint ventures reduce the carrying amount of the investment. The Corporation's *Share in earnings of Joint Ventures and associates* is recorded as a separate line item in the consolidated statement of earnings. Unrealized gains and losses on transactions between the Corporation and jointly controlled or significantly influenced entities are eliminated to the extent of the Corporation's interest in those entities. If an intercompany transaction provides evidence of an impairment of the asset transferred, the related unrealized loss would not be eliminated. Accounting policies of *Joint Ventures and associates* have been changed where necessary to ensure consistency with the policies adopted by the group and comparability of financial information.

If an interest in a Joint Venture or an associate becomes negative, the carrying amount of such interest is reduced to zero and the adjustment is recognized under *Excess of the interest over the net assets of Joint Venture*. If the carrying amount of the interest in the Joint Venture or an associate becomes positive during the subsequent period, Boralex will reverse such adjustment up to the accumulated amount previously recorded as excess of the interest over the net assets of Joint Venture SDB I. The carrying amount of equity investments is tested for impairment in accordance with the policy described in the *Impairment of assets* section of this note.

As at December 31, the Corporation's main Joint Ventures and associates were as follows:

Name of entity	Type of joint arrangement	% Boralex		Location
		2021	2020	
Seigneurie de Beaupré Wind Farms 2 and 3 General Partnership ("SDB I")	Joint venture	50.00%	50.00%	Canada
Seigneurie de Beaupré Wind Farm 4 General Partnership ("SDB II")	Joint venture	50.00%	50.00%	Canada
Le Plateau Community Wind Power L.P. ("LP II")	Joint venture	59.96%	59.96%	Canada
Roncevaux Wind Power L.P. ("Roncevaux")	Associate	50.00%	50.00%	Canada
Parc eolien Apuiat Inc.	Joint venture	50.00%	—	Canada
Hecate Energy New York Holdings LLC ("Hecate")	Joint venture	50.00%	50.00%	United States

Non-controlling shareholders

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

Business combinations

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

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

Goodwill is determined after separate recognition of identifiable assets acquired. It is calculated as the excess of the sum of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (gain on a bargain purchase) is recognized through earnings immediately. If the business combination is achieved in stages, the acquisition-date carrying amount of the acquirer's previously held interest in the acquiree is remeasured at its acquisition-date fair value with any resulting gain or loss recognized in net earnings (loss).

Foreign currency translation

Functional and reporting currency

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

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

Foreign currency transactions

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

Financial instruments

Classification

The Corporation determines the classification of financial instruments at initial recognition and classifies its financial instruments in the following measurement categories:

- Those to be measured subsequently at fair value (either through profit or loss ("FVPL") or through other comprehensive income ("FVOCI"));
- Those to be measured at amortized cost.

The classification of financial instruments is driven by the Corporation's business model for managing the financial assets and their contractual cash flow characteristics. Assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVPL. For other equity instruments, on the day of acquisition, the Corporation can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL (such as instruments held for trading or derivatives) or the Corporation has opted to measure them at FVPL.

Financial instruments with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Measurement

Financial instruments at amortized cost

Financial instruments at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

Currently, the Corporation classifies cash and cash equivalents, restricted cash, trade and other receivables, advance to a non-controlling shareholder and reserve funds as financial assets measured at amortized cost, and trade and other payables, amount due to a non-controlling shareholder, tax equity liabilities, debt and lease liabilities as financial liabilities measured at amortized cost.

Financial instruments at fair value

Financial instruments are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net earnings (loss). The effective portion of gains and losses on financial instruments designated as hedges is included in the consolidated statements of comprehensive income (loss) in the period in which they arise. Where management has opted to recognize a financial liability at FVPL, any changes associated with the Corporation's own credit risk will be recognized in *Other comprehensive income (loss)*.

Currently, the Corporation classifies other non-current financial assets (excluding reserve funds, advance to a non-controlling shareholder and options to purchase a partner's interests) as financial assets measured at fair value, and other current financial liabilities and non-current financial liabilities (excluding the amount due to a non-controlling shareholder and tax equity liabilities) as financial liabilities measured at fair value.

Impairment

The Corporation assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost or at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Corporation applies the simplified approach permitted by IFRS 9, which requires lifetime expected losses to be recognized from initial recognition of the receivables.

Derecognition

Financial assets

The Corporation derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of comprehensive income.

Financial liabilities

The Corporation derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of net earnings (loss).

Hedge accounting

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

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

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

Cash flow hedges

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

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

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

Hedge of a net investment in self-sustaining foreign operations

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

Cash and cash equivalents

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

Restricted cash

Restricted cash comprises mainly highly liquid investments designated as reserve to finance capital expenditures and funds held in trust for the purpose of meeting the requirements of certain debt agreements within a one-year period following each year-end.

Other current assets

Other current assets comprise inventory, prepaid expenses, deposits and assets held for sale. Inventories mainly consist of replacement parts and wood residues. Assets held for sale are measured at the lower of fair value less costs to sell and their carrying amounts, and are not amortized as long as they are classified as held for sale.

Property, plant and equipment

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

Type of property, plant and equipment	Method of amortization	Useful life
Wind power stations	By component using the straight-line method	5 to 30 years
Hydroelectric power stations	By component using the straight-line method	20 to 40 years
Thermal power stations	By component using the straight-line method	20 to 25 years
Solar power stations	By component using the straight-line method	20 to 35 years
Major maintenance	Straight-line method over the scheduled maintenance frequency	3 to 5 years

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

Other intangible assets

Energy sales contracts

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

Water rights

Water rights with finite lives are amortized on a straight-line basis over the contract terms, including one renewal period, which ranges from 20 to 30 years. Water rights with indefinite lives are not amortized.

Development projects

Project development costs include design and acquisition costs related to new projects. These costs are deferred until construction begins on the new power station or expansion of an existing power station, at which time they are transferred to property, plant and equipment and intangible assets, as appropriate. The Corporation defers costs for projects when it believes they are more likely than not to be completed, that is, secured projects in its portfolio of projects. Where it is no longer probable that a project will be carried out, the costs deferred to that date are expensed.

Goodwill

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

Other non-current financial assets - Reserve funds

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

Other non-current assets

Other non-current assets consist mainly of prepayments to suppliers relating to wind turbine purchase and construction contracts.

Borrowing costs

The Corporation capitalizes borrowing costs directly attributable to the acquisition, construction or production of qualifying assets during their active construction. Borrowing costs that are directly attributable to the acquisition, construction or production of an eligible asset are capitalized over the period of time necessary to complete and prepare the asset for the intended use or sale. Eligible assets are assets that necessarily take a substantial period of time to prepare for the intended use or sale. Other borrowing costs are expensed during the period in which they are incurred.

Leases

The Corporation has chosen to account for each lease component and any non-lease components as a single lease component when disaggregated information is not readily available. The Corporation recognizes a right-of-use asset and a lease liability at the commencement date, which is the date the leased asset is available for use. Each lease payment is allocated between lease liabilities and financing costs. Financing costs are charged to the statement of earnings over the lease period so as to produce a constant periodic rate of interest on the remaining balance of lease liabilities for each period.

The right-of-use asset is initially measured at cost comprising the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs;
- Restoration costs.

The right-of-use asset is subsequently depreciated over the shorter of the underlying asset's useful life and the lease term on a straight-line basis. The lease term includes periods covered by an option to extend if the Corporation is reasonably certain to exercise that option. Also, the lease term includes periods covered by an option to terminate if the Corporation is reasonably certain not to exercise that option.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate.

The lease liability includes the net present value of the following lease payments:

- Fixed payments (including in-substance fixed lease payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or rate, initially measured using the index or the effective rate at the commencement date;
- Amounts expected to be payable by the Corporation under residual value guarantees;
- The exercise price of a purchase option if the Corporation is reasonably certain to exercise that option;
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of that option by the Corporation.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability

Some leases contain variable payment terms that are linked to sales or operating expenses. Variable lease payments are recognized in the statements of earnings (loss) in the period in which the condition that triggers those payments occurs.

Remeasurement

The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is remeasured if there is a change in future lease payments arising from a change in an index or rate, there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Impairment of assets

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

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

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

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

Provisions

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

Contingent consideration

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

Contingent consideration relating to business combinations is measured at fair value at the acquisition date. Changes in fair value are recognized in net earnings (loss) under *Net gain or loss on financial instruments,* which is included in *Other*. Contingent consideration relating to the asset acquisitions is capitalized to intangible assets when incurred.

Litigation provisions

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

Decommissioning liability

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

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

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

Lastly, the Corporation has a contractual or legal obligation to decommission its solar power stations at the end of their commercial operations. These costs would be mostly related to the removal, transportation and disposal of inverters, modules and supports, as well as revegetation.

Tax equity liabilities

The Corporation has entered into partnerships with tax equity investors (TEI) in the United States. The partnership agreements apportion the cash flows generated by the solar power stations as well as the related taxable income or losses and the investment tax credits between the TEI and the project sponsors (sponsors are usually the Corporation as well as non-controlling shareholders). Typically, tax equity structures grant the TEI the majority of the projects' taxable income and renewable tax incentives, along with a smaller portion of the projects' cash flows, until a contractually determined point at which the allocations are adjusted (the ''Flip Point''). The Flip Point dates can be either fixed, or they can depend on the achievement of certain pre-determined conditions. Subsequent to the Flip Point, the majority of the projects' cash flows, taxable income and renewable tax incentives are allocated to the project sponsors.

At all times, both before and after the projects' Flip Point, the Corporation retains control over the projects with tax equity structures and therefore consolidates the project entities. When a tax equity partnership is formed or acquired, the Corporation assesses whether the project company should be consolidated based on the Corporation's right to variable returns and its ability to influence financial and operational decisions impacting those returns. Due to the operational and financial nature of the projects, and the protective nature of the rights normally given to TEI, the Corporation typically has the influence necessary to consolidate the entity.

The TEI's interests in the partnerships represent financial liabilities and are recorded in the Consolidated Statements of financial position in *Other current financial liabilities* and *Other non-current financial liabilities*. The tax equity liabilities are initially recorded at fair value when the initial contribution is received, or as part of a business combination, and are subsequently recorded at amortized cost. This liability is reduced by the value of tax benefits provided and cash distributions made to the TEI and is increased by the value of tax income allocated and interest expense that is recorded using the effective interest rate method. The Corporation records the value of the tax benefits or tax income allocated to the tax equity investors in *Other*.

In addition to the above, the Corporation has options to repurchase the TEIs' interests during a defined period following the flip dates, which are recorded at fair value in *Other current financial liabilities* and *Other non-current financial liabilities*.

Income taxes

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same tax authority. Current tax assets and liabilities are offset when the entity has a legally enforceable right to offset and intends to settle on a net basis or realize the asset and recognize the liability simultaneously.

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

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

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

The Corporation has elected to recognize initial future income taxes on temporary differences between the carrying amount and the tax basis resulting from the acquisition of transparent companies. As a result, the consideration has been added to the cost of the acquired interests for interests accounted for under the equity method.

Equity

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

Stock-based compensation

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

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

Revenue recognition

The Corporation recognizes its revenue under the following policies:

Revenues from energy sales and feed-in premiums

The Corporation recognizes its revenues, which consist of energy sales, when the energy is delivered to the buyer's substation, and there is no unfulfilled obligation that could affect the buyer's acceptance of energy.

Feed-in premiums (FiP), which are in substance a government grant in the form of a premium between the energy sales prices and a contractually agreed price for each contract, are recorded at the same time as the related energy sales revenue. When the energy sales prices are higher than the contractual price, a negative FiP is recorded only up to the FiP generated since the beginning of the FiP contract. As the Corporation has no legal or constructive obligation to pay the excess negative FiP over and above the FiP received, the excess amounts are not recorded. Some of the Corporation's FiP contracts contain a carry-over provision under which excess negative FiP are reported to subsequent periods to offset any FiP that will be generated over the remaining term of the FiP agreement. However, at expiration of the FiP agreement, any excess negative FiP are eliminated.

Variable consideration

Penalties for non-production of electricity are recorded at the time when it is highly probable that the amount will be payable as a reduction of revenues over the remaining term of the energy sales contract.

The Corporation recognizes deferred income for French wind farms whose energy selling prices vary according to the achievement of predetermined production levels under the tariff order. The estimate is reviewed annually. The deferred revenue is included *Other non-current liabilities*.

Other income

Other income mainly comprises management fee revenues from Joint Ventures and associates, and is recognized when the service is provided.

Net earnings per share

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

Change in accounting policies

Changes to IAS 39, IFRS 9 and IFRS 7 (Interest rate benchmark reform) - Phase 2

During the year, Boralex adopted the Phase 2 amendments Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables Boralex to reflect the effects of transitioning from interbank offered rates to alternative benchmark interest rates (also referred to as 'risk free rates') without giving rise to accounting impacts that would not provide useful information to users of financial statements. The exceptions allow for prior period comparatives not to be restated to reflect these amendments.

Both the Phase 1 and Phase 2 amendments are relevant to Boralex because it applies hedge accounting to its interest rate benchmark exposures. For the periods under consideration, no modifications in response to the reform have been made to Boralex's derivative and non-derivative financial instruments that mature post 2021 (the date by which the reform is expected to be implemented). Details of the derivative and non-derivative financial instruments affected by the interest rate benchmark reform together with a summary of the actions taken by Boralex to manage the risks relating to the reform and the accounting impact, including the impact on hedge accounting relationships are provided in Note 21.

IAS 12, Income Taxes

In May 2021, the IASB published *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (Amendments to IAS 12) that clarifies how entities account for deferred tax on transactions such as leases and decommissioning obligations. The main change is an exemption from the initial recognition exemption, which does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of deferred tax assets and liabilities in the same amount. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 with early adoption permitted. The Corporation early adopted this amended standard as at December 31, 2021 and this change had no impact on the Corporation's consolidated financial statements.

IAS 16, Property, Plant and Equipment - Proceeds before Intended Use

In May 2020, the IASB issued *Property, Plant and Equipment — Proceeds before Intended Use* (amendments to IAS 16). The amendments prohibit entities deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the Corporation must recognize the proceeds from sale as well as the production costs in net earnings (loss). The Corporation adopted this amended standard as at December 31, 2021 and this change had no significant impact on the Corporation's consolidated financial statements.

IAS 1, Presentation of Financial Statements

In February 2021, the IASB amended IAS 1, *Presentation of Financial Statements*, to require entities to disclose their material accounting policy information rather than their significant accounting policies. Further amendments to IAS 1 explain how an entity can identify a material accounting policy. The Corporation adopted this amended standard as at December 31, 2021 and this change had no impact on the Corporation's consolidated financial statements.

Note 4. Main sources of uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments that can materially affect 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 key 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.

Recoverable amount - Impairment of assets

Every year, on August 31, management 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 performs impairment tests on its assets with indefinite and finite useful lives and *Goodwill* to assess whether their carrying amounts are recoverable. Recoverable amounts are determined based on discounted cash flows projected over the terms of projects using rates 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 key assumptions, including planned production, selling prices, costs and discount rates.

Discount rate

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

Anticipated 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 their expected degradation. 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 estimated long-term average production.

Selling price

The Corporation uses contractual selling prices when fixed-price contracts exist; cash flows subsequent to contract expiry are estimated using projected price curves.

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

In assessing 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 of useful life are reviewed annually and the impacts of any changes are accounted for prospectively. The same useful lives are then used in estimating lease renewals and expected decommissioning of facilities.

Lease liabilities

Lease liabilities are calculated by discounting future lease payments over the lease term. To do so, management must estimate the discount rates and lease terms taking into account any applicable renewal and termination options.

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, and discount rates. 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

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair value is determined using discounted cash flow models and 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 when available. Otherwise, management makes its best estimate of what market participants would use for these instruments. Since they are based on estimates, fair values may not be realized in an actual sale or immediate settlement of the instruments. See note 20 of these financial statements for a more detailed explanation of the bases for the calculations and estimates used.

Hierarchy of financial assets and liabilities measured at fair value

Financial instruments measured at fair value in the financial statements are classified according to the following hierarchy of levels:

- Level 1 Consists of measurements based on quoted prices (unadjusted) in markets for identical assets or liabilities;
- Level 2 Consists of measurement techniques based mainly on inputs, other than quoted prices, that are observable either directly or indirectly in the market;
- Level 3 Consists of measurement techniques that are not based mainly on observable market data.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is to be determined on the basis of the lowest level input that is significant to the financial instrument fair value measurement in its entirety.

Business combinations

The Corporation makes a number of key estimates when allocating fair values to the assets acquired and liabilities assumed in a business combination. Fair values of property, plant and equipment as well as electricity sales contracts are estimated using valuation techniques, such as the discounted cash flows method, that take into account key assumptions such as anticipated production, selling prices, costs and discount rate. When there is a contingent consideration arrangement, management must also use its judgment in determining the amount of contingent consideration to be recognized as part of the business combination. Management estimates the future amounts to be paid to the seller under the terms of the agreements based on the likelihood that the conditions will be met for payment.

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 or groups of 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, that is, those of secured projects in its project portfolio. Recognition of an intangible asset resulting from the development phase starts when a given project meets the capitalization criteria in IAS 38, *Intangible Assets*. 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 or feed-in premium contract.

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 of our investment in the investee. Management is required to make significant judgments regarding the relevant activities of an investee and as to whether it has power over such activities. The relevant activities of an investee can change over time and are therefore subject to periodic review.

Note 5. Business combinations

2021

Acquisition of interests in solar power stations in the United States

On January 29, 2021, and as announced in December 2020, Boralex has acquired the majority interests of Centaurus Renewable Energy LLC ("CRE") in a portfolio of seven solar power stations in the United States for a consideration of $275 million (US$213.6 million), subject to adjustments provided for in the acquisition agreements. Boralex holds interests of 50% to 100% with other investors retaining minority interests in the assets. For three of the seven projects, there are tax equity investors. The total installed capacity of these power stations is 209 MWac, while the interests acquired represent a net installed capacity of 118 MWac for Boralex. Five of the solar power stations are located in California, one in Alabama and the other in Indiana. They were commissioned between 2014 and 2017 and are covered by long-term power purchase agreements ("PPAs") expiring between 2029 and 2046 with a weighted average remaining term of nearly 21.5 years. As at December 31, 2021, transaction costs amounted to $6 million including $3 million incurred in 2020.

Facilities acquired	Boralex % interest	PPA expiry	Installed capacity (MWac)	Boralex's share of installed capacity (MWac)
IMS	100%	July 2029	9	9
Westlands	50%	February 2034	18	9
Lancaster	100%	December 2034	3	3
Kettleman	50%	August 2040	20	10
Five Points	50%	October 2041	60	30
Lafayette	60%	December 2045	79	47
Frontier	50%	July 2046	20	10
Total			**209**	**118**

The following table shows the preliminary purchase price allocation of shares:

(in millions)	Preliminary allocation		Final allocation	
	(in $)	(in US$)	(in $)	(in US$)
Cash and cash equivalents	3	2	3	2
Trade and other receivables	3	2	3	2
Property, plant and equipment	333	259	314	244
Right-of-use assets	24	18	24	19
Intangible assets (energy sales contracts)	224	175	220	171
Goodwill	1	1	3	3
Current liabilities	(2)	(2)	(2)	(2)
Assumed liabilities (TEI)	(47)	(37)	(30)	(23)
Lease liabilities	(24)	(18)	(24)	(19)
Decommissioning liability	(18)	(14)	(18)	(14)
Non-controlling shareholders	(220)	(171)	(218)	(169)
Net assets acquired	**277**	**215**	**275**	**214**
Less: Cash and cash equivalents	(3)	(2)	(3)	(2)
Plus: Post closing adjustments receivable	—	—	2	1
Net cash consideration paid for the acquisition	**274**	**213**	**274**	**213**

The final allocation of the purchase price was established based on fair values of assets acquired and liabilities assumed as at acquisition date. *Trade and other receivables* acquired as part of the acquisition has a fair value of $3 million and the entire amount has been collected during 2021. Boralex recognized the share of non-controlling shareholders according to the non-controlling share in identifiable net assets in the acquired entity.

Since the acquisition date, in 2021, the acquired entity contributed $38 million (US$31 million) to revenues from energy sales and generated net income of $1 million (US$1 million). If the acquisition had occurred on January 1, 2021, management estimates that consolidated revenues from energy sales and feed-in premium for the period ended December 31, 2021, would have increased by $2 million (US$1 million) to $673 million and net earnings would have amounted to $26 million. These estimates are based on the assumption that the fair market value adjustments that were made on the date of acquisition would have been the same had the acquisition occurred on January 1, 2021.

2020

Acquisition of Le Plateau I, Des Moulins I and Des Moulins II wind farms

On November 30, 2020, Boralex announced the closing of the acquisition of the Caisse de dépôts et placements du Québec ("CDPQ") 49% interest in three wind farms in Quebec, in which Boralex already held 51%, for a consideration of $121 million ($98 million net of cash acquired), plus a $4 million contingent consideration subject to the settlement of certain future conditions.

The CDPQ's 49% interest represents 145 MW of additional net installed capacity while the three wind farms represent a total of 296 MW. These wind farms are covered by long-term power purchasing agreements (PPAs) entered into with Hydro-Québec Distribution, expiring between 2032 and 2033. The consideration was paid by Boralex from its revolving credit facility.

This transaction gave rise to acquisition costs of $1 million, which were recognized under acquisition costs in the 2020 consolidated statement of earnings. The acquisition was accounted for by the Corporation using the acquisition method set out in IFRS 3, Business Combinations. The statement of financial position and the results of this acquisition are consolidated since November 30, 2020.

Deemed disposal of interests in Joint Ventures

The loss on fair value remeasurement of 51% interests in LP I, DM I and II amounted to $7 million and the tax impacts of the transaction related to the acquired wind farms are recognized under *Other* and *Income tax expense (recovery)*, respectively, in the consolidated statements of earnings.

(in millions of Canadian dollars)	**Total**
Carrying amount of interests in Joint Ventures	147
Fair value of interests in Joint Ventures	140
Loss on fair value remeasurement of interests previously held by Boralex	**(7)**
Tax impact of transaction	16
Total gain on remeasurement	**9**

The following table shows the final allocation of the purchase price between the net identifiable assets acquired:

(in millions of Canadian dollars)	Final allocation
Cash and cash equivalents	23
Trade and other receivables	11
Property, plant and equipment	356
Right-of-use asset	23
Energy sales contracts	336
Goodwill	27
Other non-current assets	22
Current liabilities	(9)
Assumed non-current debt	(435)
Lease liability	(23)
Deferred income tax liabilities	(27)
Decommissioning liability	(17)
Other non-current financial liabilities	(13)
Net assets acquired	**274**
Less:	
Cash and cash equivalents	(23)
Non-current contingent consideration	(4)
Value of cash flows after expiry of the energy sales contract	(9)
Fair value of interests previously held by Boralex (51 %)	(140)
Net consideration paid for the acquisition	**98**

The final allocation of the purchase price between the net identifiable assets was established based on fair values as at acquisition date. *Trade and other receivables* acquired as part of the acquisition has a fair value of $11 million and the Corporation has collected the entire amount during 2021. *Goodwill* represents differed taxes and is not deductible for income tax purposes.

As part of the acquisition of the 51% interest in 2018, Boralex had acquired options to purchase the minority interest held by the CDPQ in LP I and DM I and II at the expiry of the initial term of the energy sales contracts. These purchase options were cancelled and derecognized when the CDPQ's interests were acquired.

The entity acquired on November 30, 2020 contributed $9 million to revenues from energy sales in 2020 and generated a net loss of $2 million. If the acquisition had occurred on January 1, 2020, management estimates that consolidated revenues from energy sales and feed-in premium, as at December 31, 2021, would have increased by $79 million to $698 million and net earnings would have amounted to $60 million. These estimates are based on the assumption that the fair market value adjustments that were made on the date of acquisition would have been the same had the acquisition occurred on January 1, 2020.

Note 6. Property, plant and equipment

(in millions of Canadian dollars)	Wind power stations	Hydroelectric power stations	Thermal power stations	Solar power stations	Corporate	**Total**
Year ended December 31, 2020:						
Balance – beginning of year	2,279	364	19	30	23	2,715
Translation adjustment	75	(2)	—	1	1	75
Additions	123	3	—	6	2	134
Additions through business combinations (note 5)	356	—	—	—	—	356
Amortization	(141)	(14)	(4)	(2)	(3)	(164)
Impairment	(2)	—	(3)	—	—	(5)
Other	1	—	—	—	—	1
Balance – end of year	2,691	351	12	35	23	3,112
As at December 31, 2020:						
Cost	3,584	455	60	50	41	4,190
Accumulated amortization	(893)	(104)	(48)	(15)	(18)	(1,078)
Net carrying amount	2,691	351	12	35	23	3,112
Year ended December 31, 2021						
Balance – beginning of year	2,691	351	12	35	23	3,112
Translation adjustment	(99)	(1)	—	(11)	(1)	(112)
Additions	74	4	—	38	2	118
Additions through business combinations (note 5)	—	—	—	314	—	314
Disposals	(3)	—	(6)	—	—	(9)
Amortization	(153)	(14)	(2)	(11)	(3)	(183)
Impairment	(2)	—	—	—	—	(2)
Other	(6)	—	(4)	1	(2)	(11)
Balance – end of year	2,502	340	—	366	19	3,227
As at December 31, 2021:						
Cost	3,548	458	—	392	40	4,438
Accumulated amortization	(1,046)	(118)	—	(26)	(21)	(1,211)
Net carrying amount	2,502	340	—	366	19	3,227

Property, plant and equipment includes facilities under construction in an amount of $44 million ($41 million as at December 31, 2020).

An amount of $13 million relating to unpaid additions to property, plant and equipment as at December 31, 2021 ($10 million as at December 31, 2020) was included under *Trade and other payables*.

Note 7. Leases

The following table shows the change and the breakdown of the Corporation's right-of-use assets:

(in millions of Canadian dollars)	Note	Land[1]	Buildings	Other	**Total**
Year ended December 31, 2020:					
Balance – beginning of year		235	18	7	260
Translation adjustment		7	—	—	7
Revised cash flow estimates		29	—	—	29
Additions		13	1	3	17
Disposals		(1)	—	—	(1)
Additions through business combinations	5	23	—	—	23
Amortization		(15)	(3)	(1)	(19)
Balance – end of year		291	16	9	316
As at December 31, 2020:					
Cost		337	20	11	368
Accumulated amortization		(46)	(4)	(2)	(52)
Net carrying amount		291	16	9	316
Year ended December 31, 2021:					
Balance – beginning of year		291	16	9	316
Translation adjustment		(10)	(1)	(1)	(12)
Revised cash flow estimates	11, (a)	57	—	—	57
Additions		43	1	3	47
Additions through business combinations	5	24	—	—	24
Amortization		(18)	(2)	(2)	(22)
Other		(2)	—	(1)	(3)
Balance – end of year		385	14	8	407
As at December 31, 2021:					
Cost		445	20	11	476
Accumulated amortization		(60)	(6)	(3)	(69)
Net carrying amount		385	14	8	407

[1] Includes the net carrying amount of land restoration costs of $126 million as at December 31, 2021 ($83 million as at December 31, 2020).

(a) Management performed its annual review of inflation and discount rates for certain leases and of site restoration costs. Following the revision of these assumptions, *Right-of-use assets* and *Decommissioning liability* increased by $47 million, and *Right-of-use assets* and *Lease liabilities* increased by $10 million.

As at December 31, 2021, cash flows were discounted using pre-tax interest rates that reflect the assessment of the risks specific to the lease agreement, ranging from 0.05% to 5.50% to determine the right-of-use asset and liability.

Cash outflows related to lease liabilities have totaled $23 million in 2021 ($20 million in 2020).

Note 8. Intangible assets and Goodwill

(in millions of Canadian dollars)	Other intangible assets					
	Energy sales contracts	Water rights	Development projects	Other intangible assets	**Total**	**Goodwill**
Year ended December 31, 2020:						
Balance – beginning of year	599	89	5	7	700	188
Translation adjustment	24	—	—	—	24	7
Additions through business combinations (note 5)	336	—	—	—	336	27
Additions	11	—	8	4	23	—
Amortization	(50)	(3)	—	(1)	(54)	—
Other	—	—	(2)	—	(2)	—
Balance – end of year	920	86	11	10	1,027	222
As at December 31, 2020:						
Cost	1,223	117	11	14	1,365	222
Accumulated amortization	(303)	(31)	—	(4)	(338)	—
Net carrying amount	920	86	11	10	1,027	222
Year ended December 31, 2021:						
Balance – beginning of year	920	86	11	10	1,027	222
Translation adjustment	(30)	—	—	—	(30)	(7)
Additions through business combinations (note 5)	220	—	—	—	220	3
Additions	12	—	9	3	24	—
Amortization	(88)	(3)	—	(1)	(92)	—
Other	(1)	—	(1)	—	(2)	—
Balance – end of year	1,033	83	19	12	1,147	218
As at December 31, 2021:						
Cost	1,407	117	19	18	1,561	218
Accumulated amortization	(374)	(34)	—	(6)	(414)	—
Net carrying amount	1,033	83	19	12	1,147	218

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

Energy sales contracts	19 years
Water rights	26 years

Water rights of the Buckingham hydroelectric power station, which amounted to $38 million in 2021 and 2020, are not amortized given their indefinite useful life. *Development projects* consist primarily of wind power projects in Europe. *Other intangible assets* consist primarily of an enterprise resource planning system and licenses for wind power projects under development.

The following table shows the allocation of *Goodwill* by groups of CGUs:

(in millions of Canadian dollars)	As at December 31, **2021**	As at December 31, **2020**
Wind power Canada	84	84
Wind power France	90	98
Hydroelectric Canada and United States	40	40
Solar power United States	4	—
	218	222

As at August 31, 2021, goodwill and water rights with indefinite useful life relating to the Buckingham power station were subject to the annual impairment test. For all tests, the recoverable amounts of the CGUs determined using the fair value less costs of disposal method exceeded the carrying amounts. Discounted cash flow models were used, which included projected cash flows for periods ranging from 25 to 40 years, and a discount rate ranging from 3.18% to 4.38%.

Note 9. Debt

(in millions of Canadian dollars, unless otherwise specified)	Note	Maturity	Rate[1]	Currency of origin[2]	As at December 31, 2021	As at December 31, 2020
Corporate debt						
Canada						
Revolving credit facility	(a)	2026	1.66	169	241	119
Term loan (CDPQ/FSTQ)		2028	5.64		300	300
Total corporate debt					**541**	**419**
Project debt						
Canada						
Term loan payable:						
Ocean Falls hydroelectric power station		2024	6.55		—	4
Thames River wind farms		2031	7.05		103	112
Témiscouata I wind farm		2032	5.13		37	39
LP I wind farm		2032	3.88		162	176
Témiscouata II wind farm		2033	5.58		98	102
DM I and II wind farms		2033	5.83		239	252
Port Ryerse wind farm		2034	3.80		24	26
Frampton wind farm		2035	4.11		56	59
Côte-de-Beaupré wind farm		2035	4.16		49	51
Niagara Region Wind Farm (“NRWF”)		2036	2.65		726	759
Moose Lake wind farm		2043	4.54		46	47
Jamie Creek hydroelectric power station		2054	5.42		55	55
Yellow Falls hydroelectric power station		2056	4.91		71	72
Other debt		—	—		1	6
					1,667	**1,760**
France						
Construction facility:						
Boralex Energy Investments portfolio of projects	(b)	2023	0.65	23	33	—
Term loan payable:						
CDPQ Fixed Income Inc.		2024	4.05	40	57	62
Boralex Production portfolio of wind farms and projects		2030	0.89	110	158	216
Val aux Moines wind farm		2034	1.33	13	19	22
Boralex Énergie France portfolio of wind farms and projects		2036	1.50	192	276	329
Sainte-Christine portfolio of wind farms and projects		2041	1.36	489	702	752
Other debt		—	—	3	4	4
				870	**1,249**	**1,385**
United States						
Senior secured U.S. note		2026	3.51	30	38	45
Term loan:						
Boralex US Solar portfolio of solar power stations	(c)	2028	2.73	148	187	—
				178	**225**	**45**
Total project debt				**1,048**	**3,141**	**3,190**
Debt - Principal balance			**3.06**		**3,682**	**3,609**
Current portion of debt					(220)	(229)
Transaction costs, net of accumulated amortization					(79)	(93)
					3,383	**3,287**

(1) Weighted average rates, adjusted to reflect the impact of interest rate swaps and calculated using the effective interest method, where applicable.
(2) Currencies of origin are CAD (Canada), EUR (France), USD (United States) and a portion of the revolving credit facility is in USD as at December 31, 2021.

(a) Refinancing of the revolving credit facility

In September 2021, Boralex had the maturity of its revolving credit facility and letter of credit facility for a total of $525 million extended by three years to September 2026 and obtained a reduction in the interest rate on its line of credit. Subsequently, the credit facility qualified as a sustainable loan for which annual ESG objectives will be met. The agreement was also enhanced to include an accordion clause that provides Boralex with future access to an additional amount of $150 million under the same terms and conditions as for the line of credit.

(b) Drawdowns on the construction facility

As at December 30, 2021, Boralex had drawn down $33 million (€23 million) on the $182 million (€125 million) construction facility arranged in January 2020 to finance the construction of wind and solar power projects in France.

(c) Acquisition of interests in solar power stations in the United States

At the same time as the acquisition, Boralex closed a long-term financing arrangement of $192 million (US$149 million). The loan interest rate is variable and is based on the LIBOR, plus a margin. The Corporation entered into an interest rate swap for this loan to cover approximately 90% of expected future interest cash flows. With this swap, the fixed portion of the rate is set at 2.83%. The loan will be amortized over a 25-year period.

Current portion of debt

(in millions of Canadian dollars)	As at December 31, 2021	As at December 31, 2020
Term loan payable – projects	220	217
Value added tax bridge financing facility[1]	—	12
	220	229

[1]Temporary financing for value added tax (VAT) paid for construction sites in France.

Financial ratios and guarantees

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

The debt include letter of credit facilities with a total authorized amount of $304 million as at December 31, 2021 ($335 million in 2020). As at December 31, 2021, $152 million was drawn down to issue letters of credit ($174 million in 2020).

As at December 31, 2021, the carrying amount of assets pledged to secure loans was $3,607 million ($3,927 million as at December 31, 2020). Project term loans are non-recourse to the parent company.

As at December 31, 2021 and 2020, management considers that Boralex and its subsidiaries were in compliance with all their ratios and financial commitments.

Note 10. Income taxes

The breakdown of income tax expense is as follows:

(in millions of Canadian dollars)	2021	2020
Current taxes:		
Current income tax expense	9	9
	9	9
Deferred taxes:		
Differences between the current tax rate and deferred income tax rates	—	(1)
Deferred tax expense (savings) relating to temporary differences	7	(4)
Valuation allowance	2	—
Income tax expense for prior years	—	1
	9	(4)
Income tax expense	18	5

The reconciliation of income tax expense, calculated using the statutory income tax rates prevailing in Canada, with the income tax expense reported in the financial statements is as follows:

(in millions of Canadian dollars, unless otherwise specified)	2021	2020
Net earnings before income taxes	44	66
Combined basic Canadian and provincial income tax rate	26.59%	26.59%
Income tax expense at the statutory rate	12	18
Increase (decrease) in income taxes arising from the following:		
Non-deductible (non-taxable) items	5	(11)
Difference in foreign operations' statutory income tax rates	1	1
Differences between the current tax rate and deferred income tax rates	(1)	(2)
Other items and valuation allowance	1	(1)
Effective income tax expense	18	5

(in millions of Canadian dollars)	2021	2020
Deferred income tax liability	(174)	(137)

The changes in deferred taxes by nature are as follows:

(in millions of Canadian dollars)	As at January 1, 2021	Recorded in comprehensive income	Recorded in net earnings	As at December 31, 2021
Deferred income tax asset related to loss carryforwards	181	—	(22)	159
Financial instruments	20	(27)	(1)	(8)
Provisions	7	—	2	9
Interests in the Joint Venture and associates	(70)	(4)	(2)	(76)
Temporary differences between accounting and tax amortization	(262)	—	8	(254)
Translation adjustments	(2)	3	2	3
Financing and other costs	(11)	—	4	(7)
Total deferred income tax liabilities	(137)	(28)	(9)	(174)

(in millions of Canadian dollars)	As at January 1, 2020	Recorded in comprehensive income	Recorded in net earnings	Business acquisitions (note 5)	Recorded in capital stock	As at December 31, 2020
Deferred income tax asset related to loss carryforwards	213	—	(32)	—	—	181
Financial instruments	3	19	(5)	3	—	20
Provisions	2	—	(3)	8	—	7
Interests in Joint Ventures and associates	(113)	3	40	—	—	(70)
Temporary differences between accounting and tax amortization	(236)	—	13	(39)	—	(262)
Translation adjustments	3	(2)	(3)	—	—	(2)
Financing and other costs	(8)	—	(6)	1	2	(11)
Total deferred income tax liabilities	(136)	20	4	(27)	2	(137)

Given that future taxable income is expected to be sufficient, deductible temporary differences, unused loss carryforwards and tax credits have been recorded as a deferred tax asset in the statement of financial position.

Note 11. Decommissioning liability

For the wind farms and solar power stations, the Corporation has a legal or contractual obligation to decommission its facilities when their commercial operations are discontinued. These costs are mostly related to the removal, transportation and disposal of the reinforced concrete bases that support the wind turbines and the removal of inverters, solar panels and rackings for solar wind farms, as well as revegetation. As at December 31, 2021 cash flows were discounted using pre-tax interest rates that reflect the assessment of the risks specific to the liability, ranging from 0.70% to 3.46% (0.66% and 2.87% as at December 31, 2020) to determine the non-current decommissioning liability.

The following table shows the changes related to the decommissioning liability:

(in millions of Canadian dollars)	Note	2021	2020
Balance as at January 1, 2020		128	90
Translation adjustment		(7)	5
Liability assumed as part of the business acquisition	5	18	17
Revised cash flow estimates	7	47	10
New obligations		8	4
Accretion expense included in financing costs		3	2
Other		(1)	—
Balance as at December 31, 2021		196	128
Current portion of decommissioning liability[(1)]		(5)	—
		191	128

[(1)] Included in *Trade and other payables.*

Note 12. Capital stock, contributed surplus and dividends

Boralex's capital stock is composed of an unlimited number of Class A common shares and an unlimited number of preferred shares. The Class A shares have no par value and confer on each shareholder the right to vote at any meeting of shareholders, receive any dividends declared by the Corporation thereon and share in the residual property upon dissolution of the Corporation. The preferred shares have no par value and were created to provide the Corporation with additional flexibility with respect to future financing, strategic acquisitions and other transactions. The preferred shares are issuable in series with the number of shares in each series to be determined by the Board of Directors prior to issuance. No preferred shares had been issued as at December 31, 2020 and 2021.

The Corporation's contributed surplus is equal to the cumulative value of unexercised stock options granted to members of management and to key employees.

The following changes occurred in the Corporation's capital stock between December 31, 2020 and 2021:

		Capital stock	
(in millions of Canadian dollars, unless otherwise specified)	Note	Number of shares	Amount
Balance as at January 1, 2020		96,464,460	1,125
Issuance of shares on debenture conversions	a)	6,081,200	194
Exercise of options	13	70,993	1
Balance as at December 31, 2020		102,616,653	1,320
Exercise of options	13	2,049	—
Balance as at December 31, 2021		102,618,702	1,320

a) On August 28, 2020, the Corporation announced the closing of a public offering of Class A shares for gross proceeds of $201 million, and net proceeds of $194 million were recognized (net of issuance costs and taxes of $7 million).

Dividends paid

On March 15, June 15, September 16, and December 15, 2021, the Corporation paid dividends totalling $68 million ($66 million in 2020).

On February 10, 2022, a dividend of $0.1650 per common share was declared and will be paid on March 15, 2022 to holders of record at the market close on February 28, 2022.

Note 13. Stock-based compensation

The Corporation has a long-term incentive plan under which stock options are issuable to members of management and certain key employees of the Corporation. Under this plan, 4,500,000 Class A shares have been reserved for issuance. The exercise price of the options granted prior to March 2, 2017 is equal to the closing listed market price of the Class A shares on the day preceding the option grant date, whereas the exercise price for options granted on or after March 2, 2017 is equal to the average listed market price of Class A shares for the five days preceding the option grant date. Options vest at the rate of 25% per year beginning the year after they are granted. All of the options have a ten-year term. This plan has been determined to be equity settled.

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

	2021		2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding - beginning of year	277,705	18.78	312,213	16.29
Granted	49,535	35.64	52,609	29.41
Exercised	(2,049)	16.65	(70,993)	14.62
Cancelled	(2,245)	32.80	(16,124)	23.53
Outstanding - end of year	322,946	21.29	277,705	18.78
Options exercisable - end of year	210,816	17.21	168,364	15.87

The following options were outstanding as at December 31, 2021:

	Options outstanding		Options exercisable		
Granted in	Number of options	Exercise price	Number of options	Exercise price	Year of expiry
2013	10,750	10.29	10,750	10.29	2023
2014	32,990	12.90	32,990	12.90	2024
2015	37,382	13.87	37,382	13.87	2025
2016	34,306	16.65	34,306	16.65	2026
2017	25,149	22.00	25,149	22.00	2027
2018	30,295	18.91	25,621	18.91	2028
2019	59,434	18.44	31,765	18.44	2029
2020	44,327	29.41	12,853	29.41	2030
2021	48,313	35.64	—	35.64	2031
	322,946	21.29	210,816	17.21	

The fair value of each option granted was determined using the Black-Scholes model. The assumptions used to calculate the fair values of options are detailed below:

	2021	2020
Share price on grant date	35.05	28.45
Exercise price	35.64	29.41
Expected annual dividend rate	2.68 %	3.98 %
Expected term	6 years	10 years
Expected volatility	29.08 %	32.96 %
Risk-free interest rate	1.52 %	0.93 %
Weighted average fair value per option	8.01	7.80

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

Note 14. Accumulated other comprehensive income (loss)

							2021
	Attributable to the Shareholders of Boralex						
			Cash flow hedges				
(in millions of Canadian dollars)	Translation adjustment	Hedge of a net investment	Swaps	Interests in Joint Ventures and associates	Total	Non-Controlling shareholders	Total
Balance as at January 1	36	(16)	(91)	(20)	(91)	(4)	(95)
Change in fair value	(38)	32	50	7	51	(1)	50
Reclassification to net earnings	—	—	35	7	42	1	43
Income taxes	—	(3)	(24)	(4)	(31)	—	(31)
Balance as at December 31	(2)	13	(30)	(10)	(29)	(4)	(33)

							2020
	Attributable to the Shareholders of Boralex						
			Cash flow hedges				
(in millions of Canadian dollars)	Translation adjustment	Hedge of a net investment	Swaps	Interests in Joint Ventures and associates	Total	Non-Controlling shareholders	Total
Balance as at January 1	6	12	(48)	(11)	(41)	1	(40)
Change in fair value	30	(32)	(86)	(26)	(114)	(5)	(119)
Reclassification to net earnings	—	—	28	14	42	—	42
Income taxes	—	4	15	3	22	—	22
Balance as at December 31	36	(16)	(91)	(20)	(91)	(4)	(95)

Note 15. Expenses by nature

Operating and administrative

(in millions of Canadian dollars)	2021	2020
Raw material and consumables	13	15
Maintenance and repairs	58	53
Employee benefits	59	64
Rental expenses and permits	10	10
Taxes	25	26
Other expenses	25	27
	190	195

Note 16. Financing costs

(in millions of Canadian dollars)	Note	2021	2020
Interest on non-current debt, net of the impact of interest rate swaps		116	102
Interest on lease liabilities		8	8
Refinancing of term loans - net impact	(a)	—	(12)
Amortization of transaction costs		14	15
Other		7	3
		145	116
Interest capitalized to qualifying assets	(b)	(1)	(3)
		144	113

(a) In 2020, following refinancing of NRWF debt, a $12 million gain was recorded on debt refinancing.

(b) The weighted average annual rate for the capitalization of borrowing costs under qualifying assets was 1.76% per annum (4.84% in 2020).

Note 17. Net earnings per share

(a) Net earnings per share – basic

(in millions of Canadian dollars, unless otherwise specified)	2021	2020
Net earnings attributable to shareholders of Boralex	17	55
Weighted average number of shares - basic	102,618,657	98,547,826
Net earnings per share attributable to shareholders of Boralex - basic	$0.16	$0.55

(b) Net earnings per share – diluted

(in millions of Canadian dollars, unless otherwise specified)	2021	2020
Net earnings attributable to shareholders of Boralex	17	55
Weighted average number of shares - basic	102,618,657	98,547,826
Dilutive effect of stock options	155,999	120,295
Weighted average number of shares - diluted	102,774,656	98,668,121
Net earnings per share attributable to shareholders of Boralex - diluted	$0.16	$0.55

Note 18. Change in non-cash items related to operating activities

(in millions of Canadian dollars)	2021	2020
Decrease (increase) in:		
Trade and other receivables	(7)	25
Other current assets	(6)	(13)
Increase (decrease) in:		
Trade and other payables	(5)	12
	(18)	24

Note 19. Statement of cash flows

									As at December 31, 2021
			Non-cash items						
(in millions of Canadian dollars)	Balance – beginning of year	Cash	Business combinations (note 5)	Additions	Translation adjustment	Amortization	Implied interest	Other items[2]	Balance – end of year
Debt[1]	3,516	180	—	—	(102)	13	—	(4)	3,603
Lease liabilities[1]	256	(13)	24	49	(7)	—	—	(3)	306
Derivative financial instruments	83	5	—	—	(3)	—	—	(113)	(28)
Tax equity liabilities and options to repurchase TEI interests [1]	—	(7)	30	—	(1)	—	1	2	25
	3,855	165	54	49	(113)	13	1	(118)	3,906

									As at December 31, 2020
			Non-cash items						
(in millions of Canadian dollars)	Balance – beginning of year	Cash	Business acquisitions (note 5)	Additions	Translation adjustment	Amortization	Implied interest	Other items[2]	Balance – end of year
Debt[1]	3,067	(99)	435	—	79	15	1	18	3,516
Lease liabilities[1]	208	(11)	23	32	4	—	—	—	256
Derivative financial instruments	3	(9)	13	—	—	—	—	76	83
	3,278	(119)	471	32	83	15	1	94	3,855

[1] Including current and non-current portions.

[2] Mainly including changes in fair value of derivative financial instruments.

Note 20. Financial instruments

Classification of financial instruments

The tables below detail the classification of financial instruments, their respective carrying amount and fair value hierarchy level when measured and accounted for at fair value in the financial statements. It excludes cash, restricted cash, trade and other receivables and trade and other payables.

						As at December 31, 2021
			Carrying value			
(in millions of Canadian dollars)	Note	Level[1]	Amortized cost	FVOCI	FVPL	**Total**
OTHER CURRENT FINANCIAL ASSETS						
Other		2	—	—	3	**3**
OTHER NON-CURRENT FINANCIAL ASSETS						
Reserve funds			33	—	—	**33**
Interest rate swaps		2	—	37	—	**37**
Cross-currency swaps		2	—	25	—	**25**
			33	62	—	**95**
OTHER CURRENT FINANCIAL LIABILITIES						
Cross-currency swaps		2	—	—	3	**3**
Tax equity liabilities and options to repurchase TEI interests	a)	3	4	—	4	**8**
Other		2	—	—	3	**3**
			4	—	10	**14**
DEBT[2]	9		3,603	—	—	**3,603**
OTHER NON-CURRENT FINANCIAL LIABILITIES						
Interest rate swaps		2	—	31	—	**31**
Due to a non-controlling shareholder			6	—	—	**6**
Tax equity liabilities and options to repurchase TEI interests	a)	3	8	—	9	**17**
Contingent consideration		3	—	—	4	**4**
Due to a joint venture			18	—	—	**18**
			32	31	13	**76**

						As at December 31, 2020
			Carrying value			
(in millions of Canadian dollars)	Note	Level[1]	Amortized cost	FVOCI	FVPL	**Total**
OTHER NON-CURRENT FINANCIAL ASSET						
Advance to a non-controlling shareholder	b)		29	—	—	**29**
Reserve funds			34	—	—	**34**
Interest rate swaps		2	—	7	—	**7**
			63	7	—	**70**
DEBT[2]	9		3,516	—	—	**3,516**
OTHER NON-CURRENT FINANCIAL LIABILITIES						
Interest rate swaps		2	—	82	—	**82**
Due to a non-controlling shareholder			6	—	—	**6**
Cross-currency swaps		2	—	8	—	**8**
Contingent consideration		3	—	—	4	**4**
			6	90	4	**100**

[1] Hierarchy levels of financial instruments recognized at fair value (note 4) .

[2] Includes *Debt* and *Current portion of debt.*

Fair value of financial instruments

The following valuation assumptions were used to estimate the fair value of financial instruments:

- The fair values of cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables as well as reserve funds approximate their carrying amounts due to their short-term maturities or high liquidity.
- The fair value of derivative instruments is determined using valuation techniques and is calculated using the present value of estimated projected cash flows, using appropriate interest rates curves and foreign exchange rates as well as contract prices quoted on futures markets. Assumptions are based on market conditions at each reporting date.
- The fair values of TEI liabilities, debt, the amount due to a non-controlling shareholder, contingent consideration and amounts due to a joint venture are essentially based on discounted cash flows. Discount rates, ranging from 0.41% to 4.54% (0.42% to 7.51% as at December 31, 2020), were determined based on local government bond yields adjusted for the risks specific to each of the borrowings and for credit market liquidity conditions.
- The fair value of the options to repurchase TEI interests is established using discounted cash flows at a rate of 7.50%, which is the rate representing the expected rate of return on this type of instrument.

The carrying value of all of the Corporation's financial instruments approximates their fair value except for borrowings, the fair value of which is $3,798 million as at December 31, 2021 ($3,703 million in 2020).

The financial instruments classified as Level 3 and which are measured at fair value through profit or loss have changed as follows:

(in millions of Canadian dollars)	Note	Options to purchase a partner's interests	Contingent consideration	Options to repurchase TEI interests
Balance as at January 1, 2020		9	—	—
Reversal following the acquisition of a partner's interests in Joint Ventures		(9)	—	—
Business combination	5	—	4	—
Balance as at December 31, 2020		—	4	—
Business combination	5	—	—	12
Fair value variation		—	—	1
Balance as at December 31, 2021		**—**	**4**	**13**

(a) Tax equity liabilities

	Projects with tax equity investors		
	Five Points	Lafayette	Frontier
Flip point expected in	2022	2025	2023
Annual cash distributions (millions of Canadian dollars)	n.a.	4	n.a.
Allocation of cash distributions before flip point	22 %	n.a.	2 %
Allocation of taxable income or loss prior to flip point	99 %	99 %	99 %

(b) Advance to a non-controlling shareholder

On October 26, 2021, Boralex received the entire amount owed by a non-controlling shareholder.

Note 21. Financial risks

The Corporation is exposed in the normal course of business to various financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk.

Market risk

Market risk is the risk that changes in market prices (exchange rates, energy market prices and interest rates) will cause volatility in the Corporation's net earnings or the value of its financial instruments. To mitigate the various market risks to which it is exposed, the Corporation employs several strategies, including the use of derivative instruments and natural hedge management technique.

Foreign exchange risk

Foreign exchange risk is the Corporation's exposure to a decrease or increase in the value of its financial instruments as a result of fluctuations in foreign exchange rates. The Corporation operates internationally and is subject to risks related to exchange rate fluctuations on its investments in foreign operations, primarily in France and the United States, whose functional currencies are not the Canadian dollar. In addition, the Corporation is exposed to foreign exchange risk from certain significant future disbursements (turbines and solar panels) and debts denominated in foreign currencies.

The Corporation employs various strategies as part its foreign exchange risk mitigation activities. These strategies include the use of natural risk hedge management techniques as revenues, expenses and financing are in local currencies, the contracting of debt denominated in foreign currencies and derivative financial instruments, including foreign exchange forward contracts and cross-currency swaps.

As at December 31, 2021, the Corporation designated a portion of its debt with a value of US$69 million (nil in 2020) as a hedge of net investments in entities in the United States. Gains and losses on the conversion of the designated portion of these long-term debt securities denominated in US dollars are recorded in other comprehensive income to offset any foreign exchange gains or losses on translation of financial statements of entities in the United States.

The following tables summarizes the Corporation's cross-currency swaps:

As at December 31, 2021	Exchange rate	Rate payer/ receiver	Maturity	Current notional (in millions CAD)	Fair value (in millions CAD)
EUR for CAD	1.5320 to 1.5335	1-month EURIBOR/CDOR	April 2023	405	25
CAD for USD	1.2935	1-month CDOR/US LIBOR	January 2022	130	(3)

As at December 31, 2020	Exchange rate	Rate payer/ receiver	Maturity	Current notional (in millions CAD)	Fair value (in millions CAD)
EUR for CAD	1.5320 to 1.5335	1-month EURIBOR/CDOR	April 2023	472	(8)

Sensitivity analysis

Assuming that all other variables remain the same, a 5% fall in the Canadian dollar against the euro or the U.S. dollar would have affected *Net earnings* and *Accumulated other comprehensive income (loss)* as shown in the table below:

	Net earnings		Accumulated other comprehensive income	
(in millions of canadian dollars)	As at December 31, 2021	As at December 31, 2020	As at December 31, 2021	As at December 31, 2020
Euros (EUR)	(0.6)	(1.0)	(4.6)	(0.3)
US dollars (USD)	0.1	0.2	(9.4)	(1.2)

Price risk – revenues from energy sales

Energy sales price risk is the risk that future cash flows will fluctuate due to changes in energy prices that vary according to supply, demand and certain external factors, including weather conditions, and the price of energy from other sources. Substantially all of the power stations have long-term energy sales contracts, the vast majority of which were subject to partial or full indexation clauses tied to inflation, or feed-in premium agreements setting a floor price. When power production is sold at market prices or under short-term contracts, the Corporation is exposed to the risk of fluctuations in energy prices. As at December 31, 2021, about 1% of the Corporation's power production was sold at market prices without a feed-in premium agreement, or under short-term contracts.

Interest rate risk

Interest rate risk is the Corporation's exposure to an increase or a decrease in the value of its financial instruments as a result of fluctuations in interest rates. A large portion of the Corporation's debt bears interest at variable rates. To mitigate interest rate risk, the Corporation has entered into interest rate swaps to fix the interest rate on the corresponding variable rate debt and applies hedge accounting for these items.

The following tables summarizes the Corporation's interest rate swaps:

As at December 31,

2021	Fixed-rate payer	Floating-rate receiver	Maturity	Notional (in millions CAD)	Fair value (in millions CAD)
EUR	-0.16 % to 1.79 %	3-month EURIBOR	2030-2041	1,029	(20)
USD	1.42 % to 1.43 %	3-month USD LIBOR	2028	172	4
CAD	1.12 % to 2.68 %	3-month CDOR	2025-2043	1,002	22

As at December 31,

2020	Fixed-rate payer	Floating-rate receiver	Maturity	Notional (in millions CAD)	Fair value (in millions CAD)
EUR	-0.16% to 1.79%	3-month EURIBOR	2030-2039	1,045	(46)
USD	1.01%	3-month USD LIBOR	2046	166	2
CAD	1.12% to 2.68%	3-month CDOR	2025-2043	1,060	(31)

Sensitivity analysis

Assuming that all other variables remain the same, a 0.25% increase in interest rates would have reduced net earnings by $1 million in 2021 and 2020 and increased *Accumulated other comprehensive income* by $27 million in 2021 ($28 million in 2020).

Managing interest rate benchmark reform and associated risks

The Corporation has exposures to interbank offered rates ("IBORs") on its derivative and non-derivative financial instruments indexed to CDOR, EURIBOR and US LIBOR rates. While CDOR and EURIBOR rates are expected, for now, to remain in effect following the reform, US LIBOR's alternative reference rate will be the risk-free secured overnight financing rate (SOFR).

The Corporation's exposure to different IBORs are broken down as follows:

Debt indexed to the benchmark rate	Maturity	Outstanding variable debt (in millions CAD)	Swap notional (in millions CAD)	Transition – derivative and non-derivative financial instruments
n.a.	n.a.	n.a.	405	1-month CDOR and EURIBOR maintained after the reform
Term loans and construction facility:				
3-month EURIBOR	2023-2041	1,169	1,029	3-month EURIBOR maintained after the reform
3-month US LIBOR	2028	187	172	Expected to transition to SOFR on June 30, 2023.
3-month CDOR	2025-2043	1,119	1,002	3-month CDOR maintained after the reform

As at December 31, 2021, only derivative and non-derivative financial instruments indexed to US LIBOR will require reform-related changes in the coming years. The Corporation's exposure to risk due to these contracts is low given their low number and value as well as the transition timings. Also, as the financial instruments indexed to US LIBOR were contracted recently, the agreements provide for fallback provisions to manage the transition to the benchmark rate when it becomes applicable. The Corporation expects to transition all the agreements for a single hedge relationship at the same time to match transition timing. The Corporation is continuously monitoring its transition to alternative interest rates and is keeping abreast of the latest developments in Canada, France and the United States.

Credit risk

Credit risk stems primarily from the potential inability of clients or other counterparties to financial instruments to meet their obligations. The maximum exposure to credit risk is the carrying amount of the Corporation's financial assets. As at December 31, 2021, the Corporation had not recorded any impairment losses on its financial assets.

Accounts receivable - Given the nature of the Corporation's business, its clients are few in number. Moreover, they generally have high credit ratings. The electricity markets in Canada and France are limited to very large corporations or monopolies while the U.S. market is more deregulated. In the U.S. market, the Corporation can also negotiate private agreements directly with electricity distributors, usually large corporations which typically have investment grade credit ratings. The Corporation regularly monitors the financial position of its clients.

Derivatives - The Corporation's counterparties for derivative financial instruments, as well as for cash and cash equivalents and restricted cash, consist mainly of large corporations. Before entering into a derivative transaction, the Corporation analyzes the counterparty's credit rating and assesses the overall risk based on the counterparty's relative weighting in the Corporation's portfolio. Where these analyses produce unfavourable results because the partner's credit rating has changed significantly or its portfolio weighting has become too high, the Corporation does not pursue the transaction. Furthermore, if a company does not have a public credit rating, the Corporation assesses the risk and may require financial guarantees.

Liquidity risk

Liquidity risk is the risk that the Corporation will experience difficulty meeting its obligations as they fall due. The Corporation has a centralized Treasury Department in charge, among other things, of ensuring sound management of available cash resources, of securing financing and meeting maturity obligations for all of the Corporation's activities. With senior management oversight, the Treasury Department manages the Corporation's cash resources based on financial forecasts and expected cash flows.

The contractual maturities of the Corporation's non-derivative financial liabilities and derivative financial instruments are detailed in the following tables:

As at December 31,		Undiscounted cash flows (principal and interest)				
2021 (in millions of Canadian dollars)	Carrying amount	Year 1	Year 2	Years 3 to 5	Over 5 years	Total
Non-derivative financial liabilities:						
Trade and other payables	145	145	—	—	—	**145**
Amounts due to a non-controlling shareholder	6	—	—	6	—	**6**
Contingent consideration	4	—	4	—	—	**4**
Tax equity liabilities	25	8	7	12	—	**27**
Debt	3,603	559	361	1,006	2,646	**4,572**
Amounts due to a joint venture	18	18	—	—	—	**18**
Lease liabilities	306	22	21	63	296	**402**
Derivative financial instruments:						
Interest rate swaps	(6)	17	4	(2)	(29)	**(10)**
Cross-currency swaps (EUR for CAD)	(25)					
Disbursements		6	390	—	—	**396**
(Receipts)		(12)	(409)	—	—	**(421)**
Cross-currency swaps (CAD for USD)	3					
Disbursements		130	—	—	—	**130**
(Receipts)		(127)	—	—	—	**(127)**
	4,079	**766**	**378**	**1,085**	**2,913**	**5,142**

As at December 31,		Undiscounted cash flows (principal and interest)				
2020 (in millions of Canadian dollars)	Carrying amount	Year 1	Year 2	Years 3 to 5	Over 5 years	Total
Non-derivative financial liabilities:						
Trade and other payables	161	161	—	—	—	161
Amounts due to a non-controlling shareholder	6	—	—	6	—	6
Debt	3,516	344	399	1,344	3,505	5,592
Lease liabilities	256	19	20	55	261	355
Derivative financial instruments:						
Financial swaps – interest rates	75	24	21	38	(1)	82
Cross-currency swaps (USD for CAD)	8					
Disbursements		8	8	492	—	508
(Receipts)		(11)	(12)	(476)	—	(499)
	4,022	545	436	1,459	3,765	6,205

Undiscounted cash flows of non-derivative financial liabilities are determined using principal repayments and interest rates for variable-rate debt prevailing at the reporting date. Undiscounted contractual cash flows of derivatives are determined using the values of underlying indices at the reporting date. Since these indices are highly volatile, the undiscounted cash flows presented could vary significantly until realized. These derivative instruments held for risk management purposes are not generally settled before the contractual maturity.

Note 22. Capital management

The Corporation's objectives when managing capital are as follows:

- Safeguard the Corporation's ability to pursue its operations and development;
- Maintain financial flexibility to enable the Corporation to seize opportunities when they arise;
- Safeguard the Corporation's financial flexibility with a view to offset the seasonal nature of its operations primarily for the cyclical variations in hydroelectric and wind power generation;
- Maximize the terms of borrowings in line with the useful lives of its assets or underlying contracts;
- Ensure continuous access to capital markets; and
- Diversify its financing sources to optimize its capital cost.

The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain its capital structure, the Corporation prioritizes the use of less costly financing sources, such as cash flows from operations, borrowings, hybrid instruments such as convertible debentures, equity issuance and, as a last resort, the sale of assets. In managing liquidity, the Corporation's policy is to earmark in priority its available cash resources for (i) growth projects and (ii) the payment of a quarterly dividend. Generally, Boralex expects to pay common share dividends on an annual basis representing a ratio of 40% to 60% of its discretionary cash flows (defined as "net cash flows related to operating activities" before changes in "non-cash items related to operating activities," less (i) distributions paid to non-controlling shareholders, (ii) additions to property, plant and equipment (maintaining operations), and (iii) repayments on non-current debt (projects); (iv) principal payments made related to lease liabilities, (v) adjustments for temporary or non-recurring elements not related to current operations to maintain a comparable ratio between periods; plus (vi) development costs (from the statement of earnings).

The Corporation's investment policy governing cash resources is limited to investments with maturities of less than one year that are guaranteed by financial institutions. For instance, bankers' acceptances guaranteed by a Canadian chartered bank meet these criteria. The Corporation deems its current financing sources to be sufficient to support its plans and its operating activities.

The Corporation monitors its capital on a quarterly and annual basis based on various financial ratios and non-financial performance indicators. It is also required to meet certain ratios under its non-current financial commitments. More specifically, the Corporation must meet ratios pertaining to debt coverage, debt service and interest coverage in relation to the measures specified in the respective credit agreements.

As at December 31, 2021 and 2020, management considers that Boralex and its subsidiaries were in compliance with all their ratios and financial commitments.

The Corporation's capital management objectives have remained unchanged from the previous year. The Corporation relies mainly on the net debt ratio for capital management purposes. Cash and cash equivalents available are also a key factor in capital management, as the Corporation must retain sufficient flexibility to seize potential growth opportunities. To achieve this objective, the Corporation establishes long-term financial forecasts to determine future financing requirements in line with its strategic business development plans.

For calculation purposes, net debt is defined as follows:

(in millions of Canadian dollars)	As at December 31, 2021	As at December 31, 2020
Debt	3,383	3,287
Current portion of debt	220	229
Borrowing transaction costs, net of accumulated amortization	79	93
Less:		
Cash and cash equivalents	256	275
Restricted cash	3	2
Net debt	3,423	3,332

The Corporation defines total market capitalization as follows:

(in millions of Canadian dollars, unless otherwise specified)	As at December 31, 2021	As at December 31, 2020
Number of outstanding shares (in thousands)	102,619	102,617
Share market price (in $ per share)	34.42	47.24
Market value of equity attributable to shareholders	3,532	4,848
Non-controlling shareholders	210	2
Net debt	3,423	3,332
Total market capitalization	7,165	8,182

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

(in millions of Canadian dollars, unless otherwise specified)	As at December 31, 2021	As at December 31, 2020
Net debt	3,423	3,332
Total market capitalization	7,165	8,182
NET DEBT RATIO (market capitalization)	48 %	41 %

At present, the net debt to capitalization ratio stands at 48% and the Corporation wishes to maintain this ratio below 65%. It is important to specify that the Corporation uses a project-based financing approach whereby each project leverage is maximized up to nearly 80% of amounts invested. However, those financing arrangements are generally repayable over the life of the contract. Consequently, as other projects or large projects are added, the debt level could increase above this target but the Corporation would ensure to reduce the ratio below the set threshold within a reasonable timeframe. In keeping with its corporate objectives announced in the 2025 strategic plan, the Corporation aims to increase the proportion of corporate financing over the next few years to benefit from certain advantages of this type of financing. Although the terms are shorter, corporate financing generally costs less and does not require principal repayments before maturity.

Note 23. Commitments and contingencies

(in millions of Canadian dollars)	Note	Less than one year	Between one and five years	More than five years	Total
Purchase and construction contracts	a)	161	13	—	174
Maintenance contracts	b)	31	102	164	297
Contingent consideration	c)	12	11	—	23
Other	d)	5	12	24	41
		209	138	188	535

(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 farm and solar power station maintenance contracts with initial terms between 15 and 20 years in Canada and United States and from three to 20 years in France. The Corporation is committed to pay variable amounts based on the achievement of production and availability levels. These amounts are not included in the above commitment table.

(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.

The Corporation is bound by royalty contracts and is subject to variable conditional royalties related to the operation of its wind farms, solar power stations and hydroelectric power stations. The commitment table above does not include these amounts.

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:

		Term
Wind	Canada	2029 - 2059
	France	2022 - 2042
Hydroelectric	Canada	2023 - 2059
	United States	2034 - 2035
Solar	United States	2029 - 2046
	France	2031 - 2042

For secured projects, the Corporation has energy sales or feed-in premium agreements for terms of 20 years. These contracts will take effect when the facilities are commissioned.

Contingencies

COVID-19 outbreak

The COVID-19 epidemic has resulted in governments worldwide enacting emergency measures to combat the spread of the coronavirus, including confinement, mandatory closure of various businesses considered non-essential under the circumstances and implementation of travel restrictions. These measures have caused material disruption to many businesses globally.

Current or future governmental restrictions and measures, and their impact on the financial stability of the Corporation’s suppliers and other counterparties, could have an adverse effect on the Corporation’s operating results and financial position. The procurement of equipment and spare parts, issuance of permits and other authorizations, launch of requests for proposals, negotiation and finalization of agreements or contracts with stakeholders or partners and the construction of assets under development could be delayed or suspended, which could adversely affect the Corporation’s development opportunities, operating results and financial position.

Since restrictions were enforced by authorities to combat COVID-19, Boralex implemented a crisis management plan for the continuity of its business, considered essential in all the regions it operates. Administrative personnel have been working remotely since mid-March 2020 and have continued to support the Corporation's day-to-day needs and comply with the Corporation's different business and regulatory requirements.

The Corporation continues to monitor the evolution of COVID-19. The governmental restrictions and measures have not impacted the Corporation's revenues in a material way to date as its production has been maintained and is generally under contract at fixed and indexed prices, or feed-in premium agreements setting a floor price with major government corporations.

Since the beginning of governmental restrictions, health measures have continued to evolve in regions where Boralex operates its assets and develops its projects. In line with applicable deconfinement policies and where possible, Boralex employees have gradually begun their return to the Corporation's offices and places of business while complying with the measures indicated by the various public health authorities. For now, current construction projects are going ahead as planned.

France - Innovent

On May 17, 2021, Boralex Inc. announced that the Tribunal de Commerce de Lille rendered a decision in its favour, ordering Innovent SAS ("Innovent") and its president, Grégoire Verhaeghe to pay Boralex $72.7 million (€50.6 million) for breach of contractual obligations. The dispute arose in the context of a transaction between the parties that occurred in 2012 whereby Boralex acquired construction-ready wind projects from Innovent. As part of such transaction, the parties entered into a development services agreement pursuant to which Innovent and Mr. Verhaeghe had the obligation to offer Boralex the right to acquire certain wind projects under development. In a well-reasoned judgement, the Court found that the defendants were in breach of their obligation with respect to the then under development Eplessier-Thieulloy-l'Abbaye and Buire-Le-Sec projects, thereby depriving Boralex of its right to acquire the projects at the agreed price and terms. Given such default, Innovent and Grégoire Verhaeghe were ordered by the Court to pay to Boralex $72.7 million (€50.6 million), which decision included a provisional order. Innovent and Grégoire Verhaeghe appealed the decision, including the provisional order.

In addition to appealing the decision, Innovent undertook various additional unfounded legal proceedings in France, challenging the evidence on which the court based its decision in order to prevent the provisional order from being carried out and its assets from being seized. These proceedings were rejected by various authorities and courts or are currently ongoing.

On December 29, 2021, Innovent formally filed a $359 million (€250 million) claim against Boralex, through the Tribunal de Commerce de Paris. The claim alleges that Boralex's actions and counsel in the context of the legal proceedings before the Tribunal de Commerce de Lille, leading to a decision in Boralex's favour, deprived Innovent from going public. Boralex believes that such an appeal is unfounded and intends to defend the matter vigorously.

France - Moulins du Lohan

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 **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 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. In its judgment issued on April 15, 2021, the Conseil d'État made the decision, which is final and without appeal, to validate all the authorizations required for the project and whose validity were initially challenged by the plaintiffs. The project had been selected under an RFP issued by the French Energy and Regulation Commission and is covered by a 20-year Feed-in Premium agreement. The 65 MW project has been included in the *Projects under construction or ready-to-build* phase of the *Growth Path* following approval from the Board of Directors. Its commissioning is scheduled for the first half of 2023.

Canada – Contingencies

Local content

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 turbines 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 **LP I** wind farm in which the Corporation indirectly held 51% of the outstanding units at the time and holds 100% of the outstanding units as of November 30, 2020), 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 a separate 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. All actions filed will be dealt with simultaneously in order to settle the issue. 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. It should be noted that such amounts deducted by Hydro-Québec should be limited to an amount that would not cause a default on the payment under the facility's credit agreement. Based on the above information and at this stage of the matter, the Corporation is not able to determine the eventual outcome of this dispute or to reliably estimate the amount of penalties to be claimed due to the preliminary stage of the matter. However, in the Corporation's opinion, it is not likely that it would be subject to significant penalties, if any, under these energy sales contracts.

Canada – DM I

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 neighborhood disturbances during the construction and operation periods, 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 periods, (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 kilometers 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.

Note 24. Related party transactions

Related parties include the Corporation's subsidiaries, affiliates, Joint Ventures, key management personal and principal shareholders. Excluding the acquisition of CDPQ's 49% interest in three wind farms in Québec, in which Boralex already held 51% (note 5), related party transactions were as follows:

(in millions of Canadian dollars)	2021	2020
OTHER REVENUES		
R.S.P. Énergie Inc. – Entity for which one of three shareholders is a director of the Corporation	1	1
Joint Ventures ("SDB I" and "SDB II")	15	2
Joint Ventures ("DM I and II", "LP I")[1]	—	7
Joint Ventures ("LP II" and "Roncevaux")	2	2
INTEREST INCOME		
9710612 Canada Inc. (Six Nations) – Minority shareholder of a subsidiary	2	2
INTEREST EXPENSE		
CDPQ – Shareholder of the Corporation	17	17
RENTAL EXPENSE		
Ivanhoé Cambridge – Subsidiary of CDPQ	1	1

[1] On November 30, 2020, Boralex announced the closing of the acquisition of CDPQ's entire 49% interest in three wind farms in Quebec, in which Boralex already held 51%.

These transactions were made on terms equivalent to those that prevail under normal terms in arm's length transactions.

Balance sheet amounts comprising transactions between related parties are as follows:

(in millions of Canadian dollars)	As at December 31, 2021	As at December 31, 2020
RELATED PARTY ACCOUNTS RECEIVABLE		
Joint Ventures ("SDB I and SDB II)	6	1
Joint Ventures and associates ("LP II" and "Roncevaux")	1	—
RELATED PARTY LONG-TERM ADVANCES		
9710612 Canada Inc. (Six Nations) – Non-controlling shareholder of a subsidiary	—	29
RELATED PARTY OTHER LIABILITIES		
Joint Ventures ("Apuiat")	18	—
Ivanhoé Cambridge – Subsidiary of CDPQ – Lease liabilities	—	10
CDPQ – Main shareholder of the Corporation – Contingent consideration	4	4
Nordex Employee Holding GmbH – Minority shareholder of a subsidiary	6	7
CDPQ – Shareholder of the Corporation	307	312

Executive compensation

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

(in millions of Canadian dollars)	2021	2020
Current salaries and benefits	3	3
Other long-term benefits	3	7
	6	10

Note 25. Segmented information

The Corporation's operations are grouped into four distinct operating segments – wind, hydroelectric, solar and thermal power. The Corporation operates under one identifiable industry sector: power generation. The classification of these segments is based on the different cost structures relating to each of the four types of operating activities. The same accounting rules are used for segmented information as for the consolidated financial statements.

The operating segments are presented according to the same criteria used to prepare the internal report submitted to the segment leader, who allocates resources and assesses operating segment performance. The President and Chief Executive Officer is considered the segment leader, who assesses segment performance based on power production, revenues from energy sales and feed-in premium and EBITDA(A).

EBITDA(A) represents earnings before interest, taxes and amortization, adjusted to exclude other items such as acquisition costs, other gains, net loss (net 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.

A reconciliation of IFRS based data with data compiled on a Combined basis is also presented where the results of the *Interests in Joint Ventures and associates* ("Interests") are accounted for according to the ownership interest. Management considers this information to be useful information for investors, as it is used to assess the Corporation's performance. For more details, see the *Interests in Joint Ventures and associates* section in note 3. *Significant accounting policies*.

EBITDA(A) is reconciled to the most comparable IFRS measure, namely operating income, and is presented in the following table.

	2021			2020		
(in millions of Canadian dollars)	Consolidated	Reconciliation[1]	Combined	Consolidated	Reconciliation[1]	Combined
Operating income	182	37	219	172	53	225
Amortization	297	23	320	237	47	284
Impairment	4	—	4	7	—	7
Share in earnings of Joint Ventures and associates	9	(9)	—	25	(25)	—
Excess of the interest over the net assets of Joint Venture SDB I	6	(6)	—	(6)	6	—
Change in fair value of a derivative included in the share of the Joint Ventures	(2)	2	—	—	—	—
Other gains	(6)	(2)	(8)	(1)	(2)	(3)
EBITDA(A)	490	45	535	434	79	513

[1] Includes 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.

Information on major clients

Revenues are allocated according to the client's country of domicile. In 2021 and 2020, the Corporation had three clients accounting for 10% or more of its revenues.

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

2021		2020	
% of sales attributable to one client	Segments	% of sales attributable to one client	Segments
30	Wind, thermal and solar	49	Wind, thermal and solar
24	Wind, hydroelectric and thermal	16	Wind, hydroelectric and thermal
15	Wind, hydroelectric and solar	19	Wind

.

Energy produced by only five hydroelectric power stations in the United States and two wind farms in France and Canada, which account for 1% of Boralex's total installed capacity, is sold at market prices without benefiting from feed-in premium agreements, which are more volatile. For the year ended December 31, 2021, revenues from energy sales for facilities not covered by energy sales contracts or feed-in premium agreements amounted to $8 million ($4 million for the same period of 2020). The Corporation estimates that only 343 MW (14% of installed capacity or 11% of expected current production) covered by contracts expiring December 2025 will then be sold at market prices if new contracts haven't been negotiated beforehand.

	2021				2020			
(in millions of Canadian dollars)	Canada	France and other[1]	United States	Total	Canada	France and other[1]	United States	Total
Power production (GWh)[2]								
Wind power stations	1,987	2,148	—	4,135	1,456	2,338	—	3,794
Hydroelectric power stations	382	—	407	789	409	—	337	746
Solar power stations	—	22	461	483	—	21	—	21
Thermal power stations[3]	126	19	—	145	135	31	—	166
	2,495	2,189	868	5,552	2,000	2,390	337	4,727
Revenues from energy sales and feed-in premium								
Wind power stations	259	283	—	542	210	316	—	526
Hydroelectric power stations	36	—	28	64	40	—	23	63
Solar power stations	—	5	39	44	—	5	—	5
Thermal power stations[3]	14	7	—	21	14	11	—	25
	309	295	67	671	264	332	23	619
EBITDA(A)								
Wind power stations	248	227	—	475	210	254	—	464
Hydroelectric power stations	27	—	20	47	30	—	15	45
Solar power stations	—	4	33	37	—	5	(2)	3
Thermal power stations[3]	2	2	—	4	1	1	—	2
Corporate and eliminations	(29)	(35)	(9)	(73)	(37)	(37)	(6)	(80)
	248	198	44	490	204	223	7	434
Cash outflows related to additions to property, plant and equipment								
Wind power stations	1	63	—	64	—	124	—	124
Hydroelectric power stations	3	—	1	4	12	—	—	12
Solar power stations	—	29	6	35	—	1	2	3
Corporate	1	2	—	3	6	—	—	6
	5	94	7	106	18	125	2	145

(1) United Kingdom.

(2) Includes compensation for power limitations imposed by clients.

(3) On May 1, 2021, the Corporation disposed of the Blendecques cogeneration power station, its last fossil-fuel power generating asset.

(in millions of Canadian dollars)	As at December 31, 2021 Canada	France and other[1]	United States	Total	As at December 31, 2020 Canada	France and other[1]	United States	Total
Total assets								
Wind power stations	2,368	1,983	—	4,351	2,441	2,082	—	4,523
Hydroelectric power stations	410	—	147	557	426	—	155	581
Solar power stations	1	70	592	663	2	32	24	58
Thermal power stations[3]	12	—	—	12	14	11	—	25
Corporate	84	50	34	168	39	64	24	127
	2,875	2,103	773	5,751	2,922	2,189	203	5,314
Non-current assets[2]								
Wind power stations	2,158	1,765	—	3,923	2,251	1,835	—	4,086
Hydroelectric power stations	397	—	142	539	408	—	152	560
Solar power stations	1	65	570	636	1	28	15	44
Thermal power stations[3]	—	—	—	—	8	6	—	14
Corporate	52	18	16	86	28	20	16	64
	2,608	1,848	728	5,184	2,696	1,889	183	4,768
Total liabilities								
Wind power stations	1,919	1,446	—	3,365	1,972	1,591	—	3,563
Hydroelectric power stations	130	—	87	217	140	—	96	236
Solar power stations	—	14	275	289	—	3	4	7
Thermal power stations[3]	5	—	—	5	5	3	—	8
Corporate	529	126	9	664	411	88	10	509
	2,583	1,586	371	4,540	2,528	1,685	110	4,323

(1) United Kingdom.
(2) Excludes *Interests in Joint Ventures and associates.*
(3) On May 1, 2021, the Corporation disposed of the Blendecques cogeneration power station, its last fossil-fuel power generating asset.

Reconciliation

(in millions of Canadian dollars)	2021 Consolidated	2021 Reconciliation[1] Canada	2021 Combined Total	2020 Consolidated	2020 Reconciliation[1] Canada	2020 Combined Total
Power production (GWh)[2]	5,552	663	6,215	4,727	1,107	5,834
Wind power stations[2]	4,135	663	4,798	3,794	1,107	4,901
Revenues from energy sales and feed-in premium	671	72	743	619	119	738
Wind power stations	542	72	614	526	119	645
EBITDA(A)	490	45	535	434	79	513
Wind power stations	475	42	517	464	77	541
Additions to property, plant and equipment	106	1	107	145	—	145
Wind power stations	64	1	65	124	—	124

(1) Includes 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.
(2) Includes compensation for power limitations imposed by clients.

Note 26. Subsequent event

In February 2022, Boralex Inc. announced an agreement to sell the Senneterre power station with installed capacity of 34.5 MW, the last biomass energy production asset in its portfolio. Senneterre has a power purchase agreement with Hydro-Québec effective until January 2027, and the sale will take effect when the customary closing conditions have been met, including the receipt of Hydro-Québec's consent. This power station's assets have been classified as current assets under *Other current assets*.

Financial and Market Highlights

For the years ended December 31

(in millions of Canadian dollars unless otherwise stated)	Consolidated 2021	Consolidated 2020	Consolidated 2019	Combined[1] 2021	Combined[1] 2020	Combined[1] 2019
RESULTS						
Power production (GWh)	5,552	4,727	4,371	6,215	5,834	5,544
Revenues from energy sales and feed-in premium						
Wind power stations	542	526	471	614	645	594
Hydroelectric power stations	64	63	60	64	63	60
Thermal power stations	21	25	28	21	25	28
Solar power stations	44	5	5	44	5	5
Total	**671**	**619**	**564**	**743**	**738**	**687**
EBITDA(A)[2]						
Wind power stations	475	464	412	517	541	499
Hydroelectric power stations	47	45	44	47	45	44
Thermal power stations	4	2	7	4	2	7
Solar power stations	37	3	4	37	3	4
Corporate and eliminations	(73)	(80)	(65)	(70)	(78)	(62)
Total	**490**	**434**	**402**	**535**	**513**	**492**
Operating income	182	172	90	219	225	142
Net earnings (loss)	26	61	(43)	30	56	(43)
Net earnings (loss) attributable to shareholders of Boralex	17	55	(39)	21	50	(39)
per share	0,16	0,55	(0,43)	0,21	0,51	(0,43)
CASH FLOWS						
Net cash flows related to operating activities	345	362	294	364	399	303
Cash flows from operations[1]	363	338	310			
Discretionary cash flows[1]	132	146	120			
Business acquisitions, net of cash acquired	274	98	-			
Increase in the interests in Joint Ventures and associate	6	-	5			
Addition to property, plant and equipment	106	145	159	107	145	161
Proceeds from disposal of assets	3	-	13			
Acquisition of energy sales contracts	12	11	18			
FINANCIAL POSITION						
Total assets	5,751	5,314	4,557	6,162	5,753	5,246
Debt - Principal balance	3,682	3,609	3,149	4,030	3,976	3,757
CLASS A SHARES INFORMATION (as of December 31)						
Stock price	$34.42	$47.24	$24.46	$34.42	$47.24	$24.46
Return	(27%)	93%	45%	(27%)	93%	45%
Market capitalization (in billions)	3.5	4.8	2.4	3.5	4.8	2.4
Shares outstanding (in thousands)	102,619	102,617	96,464	102,619	102,617	96,464
Average shares outstanding (in thousands)	102,619	98,548	90,605	102,619	98,548	90,605
Dividends	68	66	60	68	66	60
per share	$0.66	$0.66	$0.66	$0.66	$0.66	$0.66
Dividend yield	1.4%	2.7%	3.9%	1.4%	2.7%	3.9%
Reinvestment ratio[3]	48%	55%	50%			
Total return	(26%)	96%	49%	(26%)	96%	49%
KEY RATIOS						
Net debt to market capitalization ratio[4]	48%	41%	56%	50%	43%	60%

[1] Combined, Cash flows from operations and Discretionary cash flows are non-GAAP measures and do not have a standardized meaning under IFRS. Accordingly, they may not be comparable to similarly named measures used by other companies. For more details, see the *Non-IFRS financial measures and other financial measures* section in this report.

[2] EBITDA(A) represents a total of segments measure. For more details, see the Non-IFRS financial measures and other financial measures section in this report.

[3] Net debt ratio is a capital management measure. For more details, see the *Non-IFRS financial measures and other financial measures* section in this report.

[4] Reinvestment ratio is a non-GAAP ratio and does not have a standardized meaning under IFRS. Accordingly, this ratio may not be comparable to similarly named measures used by other companies. For more details, see the *Non-IFRS financial measures and other financial measures* section in this report.

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

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

Pour obtenir une version française du rapport annuel, veuillez communiquer avec les Affaires publiques et corporatives de Boralex.

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SHAREHOLDER INFORMATION

Virtual meeting via live audio webcast at **https://meetnow.global/MZUC2TP**, on May 11 at 11 a.m. Shareholders will not be able to attend the meeting in person. Information on how to participate and vote in this webcast can be found in the Proxy Circular.

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BORALEX

Beyond

RENEWABLE ENERGY

Writing: Sarah Marchand

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