WE CREATE ENERGY

INTERIM REPORT
As at March 31, 2018

1

Management's Discussion and Analysis I

As at March 31, 2018

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Profile

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

Boralex's shares and convertible debentures are listed on the Toronto Stock Exchange under the ticker symbols BLX and BLX.DB.A. As at March 31, 2018, the Caisse de dépôt et placement du Québec, one of Canada's largest institutional investors, held 19.9% of Boralex's outstanding shares.

Highlights

	IFRS		Combined[1]	
(in millions of Canadian dollars, unless otherwise specified) (unaudited)	2018	2017	2018	2017
	March 31	March 31	March 31	March 31
Power production (GWh)	1,055	909	1,203	1,063
Revenues from energy sales	152	119	168	136
EBITDA(A)[1]	104	87	114	97
EBITDA(A) margin[1]	68%	73%	68%	72%
Net earnings	23	15	23	15
Net earnings attributable to shareholders of Boralex	20	15	20	15
Per share – basic and diluted	$0.26	$0.21	$0.26	$0.21
Net cash flows related to operating activities	110	54	114	60
Cash flows from operations[1]	77	58	84	69
	As at March 31,	As at Dec 31,	As at March 31,	As at Dec 31,
Total assets	4,034	3,926	4,391	4,288
Debt, including non-current debt and current portion of debt	2,716	2,642	3,027	2,954

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

Combined – Non-IFRS measure

The combined information ("Combined") presented above and elsewhere in this MD&A results from the combination of the financial information of Boralex Inc. ("Boralex" or the "Corporation") under IFRS and its share of the financial information of the Joint Ventures (as defined in note 4 to Boralex's interim financial statements). The Joint Ventures represent significant investments by Boralex and although IFRS does not permit the consolidation of their financial information within that of Boralex, management considers that Combined information is useful data for investors. In order to prepare the Combined financial information, Boralex first prepared its financial statements and those of the Joint Ventures in accordance with IFRS. Then, the *Interests in Joint Ventures, Share in earnings of the Joint Ventures* and *Distributions received from the Joint Ventures* line items are replaced by Boralex's share (50%) in the financial statement items of the Joint Ventures (revenues, expenses, assets, liabilities, etc.). All the information required to make this calculation can be found in Boralex's financial statements, more specifically in Note 4, *Interests in the Joint Ventures*, with respect to the financial information of the Joint Ventures under IFRS. We also refer you to the *Non-IFRS measures* section for more information. It is important to note that the calculation method described here is identical to the method previously used to establish the data identified as *Proportionate Consolidation* in previous MD&As.

ABBREVIATIONS
In alphabetical order

2016 FiP	2016 Feed-in Premium
AESO	Alberta Electricity System Operator
BAPE	Bureau d'audience publique sur l'environnement
Caisse	Caisse de dépôt et placement du Québec
DC&P	Disclosure controls and procedures
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
GAAP	Generally Accepted Accounting Principles
HQ	Hydro-Québec
ICFR	Internal Control over Financial Reporting
IESO	Independent Electricity System Operator
IFER	Flat-rate tax on network businesses (France)
IFRS	International Financial Reporting Standards
ISE	Integrated Solar Energy
Kallista	Kallista Energy Investment SAS and KE production
MW	Megawatt
NRWF	Niagara Region Wind Farm
REA	Renewable Energy Approvals
REP	Renewable Electricity Program
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

Introductory comments

General

This Interim Management's Discussion and Analysis ("MD&A") reviews the operating results and cash flows for the three-month period ended March 31, 2018, compared with the corresponding period of 2017, as well as the Corporation's financial position as at March 31, 2018, compared to December 31, 2017. This report should be read in conjunction with the unaudited interim condensed consolidated financial statements and related notes found in this Interim Report, as well as with the consolidated financial statements and related notes found in the most recent Annual Report for the fiscal year ended December 31, 2017.

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

In this MD&A, Boralex or the Corporation means, as applicable, either Boralex and its subsidiaries and divisions or Boralex or one of its subsidiaries or divisions. The information contained in this MD&A reflects all material events up to May 8, 2018, the date on which the Board of Directors approved this interim MD&A and the unaudited interim consolidated financial statements. Unless otherwise indicated, the financial information presented in this MD&A, including tabular amounts, is prepared in accordance with IFRS which constitute Canadian GAAP under Part I of the *CPA Canada Handbook*. The unaudited interim consolidated 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 2017.

As discussed under *Non-IFRS measures*, this MD&A also contains information consisting of non-IFRS measures. The Corporation uses "EBITDA," "EBITDA(A)," "EBITDA(A) margin," "cash flows from operations," "ratio of net debt," "discretionary cash flows," "payout ratio" and "dividends paid per common share" to assess the operating performance of its facilities. As described above, the Corporation also presents the information on a Combined basis that incorporates its share of the financial statements of the Joint Ventures. These terms are defined in the *Non-IFRS measures* section.

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

Notice concerning forward-looking statements

The purpose of this MD&A is to help the reader understand the nature and importance of changes and trends as well as the risks and uncertainties that may affect Boralex's operating results and financial position. Accordingly, some of the statements contained in this analysis, including those regarding future results and performance, are forward-looking statements based on current expectations, within the meaning of securities legislation. 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 May 8, 2018.

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

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

Boralex wishes to point out that, by their very nature, forward-looking statements involve risks and uncertainties such that its results or the measures it adopts could differ materially from those indicated by or underlying these statements, or could have an impact on the degree of realization of a particular projection. The main factors that could lead to a material difference between the Corporation's actual results and the forward-looking financial information or expectations set forth in the forward-looking statements include, but are not limited to, the general impact of economic conditions, currency fluctuations, volatility in energy selling prices, the Corporation's financing capacity, competition, changes in general market conditions, the regulations governing the industry and raw material price increases and availability, regulatory disputes and other issues related to projects in operation or under development, as well as other factors described in the sections *Outlook and development objectives* and *Risk factors and uncertainties* of the Corporation's Annual Report for the year ended December 31, 2017.

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

Description of business

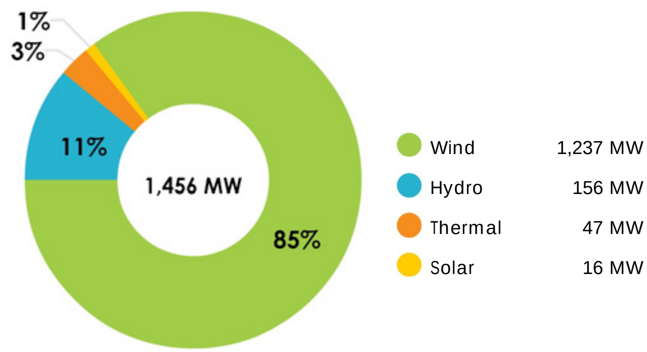
Boralex is a Canadian corporation operating in the renewable energy segment. It draws on a workforce of over 355 people to develop, build and operate power generating facilities. As at March 31, 2018, its asset base of installed capacity under its control comprised 1,456 MW[(1)]. To be added to this capacity is the 2018 Kallista acquisition, announced on April 20, 2018 and expected to close in late June 2018, which includes wind farms in operation totalling 163 MW and projects in progress to develop facilities representing an additional 277 MW, to be commissioned by the end of 2019. The following charts provide information about the makeup of the Corporation's energy portfolio in operation, according to installed capacity as at March 31, 2018.

Segment breakdown

The wind power segment accounts for a large majority (85%) of installed capacity. Projects under development and under construction will add 251 MW by the end of 2019, considering the April 20, 2018 announcement.

The Corporation's 15 hydroelectric power stations make up 11% of installed capacity. A 16th power station (16 MW) will be commissioned in 2018 in Ontario and the Buckingham power station's capacity will be increased by 10 MW in 2019.

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

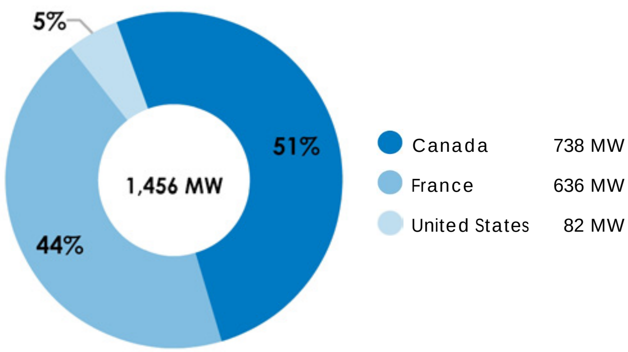


Geographic breakdown

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

In France, a large portion of Boralex's installed capacity originates from wind farms (609 MW), making it France's largest independent producer of onshore wind power. The wind farms are complemented by a natural gas cogeneration power station and two solar energy facilities. Projects under development will add a total of 186 MW, considering the April 20, 2018 announcement.

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

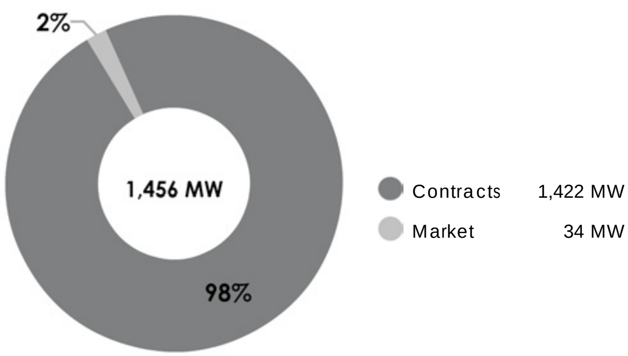


Breakdown of sources of revenues from energy sales

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

The Corporation estimates that 120 MW (8% of installed capacity) covered by contracts expiring through March 2023 will then be sold at market prices.

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



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

Growth strategy and recent developments

Growth strategy

Boralex has adopted a strategy to drive above-average, balanced and sustainable financial growth. It entails developing its assets and generating higher revenue streams and cash flows, while mitigating its business risks. The main elements of this strategy, discussed under *Growth strategy* in the Corporation's 2017 Annual Report, are as follows:

- Acquisition, development and operation of renewable energy assets covered by long-term indexed, fixed-price energy sales contracts or to be submitted in connection with competitive requests for proposals;
- Financial discipline to provide long-term returns exceeding the Corporation's cost of capital, particularly in its areas of expertise – wind, hydroelectric and solar power;
- Focus of development initiatives mainly in North America and Europe.

In addition, in an increasingly competitive environment in France and in light of a transition from long-term, fixed-price contracts to a tendering system, Boralex's development team leveraged nearly twenty years of hands-on experience to proactively identify and secure excellent locations in terms of wind resources, representing a major competitive edge today.

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

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

With the dividend, shareholder return on equity (assuming dividends are reinvested) since the beginning of 2013 stands at about 181%, which, together with issuance of new shares, helped increase the Corporation's market capitalization to approximately $1.7 billion as at March 31, 2018.

Developments

Acquisitions and commissioning – 2017

The table below shows the Corporation's acquisitions and commissioning at various times during fiscal 2017, representing an increase of 321 MW in 2017. These assets will contribute to the Corporation's results for all of fiscal 2018.

	Project name	Date	Total capacity (MW)	Country	Segment	Energy contract term	Ownership (%)
2017	NRWF	Jan. 18[1]	230	Canada	Wind	20 years/IESO	Note[2]
	Plateau de Savernat II	March 21	4	France	Wind	15 years/EDF	100
	Voie des Monts[3]	July 10	10	France	Wind	15 years/EDF	100
	Mont de Bagny[3]	Aug. 1	24	France	Wind	15 years/EDF	100
	Artois[3]	Nov. 21	23	France	Wind	15 years/EDF	100
	Chemin de Grès[3]	Dec. 6	30	France	Wind	15 years/EDF	100
			+ 321 MW				

(1) Date of acquisition by Boralex.
(2) See the *Business combinations* note to the consolidated financial statements in the 2017 Annual Report for more information on this Boralex subsidiary.
(3) Ecotera wind power project portfolio.

Other developments

2017

During fiscal 2017, a range of initiatives were pursued to flesh out our *Growth path* with new projects.

For instance, Boralex increased its interest in the 50 MW Otter Creek wind power project in Ontario, Canada from 38.5% to 64%, thereby acquiring control of this project to be commissioned in 2019.

The Board of Directors of the Corporation also green-lighted six ready-to-build projects totalling 142 MW: Côteaux du Blaiseron (26 MW), Hauts de Comble (20 MW), Inter Deux Bos (33 MW), Sources de l'Ancre (23 MW), Seuil du Cambrésis (20 MW) and Basse Thiérache Nord (20 MW). Except for the Côteaux du Blaiseron project from the 2014 Boralex Énergie Verte acquisition, the others all originated from the Ecotera portfolio acquired in 2015. Note that the capacity of the Basse Thiérache Nord project increased by 8 MW to 20 MW upon approval of an amended licence effective September 30, 2017.

On October 17, 2017, Boralex and UK-based Infinergy entered into a 50/50 partnership agreement aimed at developing a pipeline of onshore wind power projects with an estimated installed capacity of 325 MW. Located primarily in Scotland, ten projects with capacities ranging from 4 MW to 80 MW are at different stages of development: from the prospecting phase to the final evaluation phases prior to full approval. For the development phase, Boralex and Infinergy have committed to invest a total amount of £7 million ($11 million) by the end of 2019, of which Boralex's share amounts to £6 million ($9 million) (£1 million ($2 million) in 2017 and £3 million ($5 million) scheduled in 2018). The Corporation is deemed to have control over these new entities under a casting vote over major decisions.

2018

On April 20, 2018, Boralex announced it had entered into a purchase agreement with Ardian Infrastructure to acquire 100% of the outstanding shares of Kallista for a consideration of €129 million ($202 million) and assume project debt amounting to €94 million ($147 million). More specifically, the acquisition will involve:

- Wind farms in operation in France totalling 163 MW with a weighted average remaining term of 8 years under contract;
- A 10 MW wind farm under construction, Noyers Bucamps;
- A project portfolio representing a capacity of approximately 158 MW.

The consideration will be paid by Boralex from its recently enhanced revolving credit facility. Boralex expects the transaction to result in an increase in discretionary cash flows per share. The transaction is expected to close in late June 2018, once the regulatory approvals are received and other customary closing conditions are met.

Boralex's Board of Directors recently green-lighted three new projects in France. These projects, all with commissioning dates in 2019, are as follows:

- Catésis (10 MW) and Santerre (14 MW), two projects acquired from Ecotera in 2015;
- Buckingham (10 MW), a power station whose current capacity of 10 MW is to increase to 20 MW.

Significant financial transactions

2017

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

On July 27, 2017, the Caisse acquired all of the Boralex Class A common shares held by Cascades Inc., thereby becoming Boralex's largest shareholder. As at March 31, 2018, the Caisse's share amounted to 19.9%. Under this transaction, Boralex agreed, in particular, to explore partnership opportunities with the Caisse for investments to be developed by Boralex, in accordance with its growth strategy.

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

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

2018

On March 29, 2018, Boralex announced it had obtained a one-year extension, until April 27, 2022, for its $460 million revolving credit facility, as well as the addition of an accordion clause, potentially providing access to an additional $100 million, on the same terms and conditions.

Also on March 29, 2018, the Corporation confirmed a joint investment totalling $200 million by the Caisse and Fonds de solidarité FTQ in the form of unsecured subordinated debt maturing on March 29, 2028, subject to certain conditions. This investment could be increased by up to $100 million to fund new asset acquisitions. This second tranche will be available for a 12-month period following the financial close.

These two transactions further demonstrate the capital markets' confidence in Boralex and its growth prospects. They will help increase the Corporation's financial flexibility to pursue its development strategy.

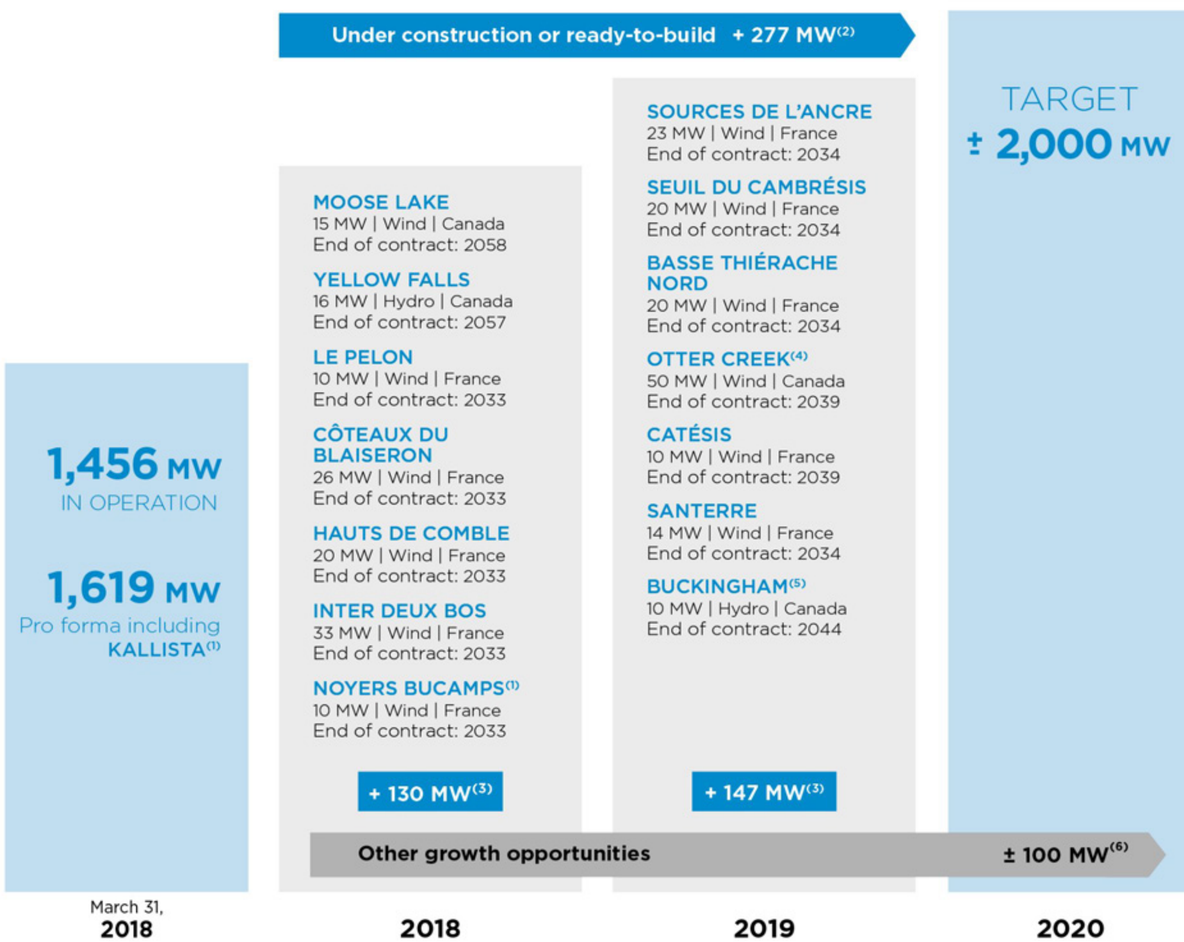
Dividend increase of 5%

On May 8, 2018, the Board of Directors authorized a 5% increase in the annualized dividend. Consequently, the annual dividend will move from $0.60 to $0.63 per common share (from $0.15 to $0.1575 on a quarterly basis). A dividend of $0.1575 per common share was declared and will be paid on June 15, 2018 to holders of record at the close of business on May 31, 2018.

Outlook and development objectives

Boralex continues to implement its growth strategy focusing on the outlook for each of its operating segments. These outlooks are detailed in the *Growth strategy* section of the Corporation's 2017 Annual Report. We discuss here the key elements involving priority actions for the current fiscal year.

Growth path



(1) The acquisition of Kallista Energy Investment SAS and KE Production ("Kallista") was announced in the press release issued on April 20, 2018.
(2) France 186 MW | Canada 91 MW.
(3) 2018: Hydro 16 MW | Wind 114 MW; 2019: Hydro 10 MW | Wind 137 MW
(4) The final permit for this project, Renewable Energy Approval (REA), is pending from Ontario's Ministry of the Environment and Climate Change.
(5) Project whose current capacity of 10 MW is to increase to 20 MW.
(6) Including the 51 MW Moulins du Lohan wind power project in France. For greater detail on the Moulins du Lohan project, see *Commitments and contingencies* in section *III – Other elements* of the 2017 Annual Report.

Projects in development stage

Wind

The wind power segment accounts for 85% of Boralex's total installed capacity and remains its top growth driver. Boralex has grown its wind power segment operating asset base more than fourfold since 2013, adding on average nearly 200 MW a year through asset acquisitions or newly commissioned facilities.

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

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

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

As set out in the *Growth path*, Boralex plans to add twelve wind farms for an additional installed capacity of 114 MW in 2018 and 137 MW in 2019. All covered by long-term indexed, fixed-price energy sales contracts, these assets will contribute to the Corporation's results as they are commissioned (see the *Summary of projects in development* stage table).

North America

In British Columbia, the commissioning of the Moose Lake facility by the end of 2018 will be the Corporation's first foray in the segment in that province.

In Québec, Boralex has several wind power development projects, including the 200 MW Apuiat project on the Côte-Nord, on which the Innu Nation has chosen the Corporation to be its partner. Project development is underway for possible commissioning during fiscal years 2020-2021.

In Ontario, Boralex is participating in developing the 50 MW Otter Creek project, with commissioning scheduled in 2019. In March 2017, Boralex increased its interest in this project to 64%, becoming the controlling shareholder. The final permit for this project, REA, is pending from Ontario's Ministry of the Environment and Climate Change. The Corporation is also keeping a watchful eye on future developments resulting from the Ontario government's desire to promote non-emitting resources projects to meet future electricity needs, particularly due to the closure of the Pickering Nuclear Generating Station scheduled in 2024.

In Alberta, Boralex continues to act through partnership with developer AWEC to enter the wind power market in that province. It intends to participate in the requests for qualification rounds that were recently launched as part of AESO's Renewable Electricity Program (REP 2 and REP 3). This program anticipates investments of more than $10 billion for the development of an installed capacity of 5,000 MW in renewable energy by 2030.

Boralex continues to keep a close eye on opportunities in the United States to make its first foray in that market. Boralex is also exploring potential acquisitions or partnerships with local developers to get there faster, keeping in mind that energy policies are usually set at the state level. Accordingly, Boralex's management is focusing on the New England and East Coast states, which are populous and open to renewable energies.

Europe

For over 15 years, France has been fertile ground for Boralex with well-targeted acquisitions of wind farms in operation or under development. Management believes that the country continues to offer attractive growth opportunities, due to its commitment to increase the share of renewable energy in national power generation to 26% by 2020 and 32% by 2030. This is especially true given that the government has announced it intends to implement measures to accelerate the wind power development. These include promoting social acceptability through tax measures that will increase the financial benefits for communities and limiting, by eliminating one level of jurisdiction, the processing time for projects whose licences are contested. Boralex considers that this measure alone could result in a two- to three-year reduction in the typical development cycle for greenfield projects, which currently ranges from five to seven years.

There is another element that is likely to accelerate the transition to renewable energy, including wind energy. The government is evaluating various scenarios to reduce share of nuclear facilities in its power generation, including the foreseeable shutdown over the next 10 to 15 years of about 18 reactors once they reach the 40-year operating threshold. Depending on the scenario chosen, this could result in a significant increase in renewable energy production, totalling up to three times the current level.

In light of its experience and well-established relationships with financial institutions, elected officials, suppliers and other partners, the Corporation has competitive strengths to leverage this favourable environment to bolster and build on its position as France's largest independent producer of onshore wind power. The April 20, 2018 announcement of the purchase agreement entered into to acquire the Kallista portfolio is a prime example. The Corporation also intends to participate in the tendering system, which anticipates the awarding of contracts of a cumulative installed capacity of onshore wind power totalling 3,000 MW by the end of June 2020, whose residual to date is 2,500 MW.

However, given the applications already submitted under the 2016 FiP program and that the projects to be submitted in response to future RFPs must already have obtained all the necessary authorizations and licences, with all recourses exhausted, Boralex first intends to focus on applications under this program, which have the advantage of a known and predictable fixed price, along with indexed contracts over a 15-year term.

Note that new rules have been introduced whereby the rates stipulated in future contracts will be set according to electricity market prices, plus a feed-in premium. However, under transition rules, applications filed before the end of 2016 that are approved will benefit from a rate equivalent to the rate applicable for fixed-rate power purchase agreements prior to this rule change.

In the United Kingdom, Boralex owns the rights to a large pipeline of projects, mainly in Scotland, which stands it in good stead to enter this wind power market. This positioning resulted from the September 2016 acquisition of a portfolio of projects coupled with the partnership entered into in October 2017 with Infinergy. Boralex continues to develop these projects with a view to capitalizing on new opportunities that meet its economic criteria.

Hydroelectric

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

A project is underway to increase the Buckingham hydroelectric power station's current capacity of 10 MW, which involves a number of turbine replacements to reach 20 MW. It will require minor changes to the structure and will have no impact on water levels upstream or downstream. The project is in the final stages of obtaining all the necessary certificates of authorization, but preliminary work has been green-lighted by Québec's Ministry of Sustainable Development, Environment and the Fight against Climate Change and will begin in the second quarter of 2018, with commissioning scheduled for the second half of 2019. As a result, the power station will be idle during the work, spanning seven months in 2018 and five months in 2019.

Thermal

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

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

Solar

Boralex continues to make the necessary effort to capitalize on the potential of the solar power sector. It holds the rights to a number of development projects in France. The 15 MW Cruis solar project was recently selected as part of the third round of RFPs for the construction and operation of solar projects. However, there are still some steps to be completed before the project can be added to the *Growth path*. If chosen and approved, the facility, once commissioned, would nearly double the installed capacity of the solar power segment in France.

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

Summary of projects in development stage

Within the extensive pipeline of projects recently acquired or launched by the Corporation, primarily in the wind power segment, the projects listed below are in the advanced development stage and are to be commissioning by the end of 2019.

Project name	Total capacity (MW)	Segment/ country	Energy contract term/client	Ownership (%)	Commissioning	Total project investment(1)(3)	Estimated annual EBITDA(3)
Moose Lake	15	Wind/ Canada	40 years/ BC Hydro	70	2nd half of 2018	$61 million	$5 million
Yellow Falls	16	Hydro/ Canada	40 years/ IESO(2)	100	2nd half of 2018	$96 million	$7 million
Le Pelon	10	Wind/ France	15 years/ EDF	100	2nd half of 2018	$24 million	$3 million
Hauts de Comble	20	Wind/ France	15 years/ EDF	100	2nd half of 2018	$51 million	$7 million
Inter Deux Bos	33	Wind/ France	15 years/ EDF	100	2nd half of 2018	$77 million	$9 million
Côteaux du Blaiseron	26	Wind/ France	15 years/ EDF	100	2nd half of 2018	$47 million	$5 million
Noyers Bucamps	10	Wind/ France	15 years/ EDF	100	2nd half of 2018	$31 million	$3 million
Sources de l'Ancre	23	Wind/ France	15 years/ EDF	100	1st half of 2019	$52 million	$6 million
Seuil du Cambrésis	20	Wind/ France	15 years/ EDF	100	2nd half of 2019	$53 million	$6 million
Basse Thiérache Nord	20	Wind/ France	15 years/ EDF	100	2nd half of 2019	$46 million	$5 million
Otter Creek	50	Wind/ Canada	20 years/ IESO	64	2nd half of 2019	$148 million	$14 million
Catésis	10	Wind/ France	20 years/ EDF	100	2nd half of 2019	$30 million	$3 million
Santerre	14	Wind/ France	15 years/ EDF	100	2nd half of 2019	$41 million	$5 million
Buckingham	20	Hydro/ Canada	25 years/ HQ	100	2nd half of 2019	$46 million	$8 million(4)

(1) These amounts are estimated as of the date of this MD&A. However, actual results may differ from these estimates.
(2) The total 40-year contract includes four renewal options, each for a five-year period, at Boralex's discretion.
(3) See *Notice concerning forward-looking statements*.
(4) This 10 MW increase in installed capacity will add $5 million to current EBITDA.

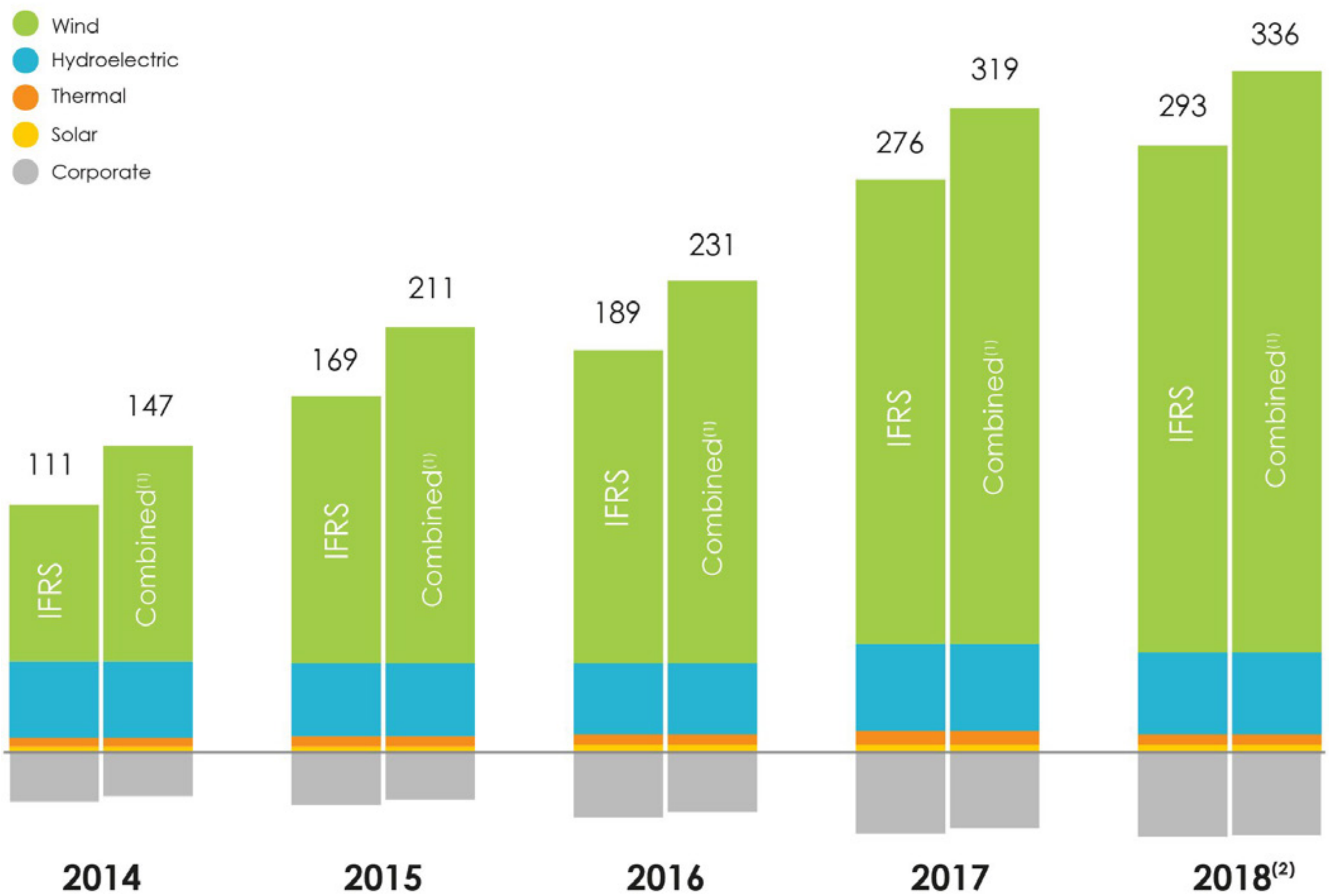
Overall, planned residual investments range from $520 million to $530 million.

Growth outlook

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

Historical data

EBITDA(A) (in millions of Canadian dollars)



(1) See the *Non-IFRS measures* section.
(2) 12-month period ended March 31, 2018.

Target run rate

As mentioned in the previous quarters, the target run rate for 2017 was $330 million under IFRS and $375 million on a Combined basis (estimated EBITDA under the assumption that all of the assets in operation at the end of the year were in operation for the whole year). Therefore, it does not reflect actual EBITDA(A) for 2017. Assumptions used to estimate the target run rate were: (a) all assets are operational on an annualized basis, and (b) production and operating expenses are in line with long-term expectations. In determining the run rate, which is an indicator of EBITDA forecasts over a given period, management does not take into account actual commissioning dates, changes in production volumes or non-recurring items that occurred during the benchmark year. Apart from the difference resulting from the use of a twelve-month pro-forma for sites commissioned during the year, achievement of the target run rate is subject to all risk and uncertainty factors listed in section *III – Other elements* of this MD&A as well as the 2017 Annual Report. See also section *Notice concerning forward-looking statements* for more information on the assumptions, risks and uncertainties related to this target run rate. Actual performance for the year may not necessarily be comparable with the target for all of the previously described items.

2018-2019 Outlook: Disciplined and profitable growth

Taking into account the assets to be commissioned in 2018 and 2019, for a total of 277 MW and the Kallista acquisition of 163 MW in operation, the Corporation will need about 100 MW to meet its target of 2,000 MW set for 2020. To bridge this 100 MW gap, the Corporation has several options, including a portfolio of projects in France, some of which are at advanced stages of development. That is in addition to actions taken by Boralex and business opportunities that may materialize at any time.

Accordingly, management has set the following annual EBITDA target ("target run rate") ranging from $360 million to $380 million under IFRS ($405 million to $425 million on a Combined basis). This target run rate reflects the estimate that was made for 2017, namely EBITDA of $330 million under IFRS and $375 million on a Combined basis, on the assumption that all assets were to be operational for the full year.

The target run rate also takes into account forecasts regarding changes in development costs, administrative expenses and the business environment the Corporation is exposed to. However, this target does not reflect the potential annual EBITDA that could be added by the Kallista assets acquired under the transaction expected to close in late June 2018. The target will be adjusted following the closing of the transaction.

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

- The refinancing of the revolving credit facility to $460 million and extension of its maturity by one year to April 27, 2022, including the option to draw down an an additional $100 million with the addition of an accordion clause;
- The joint investment totalling $200 million by the Caisse and Fonds de solidarité FTQ in the form of unsecured subordinated debt with a ten-year maturity, plus an option to invest an additional $100 million;
- Significant cash flows generated by operations;
- Protection against interest rate fluctuations as a result of the use of interest rate swaps or fixed-rate debt instruments, along with effective matching of borrowing terms and energy sales contracts.

Priority objective: Creating value

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

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

Seasonal factors

(in millions of Canadian dollars, unless otherwise specified) (unaudited)	Three-month periods ended June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	Twelve-month period ended March 31, 2018
POWER PRODUCTION (GWh)					
Wind power stations	488	385	676	824	2,373
Hydroelectric power stations	231	166	159	166	722
Thermal power stations	18	47	31	61	157
Solar power stations	7	7	5	4	23
	744	605	871	1,055	3,275
REVENUES FROM ENERGY SALES					
Wind power stations	68	52	107	125	352
Hydroelectric power stations	19	15	14	14	62
Thermal power stations	3	5	7	12	27
Solar power stations	2	2	1	1	6
	92	74	129	152	447
EBITDA(A)(1)					
Wind power stations	53	36	95	101	285
Hydroelectric power stations	15	11	10	10	46
Thermal power stations	(1)	1	2	4	6
Solar power stations	1	1	1	1	4
	68	49	108	116	341
Corporate and eliminations	(11)	(10)	(15)	(12)	(48)
	57	39	93	104	293
NET EARNINGS (LOSS)	(7)	(26)	28	23	18
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX	(2)	(17)	26	20	27
NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – BASIC	($0.03)	($0.23)	$0.34	$0.26	$0.31
NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – DILUTED	($0.03)	($0.23)	$0.32	$0.26	$0.31
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES	38	36	19	110	203
CASH FLOWS FROM OPERATIONS(1)	44	24	69	77	214
Weighted average number of shares outstanding – basic	75,874,562	75,991,810	76,174,741	76,256,796	76,073,318

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

Seasonal factors

(in millions of Canadian dollars, unless otherwise specified) (unaudited)	Three-month periods ended June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	Twelve-month period ended March 31, 2017
POWER PRODUCTION (GWh)					
Wind power stations	356	269	418	655	1,698
Hydroelectric power stations	191	130	140	173	634
Thermal power stations	12	52	34	77	175
Solar power stations	7	7	4	4	22
	566	458	596	909	2,529
REVENUES FROM ENERGY SALES					
Wind power stations	46	35	54	88	223
Hydroelectric power stations	15	12	12	17	56
Thermal power stations	2	5	7	13	27
Solar power stations	2	2	1	1	6
	65	54	74	119	312
EBITDA(A)[(1)]					
Wind power stations	35	24	46	77	182
Hydroelectric power stations	11	8	9	13	41
Thermal power stations	(1)	1	1	6	7
Solar power stations	1	1	1	1	4
	46	34	57	97	234
Corporate and eliminations	(8)	(9)	(10)	(10)	(37)
	38	25	47	87	197
NET EARNINGS (LOSS)	(7)	(10)	(4)	15	(6)
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX	(7)	(10)	(5)	15	(7)
NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – BASIC	($0.11)	($0.16)	($0.07)	$0.21	($0.11)
NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – DILUTED	($0.11)	($0.16)	($0.07)	$0.21	($0.09)
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES	29	12	29	54	124
CASH FLOWS FROM OPERATIONS[(1)]	27	13	28	58	126
Weighted average number of shares outstanding – basic	65,200,423	65,263,335	65,297,899	74,025,928	67,282,673

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

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

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

Wind

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

With the wind farms on the *Growth path* slated for commissioning by the end of 2019, which will add 251 MW to the wind power segment's installed capacity, it is expected that a growing portion of the Corporation's revenues will be generated in the first and fourth quarters of the coming years.

Hydroelectric

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

Thermal

Boralex operates two thermal power stations with an aggregate 47 MW of installed capacity. The 35 MW Senneterre power station in Québec, Canada is fuelled by wood residues and is covered by an energy sales contract with Hydro-Québec expiring in 2027. The Corporation has entered into an agreement with Hydro-Québec which stipulates that until contract expiry, the Senneterre power station is limited to producing electricity eight months per year, from December to March and from June to September. During the term of this agreement, the Senneterre power station will receive financial compensation from Hydro-Québec, allowing Boralex to expect relatively stable profitability from year to year.

Boralex also operates a 12 MW natural gas power station in Blendecques, France. For the past several years, due to specific market conditions, this cogeneration plant produces electricity five months of the year, from November to March, which represents all of Boralex's first quarter and part of its fourth quarter. During the electricity production shutdown period, steam intended for an industrial client is produced using an auxiliary boiler. Given that electricity selling prices are tied to natural gas prices, they are also exposed to some volatility. However, any change in natural gas prices impacts the cost of this raw material which in turn offsets to a large extent the volatility of results.

Solar

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

Generally, while the Corporation's production in a given year is exposed to seasonal cycles and other cyclical factors, this is mitigated by diversifying its power generation sources and favourable geographic positioning.

Financial highlights

(in millions of Canadian dollars, unless otherwise specified) (unaudited)	Three-month periods ended March 31 2018	2017
POWER PRODUCTION (GWh)		
Wind power stations	824	655
Hydroelectric power stations	166	173
Thermal power stations	61	77
Solar power stations	4	4
	1,055	909
REVENUES FROM ENERGY SALES		
Wind power stations	125	88
Hydroelectric power stations	14	17
Thermal power stations	12	13
Solar power stations	1	1
	152	119
EBITDA(A)(1)		
Wind power stations	101	77
Hydroelectric power stations	10	13
Thermal power stations	4	6
Solar power stations	1	1
	116	97
Corporate and eliminations	(12)	(10)
	104	87
NET EARNINGS	23	15
NET EARNINGS ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX	20	15
NET EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – BASIC AND DILUTED	$0.26	$0.21
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES	110	54
CASH FLOWS FROM OPERATIONS(1)	77	58
DIVIDENDS PAID ON COMMON SHARES	11	11
DIVIDENDS PAID PER COMMON SHARE(1)	$0.15	$0.15
Weighted average number of shares outstanding – basic	76,256,796	74,025,928

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

Statement of financial position data

(in millions of Canadian dollars, unless otherwise specified) (unaudited)	As at March 31, 2018	As at December 31, 2017
Total cash, including restricted cash	187	150
Property, plant and equipment	2,661	2,621
Total assets	4,034	3,926
Debt, including non-current debt and current portion of debt	2,716	2,642
Liability component of convertible debentures	138	137
Total liabilities	3,270	3,197
Total equity	764	729
Net debt to market capitalization ratio(1) (%)	57	56

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

Analysis of consolidated operating results for the three-month period ended March 31, 2018

Increase of 28% in revenues from energy sales due to contributions from assets acquired and commissioned in 2017 as well as higher production at wind farms in France in the first quarter of 2018 compared with last year.

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

(in millions of Canadian dollars) (unaudited)	Revenues from energy sales	EBITDA(A)
THREE-MONTH PERIOD ENDED MARCH 31, 2017	119	87
Acquisitions/commissioning[1]	17	15
Pricing	(1)	(1)
Compensation	7	7
Volume	6	7
Foreign exchange effect	4	3
IFER tax	—	(6)
Development	—	(3)
Other	—	(5)
Change	33	17
THREE-MONTH PERIOD ENDED MARCH 31, 2018	152	104

(1) Addition of 91 MW in 2017 and 17 days in January 2017 for NRWF. For greater detail, see the *Commissioning overview* table in section *I – Growth strategy* of this MD&A.

Revenues from energy sales

For the three-month period ended March 31, 2018, revenues from energy sales totalled $152 million, up $33 million or 28% compared with the results of the corresponding quarter of 2017. This increase was driven by the expansion in the Corporation's operating asset base during fiscal 2017 as well as weather conditions for wind farms in France which were better than in the same period last year.

The wind farms commissioned since the end of the first quarter of 2017 gave rise to a favourable difference of $17 million while the contribution of existing sites, mostly wind farms in France, amounted to about $6 million. The fluctuations of the euro against the Canadian dollar generated a $4 million favourable foreign exchange effect. Furthermore, a $7 million contractual compensation was granted to NRWF following a power limitation imposed by the IESO.

The overall effect of these items largely offset the unfavourable difference resulting from pricing at U.S. hydroelectric power stations.

The wind power segment remains the Corporation's main growth driver, with revenues up 42% due to contributions from assets acquired and commissioned over the past year as well as the sound performance of existing wind farms in France and Canada. It should be kept in mind that the weather conditions in France were well below normal levels in the first quarter of 2017. Overall, the wind power segment accounted for 82% of consolidated revenues in the first quarter of 2018.

Other operating segments, excluding the solar power segment, reported declines in revenues to varying degrees. Compared with the first quarter of 2017:

- Hydroelectric power segment revenues declined 18% to $14 million, representing 9% of consolidated revenues for the last quarter. The decline stemmed from an unfavourable price effect at the U.S. power stations and lower production at both Canadian and U.S. power stations.
- Thermal power segment revenues decreased 3% to $12 million for the first quarter of 2018, representing 8% of consolidated revenues.
- Solar power segment revenues were stable at $1 million.

In all, Boralex produced 1,055 GWh of electricity in the first quarter of 2018 (excluding its share of the production of the Joint Ventures), up 16% compared with the same period of 2017. Excluding contributions from the assets acquired and commissioned in fiscal 2017, production at existing facilities was up 4%. This improvement was mainly driven by wind farms in France, which experienced better conditions than in the first quarter of 2017, largely offsetting the lower production at the Senneterre thermal power station and hydroelectric power stations in Canada and the United States.

Contribution of SDB I and II – Joint Ventures on a Combined basis

For the three-month period ended March 31, 2018, the contribution of the production of the Joint Ventures on a Combined basis was down 3% from 154 GWh in the same quarter of fiscal 2017. The lower production was attributable to less favourable wind conditions than in the first quarter of 2017 and the icy conditions that affected the sites during two weeks in March 2018. For the first quarter of 2018, Boralex's share in the revenues of the Joint Ventures amounted to $16 million, down slightly from $17 million for the same quarter of fiscal 2017, due to the lower production volume. For more details, see the *Non-IFRS measures* section.

EBITDA(A) and EBITDA(A) margin

Consolidated EBITDA(A) for the first quarter of 2018 totalled $104 million, up $17 million or 19% from the same quarter of 2017. This increase was driven by the same factors that impacted revenues, namely improved results stemming from commissioned facilities, higher production volume, contractual compensation received and a favourable foreign exchange effect. These factors were partially offset by a $3 million increase in development costs, primarily in France and the United Kingdom. Also, during the first quarter of 2018, a $6 million adjustment in respect of the IFER tax in France was recognized. In accordance with accounting standards, the French IFER tax must be recognized in full as at January 1, 2018. In 2017, these taxes were recognized gradually in earnings according to the passage of time. This adjustment is therefore expected to have a favourable impact totalling $5 million in the coming quarters of 2018. Miscellaneous expenses also increased by $5 million owing to higher payroll expense, professional fees, raw material costs and maintenance costs.

The wind power segment accounted for 87% of consolidated EBITDA(A) in the first quarter of 2018 (before the corporate segment and eliminations). Segment EBITDA(A) rose 32%, contributing $24 million more to consolidated EBITDA(A) than in the first quarter of 2017.

Other operating segments, excluding the solar power segment, reported declines in EBITDA(A). Compared with the first quarter of 2017:

- EBITDA(A) of the hydroelectric power segment fell 24% to $10 million, due mainly to the lower production and price declines for U.S. power stations. Despite the decline, hydroelectric power segment performance met management expectations.
- The thermal power stations recorded a 21% decline in EBITDA(A) to $4 million.
- Solar power segment EBITDA(A) remained stable.

With these results, EBITDA(A) margin as a percentage of revenues decreased to 68% in the first quarter of 2018 from 73% in the same period a year earlier.

Contribution of SDB I and II – Joint Ventures on a Combined basis

For the three-month period ended March 31, 2018, the contribution of SDB I and II on a Combined basis amounted to $14 million, a similar result as for the corresponding quarter of fiscal 2017. For more details, see the *Non-IFRS measures* section.

Main changes in net earnings attributable to shareholders of Boralex

(in millions of Canadian dollars) (unaudited)

THREE-MONTH PERIOD ENDED MARCH 31, 2017	15
EBITDA(A)	17
Amortization	(7)
Financing costs	(5)
Income taxes	1
Non-controlling shareholders	(3)
Other	2
Change	5
THREE-MONTH PERIOD ENDED MARCH 31, 2018	20

Amortization

Amortization expense for the first quarter of 2018 was up $7 million to $47 million, owing to assets acquired and commissioned over the last year. The NRWF acquisition in Ontario early in fiscal 2017 accounted for most of this increase.

Financing costs

Financing costs for the first quarter of 2018 rose $5 million to $29 million, owing primarily to the financing arrangements made and the debts assumed by the Corporation to acquire and commission assets over the past year, such as NRWF in January 2017.

Net earnings

For the three-month period ended March 31, 2018, Boralex recorded net earnings of $23 million compared with $15 million for the same period of 2017, resulting in net earnings attributable to shareholders of Boralex of $20 million or $0.26 per share (basic and diluted), compared with net earnings attributable to shareholders of Boralex of $15 million or $0.21 per share (basic and diluted) for the corresponding quarter last year. The $3 million difference between net earnings and net earnings attributable to shareholders of Boralex as at March 31, 2018 resulted from the earnings attributable to non-controlling shareholders.

The $5 million or $0.05 per share (basic and diluted) improvement in net earnings attributable to shareholders of Boralex compared with the first quarter of 2017 stemmed from the items discussed above and is summarized in the table above. Accordingly, the $17 million increase in EBITDA(A) was partly offset by increases in amortization expense ($7 million) and financing costs ($5 million) for a total amount of $12 million owing to expansion in the Corporation's operating base over the past year.

Review of operating segments for the three-month period ended March 31, 2018

Wind

Increase of 26% in power production compared with the first quarter of 2017.

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

(in millions of Canadian dollars) (unaudited)	Revenues from energy sales	EBITDA(A)
THREE-MONTH PERIOD ENDED MARCH 31, 2017	88	77
Acquisitions/commissioning[(1)]	17	15
Pricing	1	1
Volume	8	8
Compensation	7	7
Foreign exchange effect	4	3
Development	—	(1)
IFER tax	—	(6)
Other	—	(3)
Change	37	24
THREE-MONTH PERIOD ENDED MARCH 31, 2018	125	101

(1) Addition of 91 MW in 2017 and 17 days of January 2017 for NRWF. For greater detail, see the *Commissioning overview* table in section *I – Growth strategy* of this MD&A.

Recent and anticipated statistical data concerning wind power segment production

	Three-month periods ended March 31				
	Actual			Change	
Wind production (GWh)	2018	2017	Anticipated production[(1)(2)]	vs. 2017	vs. anticipated production[(2)]
Canada	367	328	399	+ 12%	- 8%
France	457	327	414	+ 40%	+ 10%
	824	655	813	+ 26%	+ 1%

(1) Anticipated production for 2018 is calculated using historical averages and realized wind forecasts. See *Notice concerning forward-looking statements*.

(2) In Canada, considering the 56 GWh for which NRWF was subject to a power limitation, actual production would have amounted to 423 GWh, or 6% higher than anticipated capacity, for a total of 880 GWh, or 8% higher than anticipated capacity.

Production

During the first quarter of fiscal 2018, wind power production totalled 824 GWh, up 26% from 655 GWh for the same period last year. This increase was mainly driven by the contributions of wind farms commissioned in France since the end of the first quarter of 2017, for a total installed capacity of 87 MW, plus the contribution of the 230 MW NRWF for the first 17 days of 2018. NRWF did not make a full contribution in the first quarter of 2017 as it was acquired on January 18. Excluding these two items, the production of existing wind farms increased by 9% in the first quarter of 2018 compared with the same period of 2017.

Note, however, that NRWF was subject to a power limitation imposed by IESO and Hydro One during the first quarter of 2018, resulting in a 56 GWh unfavourable effect on production in respect of which the Corporation received a financial compensation of $7 million for 42 GWh from IESO.

Broken down geographically, changes in production were as follows:

- Weather conditions in France in the first quarter of 2018 were favourable compared with conditions well below normal levels in the same quarter of 2017. As a result, production volume at existing wind farms was 18% higher in the first quarter of 2018 compared with the same period of last year. Including the wind farms commissioned throughout fiscal 2017, the wind power segment in France recorded a production volume of 457 GWh in the first quarter of 2018, up by nearly 40% from the same quarter last year.
- In Canada, in the first quarter of 2018, most of the existing wind farms performed better than in the corresponding quarter last year, excluding NRWF which was subject to power limitations. Considering that NRWF made a contribution for the entire first quarter of 2018 compared with a 73-day contribution for the same period of 2017, wind power segment production in Canada increased 12% to 367 GWh.

Contribution of SDB I and II – Joint Ventures on a Combined basis

As previously mentioned, the contribution of the production of the Joint Ventures on a Combined basis was 3% lower in the first quarter of 2018 as a result of poorer wind conditions than in the first quarter of 2017, and a two-week period of icy conditions in March 2018.

Revenues from energy sales

Wind power segment revenues for the first quarter of 2018 totalled $125 million, up $37 million or 42% from the same period of 2017. This growth was attributable to the $17 million contribution from assets commissioned in 2017, plus an $8 million favourable difference resulting from higher production at existing sites. Other items that contributed to the growth in wind power segment revenues included the $7 million compensation received by NRWF following the power limitation.

Broken down geographically, for the first quarter of 2018, 49% of wind power segment revenues were generated in Canada and 51% in France, compared with 54% and 46%, respectively, for the same period last year. This change stemmed primarily from the commissioning of wind farms in France since 2017, better weather conditions in France in the first quarter of 2018 and a favourable foreign exchange effect. Excluding the foreign exchange effect, revenues at French wind farms were up 42% compared with 29% for the Canadian facilities.

EBITDA(A) and EBITDA(A) margin

For the first quarter of 2018, wind power segment EBITDA(A) was up $24 million or 32% to reach $101 million. This growth was to some extent driven by Boralex's expansion strategy, with $15 million in additional EBITDA(A) generated by the wind farms commissioned in 2017, but also by favourable differences, namely $8 million resulting from higher production volume at existing facilities, $7 million for NRWF contractual compensation as disclosed previously, $3 million from fluctuations in the euro's exchange rate against the Canadian dollar and $1 million from energy selling prices. Also, as discussed above, these favourable differences were partially offset by a $3 million increase in various expenses, including payroll, professional fees and maintenance costs, as well as the recognition of 100% of the IFER tax in France, amounting to $6 million. This tax was recorded using a time-based method in 2017.

Development costs increased by $1 million, largely related to projects in the U.K.

Broken down geographically, EBITDA(A) at our French operations rose 34% in euros, while EBITDA(A) at Canadian operations (excluding Joint Ventures) grew 27%.

EBITDA(A) margin for the first quarter of 2018 stood at 82%, compared with 88% for the same period last year. This change resulted primarily from the recognition of 100% of the IFER tax in the first quarter of 2018.

Contribution of SDB I and II – Joint Ventures on a Combined basis

For the three-month period ended March 31, 2018, the contribution of SDB I and II to revenues from energy sales and EBITDA(A) on a Combined basis was $16 million and $14 million, respectively, which was comparable to the results for the first quarter of 2017 of $17 million and $14 million, respectively. For more details, see the *Non-IFRS measures* section.

Hydroelectric

Decrease of 4% in hydroelectric power production in 2018, compared with the first quarter of 2017.

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

(in millions of Canadian dollars) (unaudited)	Revenues from energy sales	EBITDA(A)
THREE-MONTH PERIOD ENDED MARCH 31, 2017	17	13
Pricing	(2)	(2)
Other	(1)	(1)
Change	(3)	(3)
THREE-MONTH PERIOD ENDED MARCH 31, 2018	14	10

Recent and historical statistical data concerning hydroelectric power segment production

	Three-month periods ended March 31				
	Actual			Change	
Hydroelectric production (GWh)	2018	2017	Historical average(1)	vs. 2017	vs. historical average
Canada	48	51	46	- 6%	+ 4%
United States	118	122	109	- 3%	+ 8%
	166	173	155	- 4%	+ 7%

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

Production

For the first quarter of 2018, hydroelectric power production was down 4% to 166 GWh, from 173 GWh for the same quarter of last year. This slight decrease resulted from slightly less favourable water flow conditions in the early months of 2018 compared with the same period last year for both Canadian and U.S. power stations.

Nonetheless, hydroelectric power segment production for the first quarter of 2018 was 11 GWh or 7% higher than the historical average of 155 GWh.

Revenues from energy sales

For the first quarter of 2018, the hydroelectric power segment generated revenues of $14 million, down $3 million or 18% from the same quarter of 2017. Besides the decrease in production volume, a lower average selling price compared with the same period a year ago for the power produced by the U.S. power stations was mostly responsible for the decline in revenues. Accordingly, revenues at the U.S. power stations were down 27%, compared with a 2% decrease at the Canadian power stations. Note that the energy sales contract at the Hudson Falls power station contained a significant downward adjustment. Starting in December 2017, the price decreased from US$80.58/MWh to US$48.27/MWh, resulting in a nearly $2 million unfavorable effect on EBITDA(A).

EBITDA(A) and EBITDA(A) margin

In light of the above, hydroelectric power segment EBITDA(A) declined 24% to $10 million for the first quarter of 2018, compared with $13 million for the same quarter of 2017. This decrease was attributable to the same unfavourable factors that impacted revenues. EBITDA(A) at the U.S. power stations was down 34% while Canadian power stations recorded a 6% decline in EBITDA(A).

Hydroelectric power segment EBITDA(A) margin for the first quarter of 2018 stood at 71%, compared with 77% for the corresponding quarter last year.

Thermal and solar

Management remains satisfied with the performance of its thermal and solar segments. Solar power segment results are relatively stable compared with the same period last year while thermal power segment profitability declined slightly as a mechanical failure unfavourably affected production at the Senneterre facility.

Cash flows

The expansion of the operating asset base over the past fiscal year and the improved performance of wind farms in France compared with the previous year were the main driving factors for the changes in cash flows during the first quarter of 2018, namely a significant increase in cash flows related to operating activities, compared with the first quarter of 2017.

(in millions of Canadian dollars) (unaudited)	Three-month periods ended March 31 2018	 2017
Cash flows from operations[(1)]	77	58
Change in non-cash items related to operating activities	33	(4)
Net cash flows related to operating activities	110	54
Net cash flows related to investing activities	(85)	(121)
Net cash flows related to financing activities	(3)	60
Translation adjustment on cash and cash equivalents	5	—
NET CHANGE IN CASH AND CASH EQUIVALENTS	27	(7)
CASH AND CASH EQUIVALENTS – END OF PERIOD	142	93

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

Operating activities

For the first quarter of 2018, cash flows from operations at Boralex rose $19 million to $77 million from $58 million for the same period of 2017. Excluding non-cash items in net earnings for both periods, this increase resulted largely from the $17 million growth in EBITDA(A) as discussed previously, coupled with a $4 million increase in distributions received from the Joint Ventures, partly offset by a $3 million increase in interest paid.

The change in non-cash items related to operating activities generated cash of $33 million during the first quarter of 2018 compared with cash used of $4 million in the same period last year. The cash generated in the first quarter of 2018 stemmed primarily from the $22 million increase in *Trade and other payables* and the $7 million decrease in deposits, reduced by the lower taxes related to the development and construction of production facilities included in other receivables. Moreover, this year, *Trade receivables* were down $5 million. This change resulted primarily from a lower amount of contractual compensation in respect of NRWF receivable as at March 31, 2018 than as at December 31, 2017.

In light of the above, operating activities generated net cash flows totalling $110 million in the first quarter of 2018, nearly double the amount generated in the same quarter a year ago.

Investing activities

For the first quarter of 2018, investing activities used $85 million in cash, compared with $121 million in the same quarter of 2017.

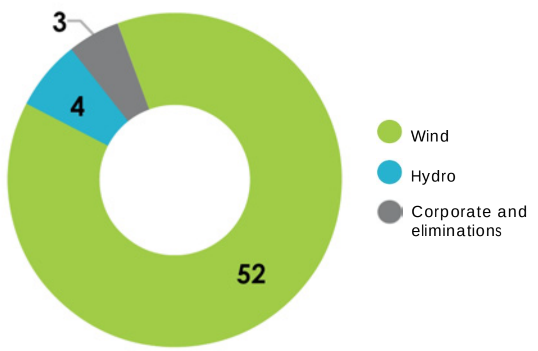
During the first quarter of 2018, Boralex paid out $10 million in contingent consideration for the acquisition of energy sales contracts in connection with Ecotera projects. The amounts paid related mainly to the Inter Deux Bos and Basse Thiérache Nord wind farms. Additional conditional consideration amounting to $4 million was provided for the Sources de l'Ancre project. This disbursement was presented as a business acquisition since this project was part of the business combination that resulted from the Ecotera portfolio acquisition in 2015.

Note that the key investment transaction for the first quarter of 2017 was the acquisition of all of Enercon's economic interest in the 230 MW NRWF facility in Ontario, Canada. The transaction was entered into for a cash consideration, net of cash acquired, amounting to $230 million as at March 31, 2017. In addition, Boralex assumed $779 million in debt related to this asset. To fund a portion of the cash consideration for the transaction, Boralex completed an offering of subscription receipts amounting to $173 million on December 23, 2016, with the proceeds of $170 million, net of transaction costs, set aside as restricted cash in 2016 in anticipation of the closing of the acquisition, which was used as expected on January 18, 2017, thus explaining most of the $176 million change in restricted cash from the first quarter of 2017 to the corresponding quarter of 2018.

During the first quarter of 2018, the Corporation invested $59 million in additions to property, plant and equipment, broken down as follows:

- $52 million in the wind power segment, substantially all of which was for the construction of various wind farms in Europe ($47 million) and in Canada ($5 million);
- $4 million in the hydroelectric power segment, including $1 million for the construction of the Yellow Falls power station in Ontario, Canada and $2 million for the upgrade of the Buckingham power station in Québec, Canada.

Segment breakdown of additions to property, plant and equipment
(in millions of Canadian dollars)



Financing activities

Financing activities for 2018 to date used total net cash flows of $3 million.

New financing arrangements and repayments on existing debt

During the first quarter of 2018, new non-current debt contracted by Boralex totalled $249 million ($245 million net of financing costs of $4 million), including:

- $200 million drawn from the subordinated debt resulting from the joint investment by the Caisse and the Fonds de solidarité FTQ;
- $48 million drawn from the existing financing facilities for the wind farms in France, namely Sources de l'Ancre, Inter Deux Bos, Hauts de Comble, Le Pelon and Côteaux du Blaiseron;
- $1 million for the Moose Lake wind power project in Canada.

Conversely, the Corporation repaid a total of $50 million in debt related to various assets in operation. Boralex also repaid $164 million on the revolving credit facility, thereby reducing the total amount drawn to $100 million as at March 31, 2018. Note that Boralex refinanced and extended by one year the maturity of its $460 million revolving credit facility.

Dividends and other items

During each of the three-month periods ended March 31, 2018 and 2017, the Corporation paid dividends to shareholders totalling $11 million or the equivalent of $0.15 per share.

During the first quarter of 2018, the Corporation also received $1 million from the exercise of stock options by management and disbursed $10 million for the early redemption of financial instruments, mainly following the financing of a project.

Net change in cash and cash equivalents

Total cash movements for fiscal 2018 to date resulted in a $27 million increase in *Cash and cash equivalents* to $142 million as at March 31, 2018 from $115 million as at December 31, 2017.

Contribution of SDB I and II – Joint Ventures on a Combined basis

The contribution of cash flows from operations of the Joint Ventures on a Combined basis for the three-month period ended March 31, 2018 amounted to $11 million, an amount similar to the first quarter of 2017. The contribution of net cash flows related to operating activities amounted to $8 million for the first quarter of 2018 compared with $6 million for the corresponding period of 2017. For more details see the *Non-IFRS measures* section.

Financial position

Overview of the condensed consolidated statements of financial position

(in millions of Canadian dollars) (unaudited)	As at March 31, 2018	As at December 31, 2017
ASSETS		
Cash and cash equivalents	142	115
Restricted cash	45	35
Other current assets	175	175
CURRENT ASSETS	362	325
Property, plant and equipment	2,661	2,621
Intangible assets	671	655
Goodwill	187	182
Interests in the Joint Ventures	26	24
Other non-current assets	127	119
NON-CURRENT ASSETS	3,672	3,601
TOTAL ASSETS	4,034	3,926
LIABILITIES		
CURRENT LIABILITIES	480	429
Non-current debt	2,426	2,418
Convertible debentures	138	137
Various other non-current liabilities	226	213
NON-CURRENT LIABILITIES	2,790	2,768
TOTAL LIABILITIES	3,270	3,197
EQUITY		
TOTAL EQUITY	764	729
TOTAL LIABILITIES AND EQUITY	4,034	3,926

Summary of significant changes

In addition to the impact of exchange rate fluctuations, the changes in Boralex's statement of financial position between December 31, 2017 and March 31, 2018 reflect investments and financing related to the continued development of the Corporation's wind and hydroelectric power projects.

Assets

Boralex's *Total assets* amounted to $4,034 million as at March 31, 2018, up $108 million from *Total assets* as at December 31, 2017 as a result of the $37 million increase in *Current assets*, primarily due to the increase of $27 million in *Cash and cash equivalents* and $10 million in *Restricted cash*.

Also, *Non-current assets* were up $71 million, owing primarily to:

- The $40 million increase in the value of *Property, plant and equipment* (net of amortization for the period), due to construction projects, including the Inter Deux Bos, Le Pelon, Hauts de Comble and Sources de l'Ancre wind farms in France and the effect of fluctuations in the exchange rates;
- The $16 million increase in the value of *Intangible assets* resulting largely from the increase in the value of the energy sales contracts, owing primarily to the $10 million payment as contingent consideration in connection with the Ecotera portfolio for the Inter Deux Bos and Basse Thiérache Nord wind farm projects and a significant impact on the value of the French energy sales contracts resulting from foreign exchange translation.

Current liabilities

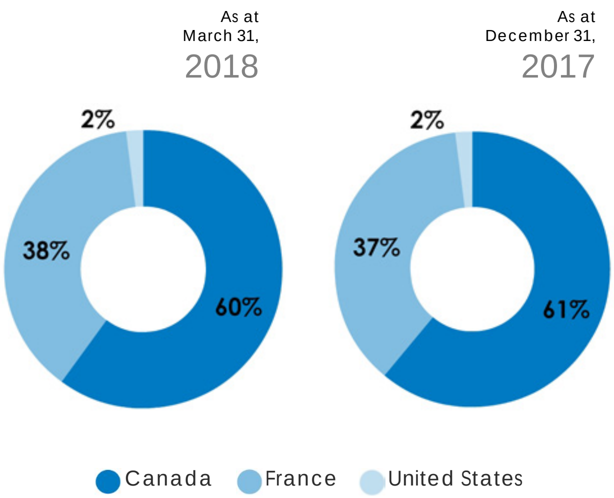
Current liabilities as at March 31, 2018 amounted to $480 million, compared with $429 million as at December 31, 2017. This $51 million increase was due to the $66 million increase in the *Current portion of debt* partially offset by the $10 million decrease in *Other current financial liabilities*. The increase in the *Current portion of debt* is primarily attributable to the $64 million Cube term loan that will mature in January 2019.

Non-current liabilities

Total *Non-current liabilities* were up $22 million, owing to the increase of $8 million in *Non-current debt* (net of repayments for the period) and $13 million in *Various other non-current liabilities*, such as $10 million in *Deferred income tax liability*. Significant financing transactions include the issuance of $200 million of subordinated debt and the drawdown of $48 million from the French credit facility entered into on December 22, 2017. Boralex also made a net reversal of $164 million on its revolving credit facility.

Also, as at March 31, 2018, Boralex had $201 million in debt contracted but not yet drawn, excluding the $100 million revolving credit accordion feature and the $100 million second tranche of subordinated debt available under certain conditions as well as a total amount of $193 million under the letter of credit and revolving credit facilities.

Geographic breakdown of non-current debt



Contribution of SDB I and II – Joint Ventures on a Combined basis

The contribution of the Joint Venture's assets as at March 31, 2018 amounting to $380 million on a Combined basis was comparable to $383 million for 2017. The contribution of the Joint Ventures' debt totalled $311 million, compared with $312 million following repayment of the debt of SDB II. For more details, see the *Non-IFRS measures* section.

Equity

Total equity rose $35 million during the first quarter of fiscal 2018 to $764 million as at March 31, 2018. *Equity* growth resulted primarily from the inclusion of $23 million in *Net earnings* and from the $22 million variance in *Accumulated other comprehensive income* related to translation of financial statements, less total dividends of $11 million paid to shareholders of Boralex.

Debt ratios

Net debt, as defined under *Non-IFRS measures*, amounted to $2,559 million as at March 31, 2018 compared with $2,519 million as at December 31, 2017.

As a result, the net debt ratio, based on market capitalization, as defined under *Non-IFRS measures*, rose to 57% as at March 31, 2018 from 56% as at December 31, 2017.

Information about the Corporation's equity

As at March 31, 2018, Boralex's capital stock consisted of 76,318,438 Class A shares issued and outstanding (76,255,051 as at December 31, 2017).

There were 626,295 outstanding stock options as at March 31, 2018, of which 448,669 were exercisable.

As at March 31, 2018, Boralex had 1,437,310 issued and outstanding convertible debentures for an amount of $144 million (1,437,400 as at December 31, 2017 for an amount of $144 million).

From April 1 to May 8, 2018, no new shares were issued on exercise of stock options and in connection with the conversion of debentures.

Related party transactions

The Corporation has entered into a management agreement with R.S.P. Énergie Inc., an entity in which Richard and Patrick Lemaire, directors of the Corporation, are two of three shareholders. For the three-month period ended March 31, 2018, revenues from this agreement were not material.

The Corporation has an office lease contract with Ivanhoé Cambridge, an entity in which the Caisse holds an interest as well. As at March 31, 2018, the amount of the transactions with this entity is not material.

In addition, the Corporation entered into $200 million in financing with the Caisse in the form of unsecured subordinated debt with a 10-year maturity. As at March 31, 2018, the amount of interest related to this transaction was not material.

Transactions with the Joint Ventures

SDB I

For the three-month period ended March 31, 2018, Joint Venture Phase I reported $6 million in net earnings ($8 million for the same period in 2017), with Boralex's share amounting to $3 million ($4 million for the same period in 2017).

SDB II

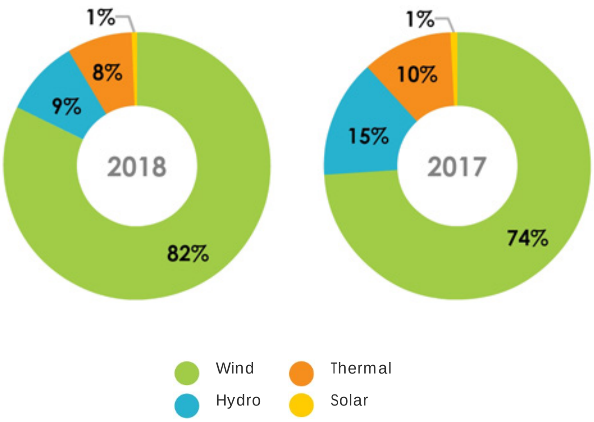
For the three-month period ended March 31, 2018, Joint Venture Phase II reported $2 million in net earnings ($1 million for the same period in 2017), with Boralex's share amounting to $1 million (insignificant in the corresponding period of 2017).

Segment and geographic breakdown of results for the three-month periods ended March 31, 2018 and 2017

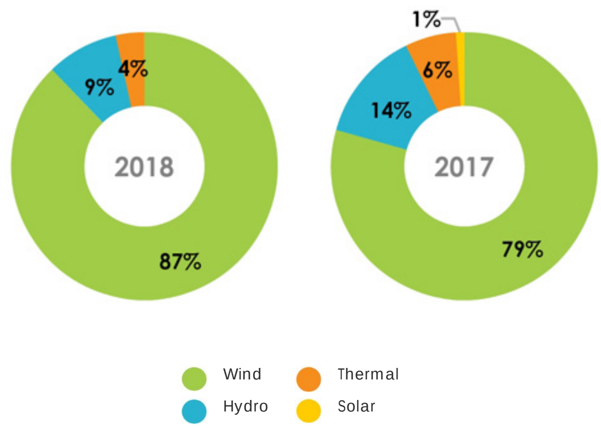
Segment breakdown

The following is a discussion of changes in segment breakdown of revenues and EBITDA(A) for the quarter ended March 31, 2018 compared with the same period in 2017.

Breakdown of revenues from energy sales



Breakdown of EBITDA(A)[(1)]



(1) Excluding corporate segment and eliminations

Wind

For the first quarter of 2018 wind power segment revenues rose 42% from the same period of 2017 and represented 82% of consolidated revenues, compared with 74% in the same period a year ago. This increase is due mainly to the addition of 91 MW to the segment's installed capacity in 2017 and the contribution of NRWF for the first 17 days of 2018 and better performance at the existing sites in France as a result of much more favourable wind conditions.

Wind power segment EBITDA(A) for the first quarter of 2018 rose 32% compared with the same period in 2017, representing 87% of consolidated EBITDA(A) (before the corporate segment and eliminations), exceeding the 2017 first quarter result of 79%. Not only is the wind power segment Boralex's most significant driver of EBITDA(A), its EBITDA(A) margin is also higher than the average for Boralex's energy asset portfolio, i.e., 82% for the first quarter of 2018, compared with 88% for the same period in 2017.

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

Given the wind power projects under construction or ready-to-build in France and Canada, which will be commissioned in 2018 and 2019 for an additional capacity of 251 MW, and the large pipeline of potential wind power projects at Boralex's disposal, the segment's contribution to the Corporation's operating profitability is poised to grow in the coming quarters and years, enabling Boralex to maintain a solid average profit margin.

Hydroelectric

During the first quarter of 2018, hydroelectric power segment revenues and EBITDA(A) declined 18% and 24%, respectively, compared with the first quarter of 2017, owing to less favourable water flow conditions for both the U.S. and Canadian power stations. Given the growth in the wind power segment, the hydroelectric power segment's contribution to the Corporation's consolidated revenues eased to 9% in the first quarter of 2018 from 15% for the same period in 2017, while its contribution to EBITDA(A) (before the corporate segment and eliminations) declined to 9% from 14%. EBITDA(A) margin for this segment, as a percentage of revenues, eased to 71% for the first quarter of 2018 from 77% for the same quarter of 2017.

Thermal

Thermal power segment revenues were down 3% in the first quarter of 2018 compared to the same period last year, owing in large part to lower production at the Senneterre power station in Québec. The segment accounted for 8% of consolidated revenues for the first quarter of 2018, compared with 10% in the corresponding period a year ago. Given the 21% decrease, thermal power segment EBITDA(A) accounted for 4% of consolidated EBITDA(A) (before the corporate segment and eliminations) for the first quarter of 2018 compared with 6% for the same period last year. EBITDA(A) margin for the segment eased to 37% for the first quarter of 2018 from 45% for the same quarter of 2017.

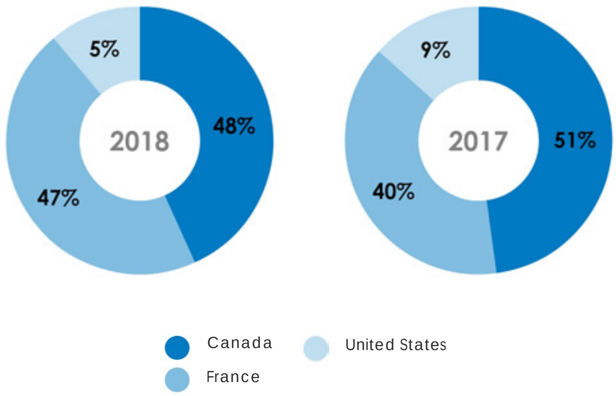
Solar

During the first quarter of 2018, the solar power segment generated EBITDA(A) of $1 million on revenues of $1 million, results similar to the first quarter of fiscal 2017. The solar power segment for the time being accounts for only a marginal share of Boralex's asset portfolio.

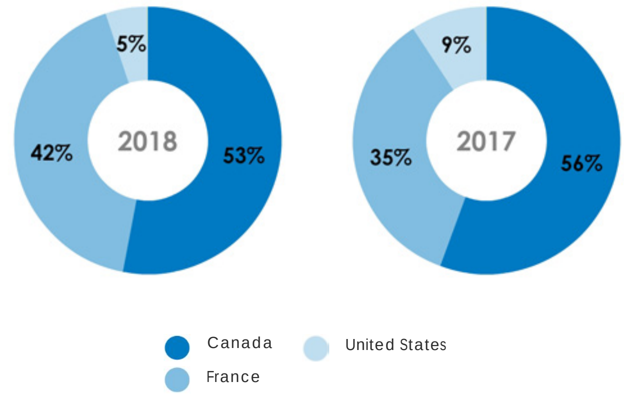
Geographic breakdown

The following is a discussion of changes in breakdown of revenues and EBITDA(A) by country for the quarter ended March 31, 2018 compared with the same period of fiscal 2017.

Breakdown of revenues from energy sales



Breakdown of EBITDA(A)[1]



[1] Excluding corporate segment and eliminations

Geographically, Boralex's revenues from energy sales for the three-month period ended March 31, 2018 were broken down as follows:

- 48% in Canada compared with 51% in the corresponding period of 2017;
- 47% in France compared with 40% in the corresponding period of 2017, following improved performance at the French wind farms in the first quarter of 2018 compared with the same period in 2017;
- 5% in the United States compared with 9% in the corresponding period of 2017, following the downward adjustment of the price per MWh at the Hudson Falls power station, which benefited from a contract price of US$80.58/MWh in 2017, whereas it is now US$48.27/MWh.

Non-IFRS measures

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

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

This MD&A also shows certain of these measures on a Combined basis, where the results of the Joint Ventures Phases I and II (hereinafter "SDB I and II") are accounted for at 50%. Since the Joint Ventures represent a significant investment for Boralex, management considers this information useful for investors. For more details, see the note *Interests in the Joint Ventures* in the Interim Report and the Annual Report.

Reconciliation between IFRS and the Combined basis

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

Consolidated

				2018
(in millions of Canadian dollars) (unaudited)	IFRS	SDB – I and II (50%)	Eliminations	Combined
For the three-month period ended March 31:				
Power production (GWh)	1,055	148	—	1,203
Revenues from energy sales	152	16	—	168
EBITDA(A)	104	14	(4)*	114
Net earnings	23	4	(4)*	23
Net cash flows related to operating activities	110	8	(4)**	114
Cash flows from operations	77	11	(4)**	84
As at March 31:				
Total assets	4,034	380	(23)***	4,391
Debt, including non-current debt and current portion of debt	2,716	311	—	3,027

				2017
(in millions of Canadian dollars) (unaudited)	IFRS	SDB – I and II (50%)	Eliminations	Combined
For the three-month period ended March 31:				
Power production (GWh)	909	154	—	1,063
Revenues from energy sales	119	17	—	136
EBITDA(A)	87	14	(4)*	97
Net earnings	15	5	(5)*	15
Net cash flows related to operating activities	54	6	—	60
Cash flows from operations	58	11	—	69
As at December 31:				
Total assets	3,926	383	(21)***	4,288
Debt, including non-current debt and current portion of debt	2,642	312	—	2,954

* Share in earnings of the Joint Ventures.
** Distributions received from the Joint Ventures.
*** Interests in the Joint Ventures SDB I and II

Wind

(in millions of Canadian dollars) (unaudited)	Three-month period ended March 31, 2018 IFRS	SDB – I and II (50%)	Eliminations	Combined
Power production (GWh)	824	148	—	972
Revenues from energy sales	125	16	—	141
EBITDA(A)	101	14	(3)*	112

(in millions of Canadian dollars) (unaudited)	Three-month period ended March 31, 2017 IFRS	SDB – I and II (50%)	Eliminations	Combined
Power production (GWh)	655	154	—	809
Revenues from energy sales	88	17	—	105
EBITDA(A)	77	14	(5)*	86

* Share in earnings of the Joint Ventures

EBITDA(A)

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

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

(in millions of Canadian dollars) (unaudited)	Three-month period ended March 31, 2018 IFRS	SDB – I and II (50%)	Eliminations	Combined
Net earnings	23	4	(4)	23
Income tax expense	6	—	—	6
Financing costs	29	5	—	34
Amortization	47	6	—	53
EBITDA	105	15	(4)	116
Adjustments:				
Other gains	—	(1)	—	(1)
Other	(1)	—	—	(1)
BAIIA(A)	104	14	(4)	114

(in millions of Canadian dollars) (unaudited)	Three-month period ended March 31, 2017 IFRS	SDB – I and II (50%)	Eliminations	Combined
Net earnings	15	5	(5)	15
Income tax expense	7	—	—	7
Financing costs	24	5	1	30
Amortization	40	5	—	45
EBITDA	86	15	(4)	97
Adjustments:				
Other gains	—	(1)	—	(1)
Other	1	—	—	1
BAIIA(A)	87	14	(4)	97

Cash flows from operations

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

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

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

	Three-month period ended March 31, 2018			
(in millions of Canadian dollars) (unaudited)	IFRS	SDB – I and II (50%)	Eliminations	Combined
Net cash flows related to operating activities	110	8	(4)*	114
Change in non-cash items related to operating activities	(33)	3	—	(30)
CASH FLOWS FROM OPERATIONS	77	11	(4)	84

	Three-month period ended March 31, 2017			
(in millions of Canadian dollars) (unaudited)	IFRS	SDB – I and II (50%)	Eliminations	Combined
Net cash flows related to operating activities	54	6	—	60
Change in non-cash items related to operating activities	4	5	—	9
CASH FLOWS FROM OPERATIONS	58	11	—	69

* Distributions received from the Joint Ventures

Net debt ratio

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

The Corporation defines net debt as follows:

	IFRS	
(in millions of Canadian dollars) (unaudited)	As at March 31, 2018	As at December 31, 2017
Non-current debt	2,426	2,418
Current portion of debt	290	224
Borrowing costs, net of accumulated amortization	30	27
Less:		
Cash and cash equivalents	142	115
Restricted cash	45	35
Net debt	2,559	2,519

The Corporation defines total market capitalization as follows:

(in millions of Canadian dollars, unless otherwise specified) (unaudited)	IFRS As at March 31, 2018	 As at December 31, 2017
Number of outstanding shares (in thousands)	76,318	76,255
Share market price (in $ per share)	22.37	23.50
Market value of equity attributable to shareholders	1,707	1,792
Non-controlling shareholders	47	44
Net debt	2,559	2,519
Convertible debentures (nominal value)	144	144
Total market capitalization	4,457	4,499

The Corporation computes the net debt ratio as follows:

(in millions of Canadian dollars) (unaudited)	IFRS As at March 31, 2018	 As at December 31, 2017
Net debt	2,559	2,519
Total market capitalization	4,457	4,499
NET DEBT RATIO (market capitalization)	57%	56%

Discretionary cash flows and payout ratio

Discretionary cash flows

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

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

It is important to note that discretionary cash flows are now calculated using data derived from the financial statements in accordance with IFRS, whereas previously they were calculated using Combined information. This change had no effect on discretionary cash flows or the payout ratio. Under IFRS, discretionary cash flows include the contributions of the Joint Ventures whereas under the Combined approach, those distributions are eliminated and replaced by the contribution of the Joint Ventures to EBITDA(A), net of the debt repayments they made.

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

Payout ratio

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

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

For the twelve-month period ended March 31, 2018, the dividends paid to shareholders by the Corporation corresponded to 50% of discretionary cash flows.

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

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

	Twelve months periods ended	
(in millions of Canadian dollars, unless otherwise specified) (unaudited)	As at March 31, 2018	As at December 31, 2017
Cash flows from operations	214	195
Distributions paid to non-controlling shareholders	(8)	(8)
Additions to property, plant and equipment (maintenance of operations)	(8)	(8)
Repayments on non-current debt (projects)[1]	(127)	(125)
Development costs (from statement of earnings)	20	17
Discretionary cash flows	91	71
Discretionary cash flows per share	$1.21	$0.94
Dividends paid to shareholders of Boralex	$46	$46
Average weighted number of outstanding shares – basic	76,073,318	75,436,036
Dividends paid to shareholders of Boralex per share	$0.60	$0.60
Payout ratio	50%	64%

[1] Adjustment of the March 2017 NRWF debt repayment prorated to the number of days held since the acquisition.

Financial instruments

Foreign exchange risk

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

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

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

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

Price risk

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

As at March 31, 2018, power stations in France (except Avignonet I) and Canada (except Oldman in Alberta), as well as those in Hudson Falls and South Glens Falls in the United States, have long-term energy sales contracts, the vast majority of which are subject to partial or full indexation clauses tied to inflation. Consequently, only 2% of Boralex’s installed capacity is exposed to price risk at present.

Interest rate risk

Under IFRS, as at March 31, 2018, approximately 62% of non-current debt issued bears interest at variable rates, excluding the revolving credit facility and the bridge financing facility. A sharp increase in interest rates in the future could affect the liquid assets available for the Corporation’s development projects. However, since the Corporation uses interest rate swaps, its actual exposure to interest rate fluctuations is limited to only 11% of total debt under IFRS.

The following table summarizes the Corporation’s derivative financial instruments as at March 31, 2018:

As at March 31,

2018

(in millions of Canadian dollars) (unaudited)	Currency	Current notional (currency of origin)	Current notional (CAD)	Fair value (currency of origin)	Fair value (CAD)
Interest rate swaps	EUR	298	474	(14)	(22)
Interest rate swaps	CAD	889	889	(2)	(2)
Foreign exchange forward contracts	EUR vs. CAD	74	115	(11)	(11)
Cross-currency swaps	EUR vs. CAD	28	41	(3)	(3)
					(38)

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

Commitment

France – Sources de l'Ancre wind project

On January 26, 2018, for the Sources de l'Ancre wind power project, the Corporation entered into a turbine purchase contract. The Corporation's net commitment under this contract amounts to €12 million ($20 million).

Subsequent events

France – Basse Thiérache Nord wind power project

On April 20, 2018, the Corporation entered into a turbine purchase contract for the Basse Thiérache Nord wind power project. The Corporation's commitment under this contract amounts to €14 million ($23 million).

France – Acquisition of Kallista

On April 20, 2018, Boralex announced that it had entered into a purchase agreement with Ardian Infrastructure to acquire 100% of the outstanding shares of Kallista for a consideration of €129 million ($202 million) and the assumption of €94 million ($147 million) in project debt. More specifically, the acquisition includes wind farms in operation totalling 163 MW located in France with a weighted average remaining term of 8 years under contract, Noyers Bucamps, a 10 MW wind power project under construction, and a project portfolio representing a capacity of approximately 158 MW. The consideration will be paid by Boralex from the recently enhanced revolving credit facility. The transaction is expected to close in late June 2018 once the regulatory approvals are received and the other customary closing conditions are met.

Canada – Contingency

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

On March 2, 2018, the Superior Court of Québec dismissed the plaintiffs' suit and affirmed that the business combination is, in fact, legal. On April 3, 2018, the plaintiff filed an application for leave to appeal. The application for leave to appeal was heard on April 24, 2018, and the decision was rendered at that time. As anticipated, the application was accepted. The appellants' brief must be filed by June 28, 2018, following which Boralex's brief must be filed by September 6, 2018. A hearing date will then be set.

The Corporation still considers this proceeding unfounded in law and, accordingly, the Corporation has not recorded any provision in respect of this litigation.

Risk Factors and Uncertainties

Risk factors

Boralex has not observed any significant changes regarding the risks to which it is exposed, and which are discussed under *Risk Factors and Uncertainties* in Boralex's annual MD&A for the year ended December 31, 2017.

Main sources of uncertainty relating to management's estimates and key judgments

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

Items in question are presented under *Risk Factors and Uncertainties* in Boralex's annual MD&A for the year ended December 31, 2017.

Accounting policies

Changes in accounting policies

IFRS 9, *Financial Instruments*

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

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

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

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

The Corporation has adopted IFRS 9, *Financial Instruments*, as of January 1, 2018. The adoption of IFRS 9 resulted in changes in accounting policies, but in no adjustment to the amounts recognized in the consolidated financial statements.

The following is the Corporation's new accounting policy for financial instruments under IFRS 9.

(a) 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 debt 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.

The Corporation completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets and liabilities	Original classification under IAS 39	New classification under IFRS 9
Cash and cash equivalents	Loans and receivables (amortized cost)	Amortized cost
Restricted cash	Loans and receivables (amortized cost)	Amortized cost
Trade and other receivables	Loans and receivables (amortized cost)	Amortized cost
Advance to a non-controlling shareholder	Loans and receivables (amortized cost)	Amortized cost
Other non current financial assets(1)	Derivatives used for hedging purposes (FVPL)	FVPL/FVOCI
Reserve funds(2)	Loans and receivables (amortized cost)	Amortized cost
Trade and other payables	Other financial liabilities (amortized cost)	Amortized cost
Contingent consideration	Other financial liabilities (amortized cost)	Amortized cost
Other current financial liabilities(3)	Derivatives used for hedging purposes (FVPL)	FVPL/FVOCI
Current and non-current debt	Other financial liabilities (amortized cost)	Amortized cost
Convertible debentures	Other financial liabilities (amortized cost)	Amortized cost
Other non-current financial liabilities	Derivatives used for hedging purposes (FVPL)	FVPL/FVOCI

(1) Excluding the *Advance to a non-controlling shareholder.*
(2) Included under *Other non-current assets.*
(3) Excluding *Contingent consideration.*

(b) 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.

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. The effective portion of gains and losses on financial instruments designated as hedges is included in the consolidated statements of comprehensive income 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.

(c) Impairment

From January 1, 2018, 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.

(d) 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 income.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with customers*, a new standard that specifies the steps and timing for issuers to recognize revenue as well as requiring them to provide more informative, relevant disclosures. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. This standard supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, as well as various interpretations regarding revenue.

The Corporation has adopted IFRS 15 as of January 1, 2018, which resulted in changes in accounting policies, but in no adjustment to the amounts recognized in the consolidated financial statements. In accordance with the transition provisions in IFRS 15, the Corporation adopted the new standard retrospectively.

The following is the Corporation's new accounting policy for revenues under IFRS 15.

Revenues from energy sales

The Corporation recognizes its revenues, which consist of energy sales, when the energy is delivered at the buyer's substation, and there is no unfulfilled obligation that could affect the buyer's acceptance of the energy. Energy sales are billed and paid on a monthly basis.

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.

During the three-month period ended March 31, 2018, no changes were made to DC&P or ICFR that have materially affected, or are reasonably likely to materially affect, internal controls and procedures.

Unaudited interim

Consolidated financial statements

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Consolidated statements of financial position

(in millions of Canadian dollars) (unaudited)	Note	As at March 31, 2018	As at December 31, 2017
ASSETS			
Cash and cash equivalents		142	115
Restricted cash		45	35
Trade and other receivables		139	134
Other current assets		36	41
CURRENT ASSETS		362	325
Property, plant and equipment		2,661	2,621
Intangible assets		671	655
Goodwill		187	182
Interests in the Joint Ventures	4	26	24
Other non-current financial assets	7	68	62
Other non-current assets		59	57
NON-CURRENT ASSETS		3,672	3,601
TOTAL ASSETS		4,034	3,926
LIABILITIES			
Trade and other payables		147	152
Current portion of debt	5	290	224
Other current financial liabilities	7	43	53
CURRENT LIABILITIES		480	429
Non-current debt	5	2,426	2,418
Convertible debentures		138	137
Deferred income tax liability		120	110
Decommissioning liability		49	48
Other non-current financial liabilities	7	33	30
Other non-current liabilities		24	25
NON-CURRENT LIABILITIES		2,790	2,768
TOTAL LIABILITIES		3,270	3,197
EQUITY			
Equity attributable to shareholders		717	685
Non-controlling shareholders		47	44
TOTAL EQUITY		764	729
TOTAL LIABILITIES AND EQUITY		4,034	3,926

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

Consolidated statements of earnings

(in millions of Canadian dollars, unless otherwise specified) (unaudited)	Note	Three-month periods ended March 31 2018	2017
REVENUES			
Revenues from energy sales		152	119
Other income		1	1
		153	120
COSTS AND OTHER EXPENSES			
Operating		39	28
Administrative		8	6
Development		6	3
Amortization		47	40
		100	77
OPERATING INCOME		53	43
Financing costs		29	24
Share in earnings of the Joint Ventures	4	4	4
Other		(1)	1
EARNINGS BEFORE INCOME TAXES		29	22
Income tax expense		6	7
NET EARNINGS		23	15
NET EARNINGS ATTRIBUTABLE TO:			
Shareholders of Boralex		20	15
Non-controlling shareholders		3	—
NET EARNINGS		23	15
NET EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX - BASIC AND DILUTED	6	$0.26	$0.21

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

Consolidated statements of comprehensive income

(in millions of Canadian dollars) (unaudited)	Three-month periods ended March 31 2018	2017
NET EARNINGS	23	15
Other comprehensive income (loss) to be subsequently reclassified to net earnings when certain conditions are met		
Translation adjustments:		
Unrealized foreign exchange gain on translation of financial statements of self-sustaining foreign operations	23	—
Hedge of net investment:		
Change in fair value	(8)	1
Cash flow hedges:		
Change in fair value	3	(4)
Hedging items realized and recognized in net earnings	4	3
Income taxes	(2)	—
Cash flow hedges – Joint Ventures:		
Change in fair value	1	(2)
Hedging items realized and recognized in net earnings	1	2
Total other comprehensive income	22	—
COMPREHENSIVE INCOME	45	15
COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Shareholders of Boralex	42	15
Non-controlling shareholders	3	—
COMPREHENSIVE INCOME	45	15

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

Consolidated statements of changes in equity

Three-month period ended March 31, 2018

(in millions of Canadian dollars) (unaudited)	Equity attributable to shareholders							
	Capital stock	Equity component of convertible debentures	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total	Non-controlling shareholders	Total equity
BALANCE AS AT JANUARY 1, 2018	733	4	9	(43)	(18)	685	44	729
Net earnings	—	—	—	20	—	20	3	23
Other comprehensive income	—	—	—	—	22	22	—	22
COMPREHENSIVE INCOME	—	—	—	20	22	42	3	45
Dividends (note 6)	—	—	—	(11)	—	(11)	—	(11)
Exercise of options	1	—	—	—	—	1	—	1
BALANCE AS AT MARCH 31, 2018	734	4	9	(34)	4	717	47	764

Three-month period ended March 31, 2017

(in millions of Canadian dollars) (unaudited)	Equity attributable to shareholders							
	Capital stock	Equity component of convertible debentures	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss	Total	Non-controlling shareholders	Total equity
BALANCE AS AT JANUARY 1, 2017	557	4	9	(19)	(55)	496	18	514
Net earnings	—	—	—	15	—	15	—	15
COMPREHENSIVE INCOME	—	—	—	15	—	15	—	15
Dividends (note 6)	—	—	—	(11)	—	(11)	—	(11)
Shares issuances	170	—	—	—	—	170	—	170
Exercise of options	1	—	—	—	—	1	—	1
Share of a non-controlling shareholder resulting from a business combination	—	—	—	—	—	—	47	47
Repurchase of a non-controlling shareholder	—	—	—	—	—	—	(3)	(3)
Distributions to non-controlling shareholders	—	—	—	—	—	—	(1)	(1)
BALANCE AS AT MARCH 31, 2017	728	4	9	(15)	(55)	671	61	732

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

Consolidated statements of cash flows

(in millions of Canadian dollars) (unaudited)	Note	Three-month periods ended March 31 2018	2017
Net earnings		23	15
Distributions received from the Joint Ventures	4	4	—
Financing costs		29	24
Interest paid		(28)	(25)
Income tax expense		6	7
Non-cash items in earnings:			
Share in earnings of the Joint Ventures	4	(4)	(4)
Amortization		47	40
Other		—	1
Change in non-cash items related to operating activities		33	(4)
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES		110	54
Business acquisition, net of cash acquired		(4)	(230)
Additions to property, plant and equipment		(59)	(56)
Acquisition of energy sales contracts		(10)	—
Change in restricted cash		(10)	166
Other		(2)	(1)
NET CASH FLOWS RELATED TO INVESTING ACTIVITIES		(85)	(121)
Increase in non-current debt		249	139
Repayments on non-current debt		(227)	(63)
Dividends paid to shareholders of Boralex	6	(11)	(11)
Share issuance and financing costs		(4)	(6)
Exercise of options		1	1
Redemption of financial instruments prior to maturity	7	(10)	—
Other		(1)	—
NET CASH FLOWS RELATED TO FINANCING ACTIVITIES		(3)	60
TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS		5	—
NET CHANGE IN CASH AND CASH EQUIVALENTS		27	(7)
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD		115	100
CASH AND CASH EQUIVALENTS – END OF PERIOD		142	93

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

Notes to consolidated financial statements

As at March 31, 2018

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

Note 1. Incorporation and nature of business

Boralex Inc., its subsidiaries and its Joint Ventures ("Boralex" or the "Corporation") are dedicated to the development, construction and operation of renewable energy power facilities. As at March 31, 2018, the Corporation had interests in 55 wind power stations, 15 hydroelectric power stations, two thermal power stations and three solar power stations, representing an asset base with an installed capacity under its control totalling 1,456 megawatts ("MW"). In addition, Boralex currently has new projects under development, representing an additional 277 MW of power. The Corporation also operates two hydroelectric power stations on behalf of R.S.P. Énergie Inc., an entity of which two of the three shareholders, Richard and Patrick Lemaire, are directors of the Corporation. Revenues from energy sales are generated mainly in Canada, France and the United States.

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

(The data expressed in MW and GWh contained in notes 1, 4, 9, 10 and 11 have not been reviewed by the auditor.)

Note 2. Basis of presentation

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board ("IASB"), and set out in the *CPA Canada Handbook*, including International Accounting Standards ("IAS") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRS IC") applicable to the preparation of interim financial statements, IAS 34, *Interim Financial Reporting*. The accounting policies followed in these unaudited interim condensed consolidated financial statements are the same as those applied in the audited annual consolidated financial statements of the Corporation for the year ended December 31, 2017, except for income taxes for the interim periods, which are calculated using the tax rate that would be applicable to expected annual earnings for each jurisdiction, and except for changes to the accounting policies described in note 3. As permitted under IAS 34, these interim financial statements do not constitute a complete set of financial statements, as the Corporation does not present all the notes included in its annual report. To avoid repetition of previously reported information, the Corporation deemed it unnecessary to include such information and, therefore, advises readers that these financial statements constitute a condensed set of financial statements under IAS 34. These unaudited interim condensed consolidated financial statements are intended to provide an update on the latest complete set of annual financial statements and should therefore be read in conjunction with the Corporation's audited annual consolidated financial statements for the year ended December 31, 2017.

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 the audited annual consolidated financial statements of the Corporation for the year ended December 31, 2017.

The Board of Directors approved these unaudited interim condensed consolidated financial statements on May 8, 2018.

Note 3. Changes in accounting policies

IFRS 9, *Financial Instruments*

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

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

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

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

The Corporation has adopted IFRS 9, *Financial Instruments*, as of January 1, 2018. The adoption of IFRS 9 resulted in changes in accounting policies, but in no adjustment to the amounts recognized in the consolidated financial statements.

The following is the Corporation’s new accounting policy for financial instruments under IFRS 9.

(a) 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 debt 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.

The Corporation completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets and liabilities	Original classification under IAS 39	New classification under IFRS 9
Cash and cash equivalents	Loans and receivables (amortized cost)	Amortized cost
Restricted cash	Loans and receivables (amortized cost)	Amortized cost
Trade and other receivables	Loans and receivables (amortized cost)	Amortized cost
Advance to a non-controlling shareholder	Loans and receivables (amortized cost)	Amortized cost
Other non current financial assets(1)	Derivatives used for hedging purposes (FVPL)	FVPL/FVOCI
Reserve funds(2)	Loans and receivables (amortized cost)	Amortized cost
Trade and other payables	Other financial liabilities (amortized cost)	Amortized cost
Contingent consideration	Other financial liabilities (amortized cost)	Amortized cost
Other current financial liabilities(3)	Derivatives used for hedging purposes (FVPL)	FVPL/FVOCI
Current and non-current debt	Other financial liabilities (amortized cost)	Amortized cost
Convertible debentures	Other financial liabilities (amortized cost)	Amortized cost
Other non-current financial liabilities	Derivatives used for hedging purposes (FVPL)	FVPL/FVOCI

(1) Excluding the *Advance to a non-controlling shareholder.*
(2) Included under *Other non-current assets.*
(3) Excluding *Contingent consideration.*

(b) 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.

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. The effective portion of gains and losses on financial instruments designated as hedges is included in the consolidated statements of comprehensive income 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.

(c) Impairment

From January 1, 2018, 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.

(d) 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 income.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with customers*, a new standard that specifies the steps and timing for issuers to recognize revenue as well as requiring them to provide more informative, relevant disclosures. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. This standard supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, as well as various interpretations regarding revenue.

The Corporation has adopted IFRS 15 as of January 1, 2018, which resulted in changes in accounting policies, but in no adjustment to the amounts recognized in the consolidated financial statements. In accordance with the transition provisions in IFRS 15, the Corporation adopted the new standard retrospectively.

The following is the Corporation's new accounting policy for revenues under IFRS 15.

Revenues from energy sales

The Corporation recognizes its revenues, which consist of energy sales, when the energy is delivered at the buyer's substation, and there is no unfulfilled obligation that could affect the buyer's acceptance of the energy. Energy sales are billed and paid on a monthly basis.

Note 4. Interests in the Joint Ventures

Joint Ventures Phases I and II

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

Joint Venture in Denmark

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

Interests in the Joint Ventures

	Three-month period ended March 31, 2018				Twelve-month period ended December 31, 2017			
	Phase I	Phase II	Denmark	Total	Phase I	Phase II	Denmark	Total
Balance - beginning of period	12	9	3	24	7	12	3	22
Share in net earnings	3	1	—	4	8	1	—	9
Share in other comprehensive income	2	—	—	2	10	—	—	10
Distributions	(4)	—	—	(4)	(13)	(4)	—	(17)
Balance - end of period	13	10	3	26	12	9	3	24

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

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

	As at March 31, 2018			As at December 31, 2017		
	Phase I	Phase II	Total	Phase I	Phase II	Total
Cash and cash equivalents	25	5	30	19	4	23
Other current assets	8	2	10	11	2	13
Non-current assets	567	154	721	575	156	731
TOTAL ASSETS	600	161	761	605	162	767
Current portion of debt	27	5	32	27	4	31
Other current liabilities	12	2	14	17	4	21
Non-current debt	468	124	592	468	124	592
Non-current financial liabilities	23	—	23	26	—	26
Other non-current liabilities	43	11	54	43	12	55
TOTAL LIABILITIES	573	142	715	581	144	725
NET ASSETS	27	19	46	24	18	42

The Joint Venture Phase I debt has a combined average interest rate of 4.85% and matures in 2032, whereas the Joint Venture Phase II debt has a combined average interest rate of 5.66% and matures in 2034.

	Three-month period ended March 31, 2018			Three-month period ended March 31, 2017		
	Phase I	Phase II	Total	Phase I	Phase II	Total
Power production (GWh)	233	64	297	245	62	307
Revenues from energy sales	25	7	32	27	6	33
Operating expenses	4	1	5	4	1	5
Amortization	9	2	11	9	2	11
Other gains	(1)	—	(1)	(1)	—	(1)
OPERATING INCOME	13	4	17	15	3	18
Financing costs	7	2	9	8	2	10
Net gain on financial instruments	—	—	—	(1)	—	(1)
NET EARNINGS	6	2	8	8	1	9
Total other comprehensive income	4	—	4	(1)	—	(1)
COMPREHENSIVE INCOME	10	2	12	7	1	8

Share in earnings of the Joint Ventures

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

	Three-month period ended March 31, 2018				Three-month period ended March 31, 2017			
	Phase I	Phase II	Denmark	Total	Phase I	Phase II	Denmark	Total
Share in results (50%)	3	1	—	4	4	—	—	4

Share in comprehensive income of the Joint Ventures

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

	Three-month period ended March 31, 2018				Three-month period ended March 31, 2017			
	Phase I	Phase II	Denmark	Total	Phase I	Phase II	Denmark	Total
Share in comprehensive income (50%)	2	—	—	2	—	—	—	—

Note 5. Non-current debt

	Note	Maturity	Rate(1)	Currency of origin	As at March 31, 2018	As at December 31, 2017
Revolving credit facility	(a)	2022	4.08		100	265
Subordinated debt	(b)	2028	5.60		200	—
Term loan payable:						
Ocean Falls power station		2024	6.55		6	7
Yellow Falls power station		2027-2056	4.84		74	74
Thames River wind farms		2031	7.05		136	138
Témiscouata I wind farm		2032	5.26		46	46
Témiscouata II wind farm		2033	5.64		113	114
Niagara Region Wind Farm (NRWF)		2034	3.69		736	750
Port Ryerse wind farm		2034	3.94		30	30
Frampton wind farm		2035	4.17		68	69
Côte-de-Beaupré wind farm		2035	4.23		52	52
Moose Lake wind project		2043	3.78		27	26
Jamie Creek power station		2054	5.42		55	55
Other debt		—	—		6	6
CANADA					1,649	1,632
Master agreement – wind farms in France		2020-2025	4.70	60	99	101
Bridge financing facility – France and Scotland		2018	0.84	46	73	69
Term loan payable:						
Cube		2019	6.50	40	64	60
Avignonet II wind farm		2025	1.68	2	3	3
Lauragais solar power facility		2025-2028	3.97	8	13	13
Mont de Bagny, Voie des Monts, Artois and Chemin de Grès wind farms		2026-2032	1.59	124	197	199
St-Patrick wind farm		2027	1.64	32	51	50
La Vallée wind farm		2028	4.42	26	41	40
Fortel-Bonnières and St-François wind farms		2028-2029	3.74	48	77	75
Vron wind farm		2030	3.38	9	14	13
Boralex Énergie Verte (BEV) wind farms		2030	2.50	158	252	251
Calmont wind farm		2030	2.50	18	29	28
Plateau de Savernat wind farm		2031	2.38	16	25	24
Touvent wind farm		2031	2.11	18	28	28
Les Cigalettes solar power facility		2033	2.93	8	13	13
Inter Deux Bos, Côteaux du Blaiseron, Hauts de Comble, Sources de l'Ancre et Le Pelon wind projects		2033	2.56	31	50	1
Other debt		—	—	5	7	6
FRANCE				649	1,036	974
Senior secured U.S. note		2026	3.51	48	61	63
UNITED STATES				48	61	63
			3.86		2,746	2,669
Current portion of debt					(290)	(224)
Borrowing costs, net of accumulated amortization					(30)	(27)
					2,426	2,418

(1) Weighted average rates, adjusted to reflect the impact of interest rate swaps and interest rate step-ups, where applicable.

(a) Refinancing of the revolving credit facility

On March 29, 2018, Boralex had the maturity of its $460 million revolving credit facility extended by one year to April 27, 2022 and obtained a reduction of the interest rate on its line of credit. The agreement was also enhanced to include an accordion clause that provides Boralex with future access to an additional amount of $100 million under the same terms and conditions as for the line of credit.

(b) Subordinated debt

On March 29, 2018, Boralex entered into a $200 million financing arrangement with the Caisse de dépôt et placement du Québec, shareholder of the Corporation, and Fonds de solidarité FTQ, in the form of unsecured subordinated debt with a ten-year term. This financing facility includes an option for a second $100 million tranche which will be available for a 12-month period after the financial close, subject to certain conditions. If the option for the second tranche is exercised, its terms and conditions will be the same as for the first tranche, except for the interest rate which would be determined by the interest rate curve prevailing at the time funds are drawn. The first tranche bears interest at a fixed rate of 5.60%, payable semi-annually, and the loan agreement does not stipulate any principal payments before the March 29, 2028 maturity date.

Note 6. Net earnings per share

(a) Net earnings per share – basic

	Three-month periods ended March 31	
(in millions of Canadian dollars, unless otherwise specified) (unaudited)	2018	2017
Net earnings attributable to shareholders of Boralex	20	15
Weighted average number of shares – basic	76,256,796	74,025,928
Net earnings per share attributable to shareholders of Boralex – basic	$0.26	$0.21

(b) Net earnings per share – diluted

	Three-month periods ended March 31	
(in millions of Canadian dollars, unless otherwise specified) (unaudited)	2018	2017
Net earnings attributable to shareholders of Boralex	20	15
Interest on convertible debentures, net of tax	1	1
Net earnings attributable to shareholders of Boralex – diluted	21	16
Weighted average number of shares – basic	76,256,796	74,025,928
Dilutive effect of stock options	295,664	482,404
Dilutive effect of convertible debentures	7,333,326	7,334,183
Weighted average number of shares – diluted	83,885,786	81,842,515
Net earnings per share attributable to shareholders of Boralex – diluted	$0.26	$0.21

(c) Dividends paid

On March 15, 2018, the Corporation paid a dividend of $0.15 per common share for a total amount of $11 million ($11 million in 2017).

On May 8, 2018, the Board of Directors authorized a 5% increase in the annualized dividend. Consequently, the annual dividend will move from $0.60 to $0.63 per common share (from $0.15 to $0.1575 on a quarterly basis). A dividend of $0.1575 per common share was declared and will be paid on June 15, 2018 to holders of record at the close of business on May 31, 2018.

Note 7. Financial instruments

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

	Note	As at March 31, 2018 Carrying amount	As at March 31, 2018 Fair value	As at December 31, 2017 Carrying amount	As at December 31, 2017 Fair value
OTHER NON-CURRENT FINANCIAL ASSETS					
Advance to a non-controlling shareholder		34	34	32	31
Interest rate swaps		34	34	30	30
		68	68	62	61
DEBT[1]	5	2,716	2,803	2,642	2,732
CONVERTIBLE DEBENTURES[2]		142	172	141	178
OTHER CURRENT FINANCIAL LIABILITIES					
Contingent consideration		4	4	7	7
Cross-currency swaps (Euro for CAD)		3	3	1	1
Interest rate swaps		36	36	45	45
		43	43	53	53
OTHER NON-CURRENT FINANCIAL LIABILITIES					
Foreign exchange forward contracts		11	11	6	6
Interest rate swaps		22	22	24	24
		33	33	30	30

(1) Including *Non-current debt* and the *Current portion of debt*.
(2) Including equity portion

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash and cash equivalents, restricted cash, trade and other receivables, reserve funds, and trade and other payables approximate their carrying amounts due to their short-term maturities and high liquidity.

The fair values of the advance to a non-controlling shareholder, contingent consideration and non-current debt are essentially based on the calculation of discounted cash flows. Discount rates, ranging from 0.68% to 5.60%, were determined based on local government bond yields adjusted for the risks specific to each of the borrowings and for credit market liquidity conditions. The convertible debentures are traded on the stock exchange and their fair value is based on the prices as at March 31, 2018.

Interest rate swaps

Cash flows are discounted using a curve that reflects the credit risk of the Corporation or the counterparty, as applicable. The following table summarizes the Corporation's commitments under its Interest rate swaps as at March 31, 2018:

As at March 31, 2018	Currency	Fixed-rate payer	Floating-rate receiver	Maturity	Current notional (in CAD)	Fair value (in CAD)
Interest rate swaps	EUR	0.38% to 5.16%	6-month EURIBOR	2019-2033	474	(22)
Interest rate swaps	CAD	1.81% to 8.00%	3-month CDOR	2034-2043	889	(2)

As at December 31, 2017	Currency	Fixed-rate payer	Floating-rate receiver	Maturity	Current notional (in CAD)	Fair value (in CAD)
Interest rate swaps	EUR	0.38% to 5.16%	6-month EURIBOR	2019-2033	446	(24)
Interest rate swaps	CAD	1.81% to 7.90%	3-month CDOR	2034-2043	932	(15)

Some interest rate swaps denominated in Canadian dollars contain an early termination clause that is mandatory in 2018. As a result, they are presented as current financial liabilities. A swap was unwound in January 2018 in the amount of $10 million.

Foreign exchange forward contracts

The fair values of foreign exchange forward contracts are determined using a generally accepted technique, namely the discounted value of the difference between the value of the contract at expiry calculated using the contracted exchange rate and the value determined using the exchange rate the financial institution would use if it renegotiated the same contract under the same conditions as at the statement of financial position date. Discount rates are adjusted for the credit risk of the Corporation or of the counterparty, as applicable. When determining credit risk adjustments, the Corporation considers offsetting agreements, if any.

As at March 31, 2018	Exchange rate	Maturity	Current notional (in CAD)	Fair value (in CAD)
Foreign exchange forward contracts (EUR for CAD)	1.5475	2018-2025	115	(11)

As at December 31, 2017	Exchange rate	Maturity	Current notional (in CAD)	Fair value (in CAD)
Foreign exchange forward contracts (EUR for CAD)	1.5475	2018-2025	121	(6)

Cross-currency swaps

During the last fiscal year, the Corporation entered into cross-currency swaps. These derivatives cover the Corporation's net investment in France, as they allow financing issued in Canada for investment in France to be synthetically translated into euros. In addition to mitigating the risk related to foreign currency fluctuations, these instruments also allow Boralex to benefit in part from lower interest rates than prevailing in Europe. To measure the fair value of these instruments, the Corporation uses a technique that is a combination of the techniques used to measure interest rate swaps and foreign exchange forward contracts.

As at March 31, 2018	Exchange rate	Maturity	Current notional (in CAD)	Fair value (in CAD)
Cross-currency swaps (EUR for CAD)	1.4734	2018	41	(3)

As at December 31, 2017	Exchange rate	Maturity	Current notional (in CAD)	Fair value (in CAD)
Cross-currency swaps (EUR for CAD)	1.4734	2018	41	(1)

Hierarchy of financial assets and liabilities measured at fair value

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

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

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

The Corporation classified convertible debentures as Level 1, as their fair value is determined using quoted market prices.

For the advance to a non-controlling shareholder, non-current debt, interest rate swaps, foreign exchange forward contracts and the cross-currency swaps, the Corporation classified the fair value measurements as Level 2, as they are based mainly on observable market data, namely government bond yields, interest rates and exchange rates.

For contingent consideration, the Corporation has categorized fair value measurements within Level 3 because they are based on unobservable market data, namely the probability of achieving certain project development milestones.

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

	As at March 31, 2018	Fair value hierarchy levels Level 1	Level 2	Level 3
NON-DERIVATIVE FINANCIAL ASSETS				
Advance to a non-controlling shareholder	34	—	34	—
DERIVATIVE FINANCIAL ASSETS				
Interest rate swaps	34	—	34	—
NON-DERIVATIVE FINANCIAL LIABILITIES				
Debt(1)	2,803	—	2,803	—
Convertible debentures(2)	172	172	—	—
Contingent consideration	4	—	—	4
	2,979	172	2,803	4
DERIVATIVE FINANCIAL LIABILITIES				
Foreign exchange forward contracts	11	—	11	—
Cross-currency swaps (EUR for CAD)	3	—	3	—
Interest rate swaps	58	—	58	—
	72	—	72	—

(1) Including *Non-current debt* and the *Current portion of debt*.
(2) Including equity portion.

	As at December 31, 2017	Fair value hierarchy levels Level 1	Level 2	Level 3
NON-DERIVATIVE FINANCIAL ASSETS				
Advance to a non-controlling shareholder	31	—	31	—
DERIVATIVE FINANCIAL ASSETS				
Interest rate swaps	30	—	30	—
NON-DERIVATIVE FINANCIAL LIABILITIES				
Debt(1)	2,732	—	2,732	—
Convertible debentures(2)	178	178	—	—
Contingent consideration	7	—	—	7
	2,917	178	2,732	7
DERIVATIVE FINANCIAL LIABILITIES				
Foreign exchange forward contracts	6	—	6	—
Cross-currency swaps (EUR for CAD)	1	—	1	—
Interest rate swaps	69	—	69	—
	76	—	76	—

(1) Including *Non-current debt* and the *Current portion of debt*.
(2) Including equity portion.

Level 3 financial instruments have evolved as follows between December 31, 2017 and March 31, 2018:

	As at March 31, 2018	As at December 31, 2017
Balance – beginning of period	7	15
Translation adjustments	1	—
Loss recorded in net earnings	—	2
Payments	(4)	(10)
Balance – end of period	4	7

Note 8. Commitment

France – Sources de l'Ancre wind project

On January 26, 2018, for the Sources de l'Ancre wind power project, the Corporation entered into a turbine purchase contract. The Corporation's net commitment under this contract amounts to €12 million ($20 million).

Note 9. Seasonal and other cyclical factors

The Corporation's operations and results are partly subject to seasonal cycles and other cyclical factors that vary by segment.

Since nearly all of Boralex facilities have long-term indexed fixed-price energy sales contracts, seasonal cycles mainly affect the total volume of power generated by the Corporation. Only the energy produced by five hydroelectric power stations in the United States, one wind farm in Alberta and another in France, which account for 2% of Boralex's total installed capacity, is sold at market prices which are more volatile. For the three-month period ended March 31, 2018, revenues from energy sales for facilities not covered by energy sales contracts amounted to $2 million ($2 million for the same period of 2017). Furthermore, the Corporation estimates that just 120 MW (8% of installed capacity) covered by contracts expiring within five years will then be sold on the market.

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

Wind

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

Hydroelectric

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

Thermal

Boralex operates two thermal power stations with an aggregate 47 MW of installed capacity. The 35 MW Senneterre power station in Québec, Canada is fuelled by wood residues and is covered by an energy sales contract with Hydro-Québec expiring in 2027. The Corporation has entered into an agreement with Hydro-Québec which stipulates that until contract expiry, the Senneterre power station is limited to producing electricity eight months per year, from December to March and from June to September. During the term of this agreement, the Senneterre power station will receive financial compensation from Hydro-Québec, allowing Boralex to expect relatively stable profitability from year to year.

Boralex also operates a 12 MW natural gas power station in Blendecques, France. For the past several years, due to specific market conditions, this cogeneration plant produces electricity five months of the year, from November to March, which represents all of Boralex's first quarter and part of its fourth quarter. During the electricity production shutdown period, steam intended for an industrial client is produced using an auxiliary boiler. Given that electricity selling prices are tied to natural gas prices, they are also exposed to some volatility. However, any change in natural gas prices impacts the cost of this raw material which in turn offsets to a large extent the volatility of results.

Solar

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

Generally, while the Corporation's production in a given year is exposed to seasonal cycles and other cyclical factors, this is mitigated by diversifying its power generation sources and favourable geographic positioning.

Note 10. Segmented information

The Corporation's power stations are grouped into four distinct operating segments – wind, hydroelectric, thermal and solar power. The Corporation operates under one identifiable industry sector: power generation. The classification of these segments is based on the different cost structures relating to each of the four types of power stations. The same accounting rules are used for segmented information as for the consolidated accounts.

The operating segments are presented according to the same criteria used to prepare the internal report submitted to the segment leader who allocates resources and assesses operating segment performance. The President and Chief Executive Officer is considered the segment leader, who assesses segment performance based on power production, revenues from energy sales and EBITDA(A).

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

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

	Three-month periods ended March 31	
	2018	2017
Net earnings	23	15
Income tax expense	6	7
Financing costs	29	24
Amortization	47	40
EBITDA	105	86
Adjustments:		
Other	(1)	1
EBITDA(A)	104	87

Note 10. Segmented information (cont'd)

Information by operating segment

	Three-month periods ended March 31			
	2018	2017	2018	2017
	Power production (GWh)		Revenues from energy sales	
Wind power stations	824	655	125	88
Hydroelectric power stations	166	173	14	17
Thermal power stations	61	77	12	13
Solar power stations	4	4	1	1
	1,055	909	152	119
	EBITDA(A)		Additions to property, plant and equipment	
Wind power stations	101	77	52	46
Hydroelectric power stations	10	13	4	10
Thermal power stations	4	6	—	—
Solar power stations	1	1	—	—
Corporate and eliminations	(12)	(10)	3	—
	104	87	59	56

	As at March 31, 2018	As at December 31, 2017
Total assets		
Wind power stations	3,372	3,264
Hydroelectric power stations	557	557
Thermal power stations	41	36
Solar power stations	40	38
Corporate	24	31
	4,034	3,926
Total liabilities		
Wind power stations	2,475	2,449
Hydroelectric power stations	246	249
Thermal power stations	13	11
Solar power stations	29	27
Corporate	507	461
	3,270	3,197

Information by geographic segment

	Three-month periods ended March 31			
	2018	2017	2018	2017
	Power production (GWh)		Revenues from energy sales	
Canada	456	435	72	61
France	481	352	72	47
United States	118	122	8	11
	1,055	909	152	119
	EBITDA(A)		Additions to property, plant and equipment	
Canada	56	48	12	17
France	44	30	47	39
United States	5	9	—	—
Other[1]	(1)	—	—	—
	104	87	59	56

	As at March 31, 2018	As at December 31, 2017
Total assets		
Canada	2,197	2,183
France	1,639	1,549
United States	177	175
Other[1]	21	19
	4,034	3,926
Non-current assets[2]		
Canada	2,028	2,039
France	1,441	1,364
United States	162	160
Other[1]	15	14
	3,646	3,577
Total liabilities		
Canada	1,952	1,938
France	1,230	1,169
United States	88	90
	3,270	3,197

(1) United Kingdom and Denmark.
(2) Excluding *Interests in the Joint Ventures* and *Deferred income tax asset.*

Note 11. Subsequent events

France – Basse Thiérache Nord wind power project

On April 20, 2018, the Corporation entered into a turbine purchase contract for the Basse Thiérache Nord wind power project. The Corporation's commitment under this contract amounts to €14 million ($23 million).

France – Acquisition of Kallista Energy Investment SAS and KE Production (« Kallista »)

On April 20, 2018, Boralex announced that it had entered into a purchase agreement with Ardian Infrastructure to acquire 100% of the outstanding shares of Kallista for a consideration of €129 million ($202 million) and the assumption of €94 million ($147 million) in project debt. More specifically, the acquisition includes wind farms in operation totalling 163 MW located in France with a weighted average remaining term of 8 years under contract, Noyers Bucamps, a 10 MW wind power project under construction, and a project portfolio representing a capacity of approximately 158 MW. The consideration will be paid by Boralex from the recently enhanced revolving credit facility. The transaction is expected to close in late June 2018 once the regulatory approvals are received and the other customary closing conditions are met.

Canada – Contingency

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

On March 2, 2018, the Superior Court of Québec dismissed the plaintiffs' suit and affirmed that the business combination is, in fact, legal. On April 3, 2018, the plaintiff filed an application for leave to appeal. The application for leave to appeal was heard on April 24, 2018, and the decision was rendered at that time. As anticipated, the application was accepted. The appellants' brief must be filed by June 28, 2018, following which Boralex's brief must be filed by September 6, 2018. A hearing date will then be set.

The Corporation still considers this proceeding unfounded in law and, accordingly, the Corporation has not recorded any provision in respect of this litigation.

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