BORALEX

WE CREATE ENERGY

INTERIM REPORT
As at June 30, 2018

2

Management's Discussion and Analysis 2

As at June 30, 2018

Table of contents

PROFILE AND HIGHLIGHTS 2

ABBREVIATIONS AND DEFINITIONS 4

INTRODUCTORY COMMENTS 5

DESCRIPTION OF BUSINESS 7

I – GROWTH STRATEGY

GROWTH STRATEGY AND RECENT DEVELOPMENTS 8

OUTLOOK AND DEVELOPMENT OBJECTIVES 12

II – ANALYSIS OF RESULTS AND FINANCIAL POSITION

SEASONAL FACTORS 18

FINANCIAL HIGHLIGHTS 21

ANALYSIS OF CONSOLIDATED OPERATING RESULTS FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2018 22

ANALYSIS OF CONSOLIDATED OPERATING RESULTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018 25

REVIEW OF OPERATING SEGMENTS FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2018 27

REVIEW OF OPERATING SEGMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018 30

CASH FLOWS 33

FINANCIAL POSITION 37

SEGMENT AND GEOGRAPHIC BREAKDOWN OF RESULTS FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017 40

NON-IFRS MEASURES 42

III – OTHER ITEMS

FINANCIAL INSTRUMENTS 49

COMMITMENTS 50

SUBSEQUENT EVENTS 50

RISK FACTORS AND UNCERTAINTIES 51

ACCOUNTING POLICIES 51

INTERNAL CONTROLS AND PROCEDURES 54

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 June 30, 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

For the three-month periods ended June 30

	IFRS		Combined(1)	
(in millions of Canadian dollars, unless otherwise specified) (unaudited)	2018	2017	2018	2017
Power production (GWh)	747	744	881	863
Revenues from energy sales	95	92	110	105
EBITDA(A)(1)	57	57	68	67
EBITDA(A) margin(1)	60%	62%	62%	64%
Net loss	(33)	(7)	(33)	(7)
Net loss attributable to shareholders of Boralex	(28)	(2)	(28)	(2)
Per share – basic and diluted	($0.36)	($0.03)	($0.36)	($0.03)
Net cash flows related to operating activities	52	38	59	43
Cash flows from operations(1)	21	44	26	46

For the six-month periods ended June 30

	IFRS		Combined(1)	
(in millions of Canadian dollars, unless otherwise specified) (unaudited)	2018	2017	2018	2017
Power production (GWh)	1,802	1,653	2,085	1,926
Revenues from energy sales	247	211	278	240
EBITDA(A)(1)	161	144	182	165
EBITDA(A) margin(1)	65%	68%	66%	69%
Net earnings	(10)	8	(10)	8
Net earnings attributable to shareholders of Boralex	(8)	13	(8)	13
Per share – basic and diluted	($0.10)	$0.18	($0.10)	$0.18
Net cash flows related to operating activities	162	92	174	103
Cash flows from operations(1)	98	102	111	115
	As at June 30,	**As at Dec 31,**	**As at June 30,**	**As at Dec 31,**
Total assets	4,374	3,926	4,724	4,288
Debt, including non-current debt and current portion of debt	3,081	2,642	3,386	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 5 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 information on a Combined basis is useful data for investors. In order to prepare the Combined 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 5, *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 and Definitions

In alphabetical order

2016 FiP	2016 feed-in premium
AESO	Alberta Electricity System Operator
BAPE	Bureau d'audiences publiques 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
GWh	Gigawatt-hour
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
Invenergy	Invenergy Renewables LLC
ISE	Integrated Solar Energy
Kallista	Kallista Energy Investment SAS and KE production SAS
LRP	Large Renewable Procurement
MWh	Megawatt-hour
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

Target run rate	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.

Introductory comments

General

This Interim Management's Discussion and Analysis ("MD&A") reviews the operating results and cash flows for the three- and six-month periods ended June 30, 2018 compared with the corresponding periods of 2017, as well as the Corporation's financial position as at June 30, 2018 compared with as at 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 August 9, 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 Combined information 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 August 9, 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

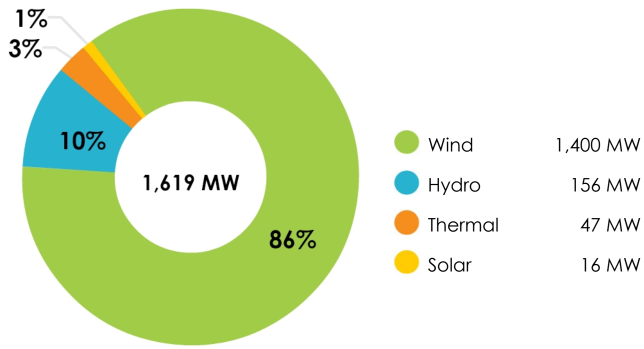
Boralex is a Canadian corporation operating in the renewable energy segment. It draws on a workforce of nearly 370 people to develop, build and operate power generating facilities. As at June 30, 2018, its asset base of installed capacity under its control comprised 1,619 MW[(1)]. This installed capacity includes the 163 MW of the Kallista wind farms in operation, taking into account the acquisition on June 20, 2018. Asset development projects in progress represent an additional 244 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 June 30, 2018.

Segment breakdown

The **wind** power segment accounts for a large majority (86%) of installed capacity. Projects under development and under construction will add 218 MW by the end of 2020, to which 201 MW[(1)] from five Québec wind farms will be added once the acquisition of the Invenergy interests closes for these facilities.

The Corporation's 15 **hydroelectric** power stations make up 10% of installed capacity. A 16th power station (16 MW) will be commissioned in the second half of 2018 in Ontario while work is underway to increase capacity by 10 MW in 2019 at the Buckingham power station in Québec.

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

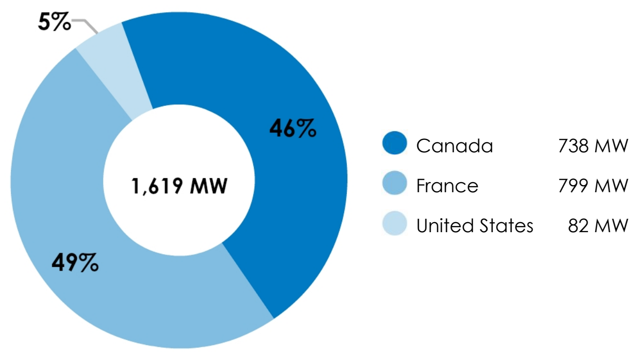


Geographic breakdown

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 15 MW under development, while the acquisition of the Invenergy interests will add 201 MW once it closes.

In **France**, a large portion of Boralex's installed capacity originates from wind farms, totalling 772 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 203 MW.

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

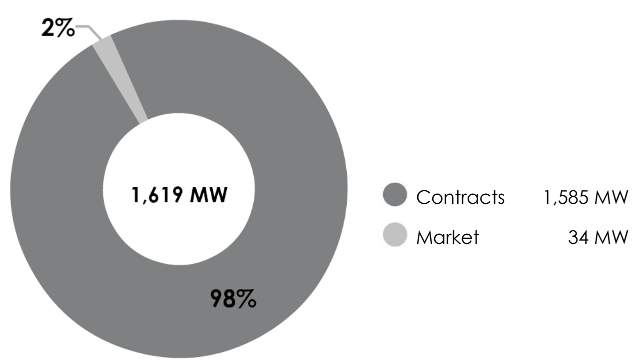


Breakdown of sources of revenues from energy sales

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

The Corporation estimates that 196 MW (12% of installed capacity) covered by contracts expiring through June 2023 will then be sold at market prices if new contracts have not been negotiated beforehand.

These contracts have a weighted average remaining contractual term of 13 years, but will increase to 14 years upon closing of the transaction with Invenergy.



(1) This data, as well as all of the data in this MD&A, reflects 100% of Boralex's subsidiaries in which the Corporation is the controlling shareholder. The data also reflects Boralex's share in entities over which it does not have control which are accounted for using the equity method in this MD&A, consisting of 170 MW in the Joint Ventures operating the Seigneurie de Beaupré Wind Farms in Québec, representing 50% of a total installed capacity of 340 MW, plus 201 MW from five wind farms in Québec, once the acquisition of Invenergy's interests in these facilities has been completed, for a total capacity of 392 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 and land rights, 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 from 2014, which has since been increased three times; another increase is also planned and will be effective once the acquisition of Invenergy's interests has been completed. This reflects the Corporation's solid growth in recent years and confidence in its development prospects.

With the dividend, total shareholder return on equity (assuming dividends are reinvested) since the beginning of 2013 stands at about 167%, which, together with issuance of new shares, helped increase the Corporation's market capitalization to approximately $1.6 billion as at June 30, 2018, not taking into account the issuance of $259 million in subscription receipts announced on June 20, 2018.

Developments

Acquisition and commissioning – since January 1, 2017

The table below shows the Corporation's acquisitions and commissioning at various times since January 1, 2017, representing an increase of 321 MW in 2017 and 163 MW in 2018. The facilities acquired and commissioned in 2017 will contribute to the Corporation's results for the full 2018 fiscal year.

Project name	Date[(1)]	Total capacity (MW)	Country	Segment	Energy contract term	Ownership (%)
NRWF	Jan. 18	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
2017		+ 321 MW				
Kallista[(4)]	June 20	163	France	Wind	15 years/EDF[(5)]	Note[(6)]
2018		+ 163 MW				

(1) Dates of acquisition and commissioning 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.
(4) See the *Business combinations* note to the consolidated financial statements for the quarter ended June 30, 2018 for more information on this Boralex subsidiary.
(5) These contracts have a weighted average remaining contractual term of 8 years.
(6) Boralex owns 100% of the shares of 14 wind farms and 65% of the 15 MW Val aux Moines SAS wind farm, all in operation.

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%. However, on July 16, 2018, the Corporation received notice from the IESO informing it that the power purchase agreement for the project was unilaterally terminated. This termination resulted from a statement issued by the Ontario government on July 13, 2018 directing the IESO to terminate all power purchase agreements for renewable energy projects with a status not sufficiently advanced to allow them to be commissioned. Subsequently, Boralex was required to recognize a $4 million impairment charge on property, plant and equipment and intangible assets.

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 $11 million (£7 million) initially until the end of 2019. To date, there remains an amount to be invested by Boralex of $6 million (£3 million), or $2 million (£1 million) in 2018 and $4 million (£2 million) planned for 2019. The Corporation is deemed to have control over these new entities under a casting vote over major decisions.

2018

On June 20, 2018, Boralex announced the closing of the transaction to acquire Kallista for a total cash consideration of $121 million (€78 million) for the shares and the assumption of $171 million (€111 million) of project debt. The Corporation also repaid a $78 million (€51 million) due to a non-controlling shareholder granted by Ardian Infrastructure to Kallista Energy Investment SAS and an $8 million (€6 million) loan for a total of $86 million (€56 million). More specifically, the acquisition involved:

- 15 wind farms in operation in France totalling 163 MW covered by contracts whose weighted average remaining term is eight years;
- A 10 MW wind farm under construction, **Noyers Bucamps**;
- A project portfolio representing a capacity of approximately 158 MW.

The consideration was settled by Boralex using its recently enhanced revolving credit facility. However, in July 2018, to finance this acquisition over the longer term, the Corporation used the $100 million available under Tranche B of the credit agreement with the Caisse, a shareholder of the Corporation, and the Fonds de solidarité FTQ, which was set up on March 29, 2018 (see below).

On June 20, 2018, Boralex announced the signing of an agreement to acquire the interests of Invenergy in five wind farms in Québec for a total cash consideration of $215 million, subject to adjustments provided for in the purchase agreement. As at June 20, 2018, the Caisse held 52.4% of Invenergy and consequently, the acquisition would be considered as a related party transaction. The wind farms targeted by this acquisition are the **Des Moulins I** (136 MW), **Des Moulins II** (21 MW) and **Le Plateau I** (139 MW) wind farms, 49% owned by the Caisse, as well as two community wind farms, **Roncevaux** (75 MW) and **Le Plateau II** (21 MW), 50% and 40.04% of which are owned by municipal authorities. Considering Invenergy's interest in each of these projects, the Corporation will grow its installed capacity by 201 MW once the transaction is completed. Boralex's interest in the projects will not be consolidated under IFRS and will be accounted for using the equity method. This interest will therefore be considered a Joint Venture and the information will be presented under the Combined basis. The **Le Plateau II** and **Roncevaux** acquisitions were subject to the first offer rights granted to community partners holding interests in each of the wind farms. Community partners holding interests have waived their first offer rights.

Taking together both the transaction to acquire Kallista's assets and the transaction to acquire Invenergy's interests, Boralex anticipates an increase of approximately 5% in discretionary cash flows per share for 2019.

Furthermore, Boralex's Board of Directors recently green-lighted four new projects, three in France and one in Canada. These projects, all to be commissioned in 2020, are as follows:

- **Catésis** (10 MW) and **Santerre** (14 MW), two projects acquired from Ecotera in 2015;
- **Buckingham**, a hydroelectric power station whose installed capacity will be increased from 10 MW to 20 MW;
- **Cham Longe I**, a wind power project whose installed capacity will increase from 17 MW to 35 MW following repowering.

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 June 30, 2018, the Caisse's share amounted to 19.9%. Under this transaction, Boralex agreed, in particular, to explore business 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 considering NRWF's enhanced profile as a cash flow generator, 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 $68 million (€46 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, Canada.
- 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 $235 million (€156 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, a shareholder of the Corporation, and Fonds de solidarité FTQ in the form of unsecured subordinated debt maturing on March 29, 2028, subject to certain conditions. This financing includes a second $100 million exercise option, which was drawn down on July 24, 2018, following the Kallista acquisition.

On June 20, 2018, the Corporation announced it had entered into an agreement to acquire Invenergy's interests in five wind farms in Québec for $215 million. In anticipation of this acquisition, the Corporation completed a public offering of 10,247,650 subscription receipts on July 11, 2018 at a price of $20.20 per subscription receipt for gross proceeds of $207 million (including the exercise in full of the underwriters' over-allotment option). The Corporation also entered into a subscription agreement pursuant to which the Caisse acquired, by way of private placement, 2,562,200 subscription receipts at a price of $20.20 per subscription receipt for gross proceeds of $52 million, including the exercise in full of its option to acquire additional subscription receipts from the private placement simultaneously and proportionately with the exercise of the over-allotment option by the underwriters. With these private and public placements, as well as loans granted in the form of subordinated debt, Boralex is able to maintain a balanced capital structure that positions it favourably to pursue its growth strategy. The subscription receipts will be exchanged in full for an equal number of common shares of Boralex upon the closing of the acquisition of Invenergy's interests in the **Des Moulins I**, **Des Moulins II** and **Le Plateau I** wind farms expected in August 2018.

These transactions once again demonstrate the financial markets' confidence in Boralex and its growth prospects. They will help balance the capital structure in support of its development strategy.

Dividend increase

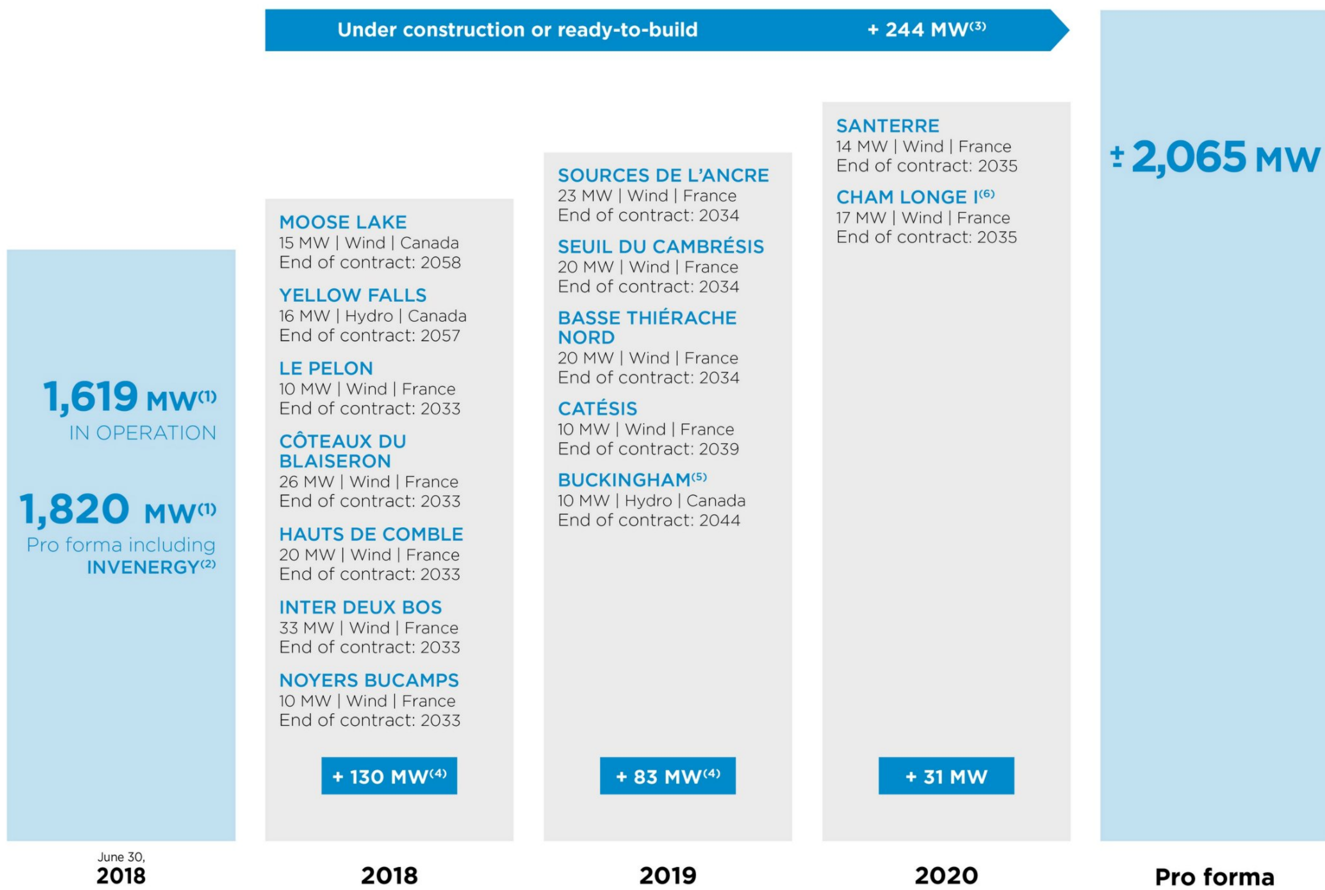
On May 8, 2018, the Board of Directors conditionally authorized a 5% increase in the annualized dividend. Accordingly, the annual dividend increased from $0.60 to $0.63 per common share (from $0.1500 to $0.1575 on a quarterly basis). A dividend of $0.1575 per common share was declared and paid on June 15, 2018 to holders of record at the close of business on May 31, 2018.

Given the acquisition of Invenergy's interests in five wind farms in Québec and the confidence inspired by the outlook for the Corporation, Boralex's Board of Directors authorized a second increase for the annual dividend in 2018, amounting to 4.8%, increasing the dividend to $0.66 per share ($0.1650 per share on a quarterly basis) bringing the total increase since the beginning of the fiscal year to 10%. This second increase will be effective as of the closing of the acquisition of Invenergy's interests in the **Des Moulins I**, **Des Moulins II** and **Le Plateau I** wind farms. This dividend will be paid to holders of record at the close of business on the record date following the closing of the acquisition.

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)



(1) This data, as well as all the data contained in the interim MD&A as at June 30, 2018, reflects 100% of Boralex subsidiaries in which the Corporation is the controlling shareholder. The data also reflects Boralex's share in entities over which it does not have control which are accounted for using the equity method in the interim MD&A as at June 30, 2018, consisting of 170 MW in the Joint Ventures operating the Seigneurie de Beaupré Wind Farms in Québec, representing 50% of the total installed capacity of 340 MW, plus 201 MW from five wind farms in Québec, once the acquisition of Invenergy's interests in these facilities has been completed, for a total capacity of 392 MW.

(2) The agreement to acquire Invenergy Renewables' interests in five wind farms ("Invenergy") was announced via press release on June 20, 2018.

(3) France 203 MW | Canada 41 MW

(4) 2018: Hydro 16 MW | Wind 114 MW; 2019: Hydro 10 MW | Wind 73 MW

(5) Project whose current capacity of 10 MW is to increase to 20 MW.

(6) Project whose current capacity of 18 MW is to increase to 35 MW while the initial expiry date of 2020 is to be extended by 15 years.

Projects in development stage

Wind

The wind power segment accounts for 86% 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 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 one acquisition. The added capacity will contribute to the Corporation's operating and financial performance throughout fiscal 2018. The recent acquisition of Kallista's assets in France and the agreement entered into to acquire Invenergy's interests in five wind farms in Québec will also strengthen the Corporation's position as an industry leader. This will help us in particular to boost our credibility as a developer and operator of wind farms and provide significant leverage when building partnerships, negotiating borrowing terms, striking agreements with our equipment suppliers or achieving operational synergies primarily related to wind farms in operation.

As set out in the *Growth path*, Boralex plans to add 12 wind farms for an additional installed capacity of 114 MW in 2018 and 73 MW in 2019 and 31 MW in 2020. 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. The most recent agreement to acquire Invenergy's interests is an integral part of its growth strategy which focuses on the addition of quality assets covered by long-term energy sales contracts. With this acquisition, the weighted average term of power purchase agreements will be extended up to 14 years. Boralex expects to add approximately $45 million to annual EBITDA(A) on a Combined basis. As Boralex will serve as manager of wind farms once the transaction is completed, it will also benefit from cash flows from operating wind farms on behalf of the partnerships. Note also that the Innu Nation has chosen the Corporation to be its partner for the 200 MW Apuiat project on the Côte-Nord. Project development is underway for possible commissioning during fiscal years 2020-2021.

In **Alberta**, Boralex continues to act through partnership with developer AWEC to enter the wind power market in that province. In late June 2018, the partners had filed two proposals in response to requests for qualification rounds (REP 2 and REP 3) launched by the AESO, with the first including First Nations participation as required. The AESO is expected to announce its decisions early in the fall. Note that 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 and the development of greenfield projects. 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 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 acquisition of Kallista is a prime example. Furthermore, the *Growth path* shows that 11 wind power projects are under development with commissioning in Europe slated for the end of fiscal 2020, representing an additional 203 MW. These projects originated from the Ecotera portfolio, except for the **Côteaux du Blaiseron** wind farm resulting from the Boralex Énergie Verte acquisition and **Noyers Bucamps** wind farm resulting from the Kallista asset acquisitions and the **Cham Longe I** wind farm repowering project.

The Corporation 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, of which 2,500 MW remain to date, and which will provide the benefit of 20-year contracts.

Furthermore, later this year, Boralex also intends to file a proposal in conjunction with partners in connection with an RFP in France for offshore wind turbines, given that the Dunkirk project was qualified previously.

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 benefit from 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 involving a number of turbine replacements is underway to increase the 10 MW **Buckingham** hydroelectric power station to 20 MW. This will add some $5 million to the Corporation's annual EBITDA. It will require minor changes to the structure and will have no impact on water levels upstream or downstream. We are 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 began 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 four months in 2018 and close to ten 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 commissioned by the end of 2020.

Project name	Total capacity (MW)	Segment/ Country	Energy contract term/Client	Ownership (%)	Commissioning	Total project investment(1)(2)	Estimated annual EBITDA(2)
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(3)	100	2nd half of 2018	$101 million	$7 million
Le Pelon	10	Wind/ France	15 years/ EDF	100	2nd half of 2018	€16 million	€2 million
Côteaux du Blaiseron	26	Wind/ France	15 years/ EDF	100	2nd half of 2018	€33 million	€3 million
Hauts de Comble	20	Wind/ France	15 years/ EDF	100	2nd half of 2018	€35 million	€4 million
Inter Deux Bos	33	Wind/ France	15 years/ EDF	100	2nd half of 2018	€51 million	€6 million
Noyers Bucamps	10	Wind/ France	15 years/ EDF	100	2nd half of 2018	€20 million	€2 million
Sources de l'Ancre	23	Wind/ France	15 years/ EDF	100	1st half of 2019	€35 million	€4 million
Seuil du Cambrésis	20	Wind/ France	15 years/ EDF	100	2nd half of 2019	€36 million	€4 million
Basse Thiérache Nord	20	Wind/ France	15 years/ EDF	100	2nd half of 2019	€30 million	€4 million
Catésis	10	Wind/ France	20 years/ EDF	100	2nd half of 2019	€19 million	€2 million
Buckingham	20	Hydro/ Canada	25 years/ HQ	100	2nd half of 2019	$46 million	$8 million(4)
Santerre	14	Wind/ France	15 years/ EDF	100	1st half of 2020	€26 million	€3 million
Cham Longe I	35	Wind/ France	15 years/ EDF	100	1st half of 2020	€45 million	€6 million(5)

(1) These amounts are estimated as of the date of this MD&A. However, actual results may differ from these estimates.
(2) See *Notice concerning forward-looking statements*.
(3) The total 40-year contract includes four renewal options, each for a five-year period, at Boralex's discretion.
(4) This 10 MW increase in installed capacity will add $5 million to current EBITDA.
(5) This 17 MW increase in installed capacity will add €4 million to current EBITDA.

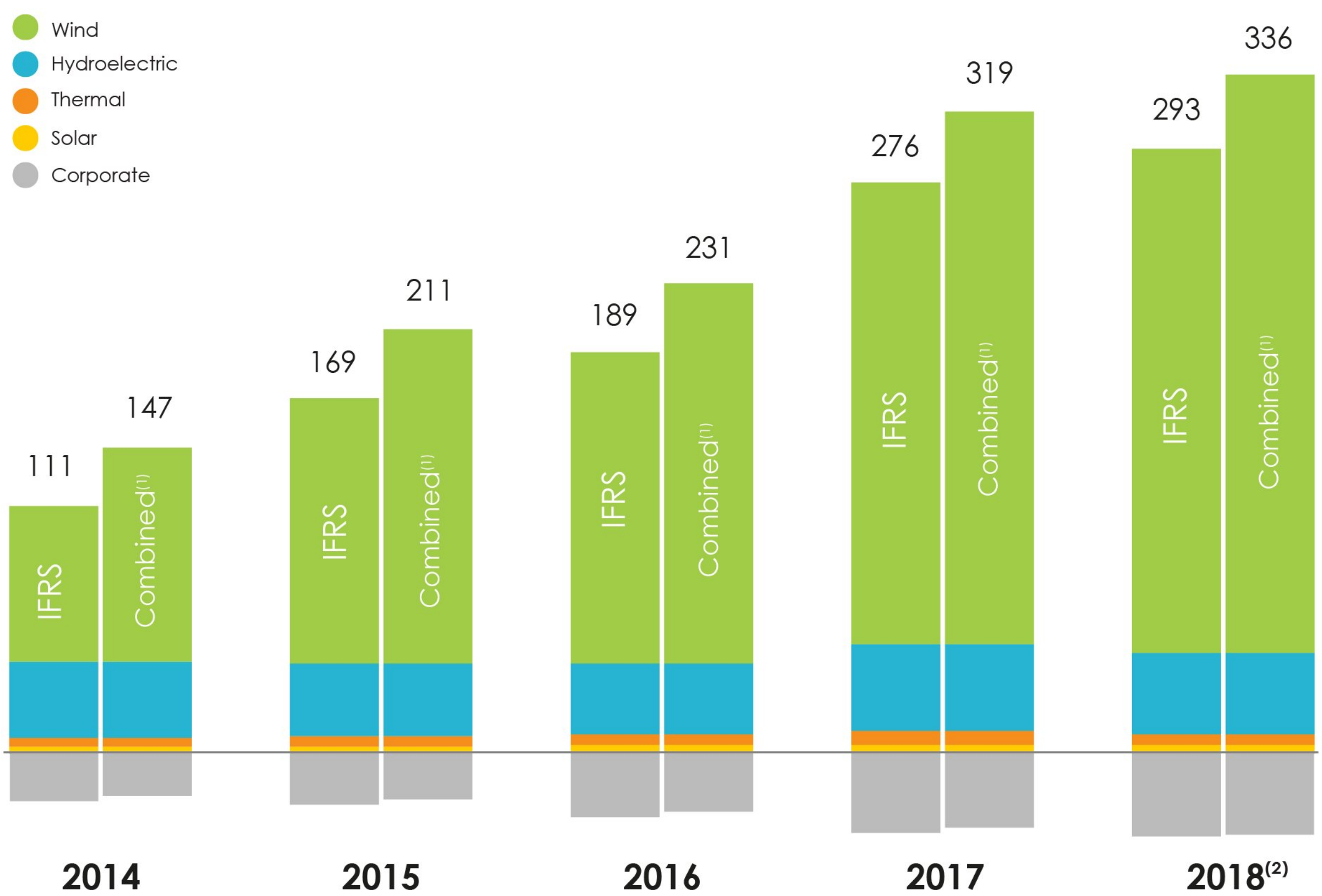
Overall, remaining planned investments, as of June 30, 2018, range from $360 million to $370 million.

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 initial target of 2,000 MW is expected to be achieved ahead of schedule in 2019. The Corporation will continue to review market opportunities and should communicate by the end of the year an updated long-term capacity target in line with its objectives for continued growth.

Historical data

EBITDA(A) (in millions of Canadian dollars)



[1] See the *Non-IFRS measures* section.
[2] Twelve-month period ended June 30, 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.

2018-2020 Outlook: Disciplined and profitable growth

Taking into account the assets to be commissioned until 2020, for a total of 244 MW, the Kallista acquisition including 15 wind farms in operation for a total of 163 MW and the expected acquisition of Invenergy's interests in five wind farms representing up to an additional 201 MW, Boralex could achieve an installed capacity of nearly 2,065 MW, on a Combined basis, at the end of 2020. The Corporation will continue to review market opportunities and should communicate by the end of the year an updated long-term capacity target in line with its objectives for continued growth.

Considering the closing of the Kallista asset acquisition, the expected contribution of the investments acquired from Invenergy, the facilities commissioned during the first quarter of 2018 and a possible increase in corporate and development costs reflecting the Corporation's future growth, management set a new annualized year-end EBITDA target ("target run rate") ranging from $390 million to $410 million under IFRS and $480 million to $500 million on a Combined basis on the assumption that all assets were to be operational for the full year.

The target run rate also reflects the estimate that was made for 2017, namely EBITDA of $330 million under IFRS and $375 million on a Combined basis.

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 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, which was increased by $100 million in July 2018;
- 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 September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018	Twelve-month period ended June 30, 2018
POWER PRODUCTION (GWh)					
Wind power stations	385	676	824	490	2,375
Hydroelectric power stations	166	159	166	194	685
Thermal power stations	47	31	61	57	196
Solar power stations	7	5	4	6	22
	605	871	1,055	747	3,278
REVENUES FROM ENERGY SALES					
Wind power stations	52	107	125	73	357
Hydroelectric power stations	15	14	14	14	57
Thermal power stations	5	7	12	7	31
Solar power stations	2	1	1	1	5
	74	129	152	95	450
EBITDA(A)[1]					
Wind power stations	36	95	101	58	290
Hydroelectric power stations	11	10	10	10	41
Thermal power stations	1	2	4	1	8
Solar power stations	1	1	1	1	4
	49	108	116	70	343
Corporate and eliminations	(10)	(15)	(12)	(13)	(50)
	39	93	104	57	293
NET EARNINGS (LOSS)	(26)	28	23	(33)	(8)
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX	(17)	26	20	(28)	1
NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – BASIC	(0.23) $	0.34 $	0.26 $	(0.36) $	0.01 $
NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – DILUTED	(0.23) $	0.32 $	0.26 $	(0.36) $	0.01 $
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES	36	17	110	52	215
CASH FLOWS FROM OPERATIONS[1]	24	69	77	21	191
Weighted average number of shares outstanding – basic	75,991,810	76,174,741	76,256,796	76,318,743	76,287,941

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

Seasonal factors

(in millions of Canadian dollars, unless otherwise specified) (unaudited)	Three-month periods ended September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	Twelve-month period ended June 30, 2017
POWER PRODUCTION (GWh)					
Wind power stations	269	418	655	488	1,830
Hydroelectric power stations	130	140	173	231	674
Thermal power stations	52	34	77	18	181
Solar power stations	7	4	4	7	22
	458	596	909	744	2,707
REVENUES FROM ENERGY SALES					
Wind power stations	35	54	88	68	245
Hydroelectric power stations	12	12	17	19	60
Thermal power stations	5	7	13	3	28
Solar power stations	2	1	1	2	6
	54	74	119	92	339
EBITDA(A)[(1)]					
Wind power stations	24	46	77	53	200
Hydroelectric power stations	8	9	13	15	45
Thermal power stations	1	1	6	(1)	7
Solar power stations	1	1	1	1	4
	34	57	97	68	256
Corporate and eliminations	(9)	(10)	(10)	(11)	(40)
	25	47	87	57	216
NET EARNINGS (LOSS)	(10)	(4)	15	(7)	(6)
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX	(10)	(5)	15	(2)	(2)
NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – BASIC	(0.16) $	(0.07) $	0.21 $	(0.03) $	(0.03) $
NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – DILUTED	(0.16) $	(0.07) $	0.21 $	(0.03) $	(0.03) $
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES	12	29	54	38	133
CASH FLOWS FROM OPERATIONS[(1)]	13	28	58	44	143
Weighted average number of shares outstanding – basic	65,263,335	65,297,899	74,025,928	75,874,562	69,988,311

(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 totals 1,400 MW, wind conditions both in France and Canada are usually more favourable in the winter, which falls during Boralex's first and fourth quarters. However, in winter there is a greater risk of lower production caused by weather conditions, such as icing. In general, management estimates the breakdown of wind power segment production at approximately 60% for the first and fourth quarters and 40% for the second and third quarters.

With the wind farms on the *Growth path* slated for commissioning by the end of 2020, which will add 218 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

With respect to hydroelectric assets of which Boralex's share is currently 156 MW, they will reach 182 MW of installed capacity with the commissioning of the Yellow Falls project expected in the second half of 2018 and the increase in capacity of the Buckingham power station one year later. 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 June 30, 2018	2017	Six-month periods ended June 30, 2018	2017
POWER PRODUCTION (GWh)				
Wind power stations	490	488	1,314	1,143
Hydroelectric power stations	194	231	359	404
Thermal power stations	57	18	119	95
Solar power stations	6	7	10	11
	747	744	1,802	1,653
REVENUES FROM ENERGY SALES				
Wind power stations	73	68	198	155
Hydroelectric power stations	14	19	28	37
Thermal power stations	7	3	19	16
Solar power stations	1	2	2	3
	95	92	247	211
EBITDA(A)[(1)]				
Wind power stations	58	53	160	130
Hydroelectric power stations	10	15	20	28
Thermal power stations	1	(1)	5	5
Solar power stations	1	1	2	2
	70	68	187	165
Corporate and eliminations	(13)	(11)	(26)	(21)
	57	57	161	144
NET EARNINGS (LOSS)	(33)	(7)	(10)	8
NET EARNINGS (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX	(28)	(2)	(8)	13
NET EARNINGS (LOSS) PER SHARE (BASIC AND DILUTED) ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX	($0.36)	($0.03)	($0.10)	$0.18
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES	52	38	162	92
CASH FLOWS FROM OPERATIONS[(1)]	21	44	98	102
DIVIDENDS PAID ON COMMON SHARES	12	11	23	23
DIVIDENDS PAID PER COMMON SHARE[(1)]	$0.1575	$0.1500	$0.3075	$0.3000
Weighted average number of shares outstanding – basic	76,318,743	75,874,562	76,287,941	74,955,352

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

Statement of financial position data

(in millions of Canadian dollars, unless otherwise specified) (unaudited)	As at June 30, 2018	As at December 31, 2017
Total cash, including restricted cash	210	150
Property, plant and equipment	2,879	2,621
Total assets	4,374	3,926
Debt, including non-current debt and current portion of debt	3,081	2,642
Liability component of convertible debentures	138	137
Total liabilities	3,664	3,197
Total equity	710	729
Net debt to market capitalization ratio[(1)] (%)	62	56

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

Analysis of consolidated operating results for the three-month period ended June 30, 2018

Revenues from energy sales up 3% due to contributions from assets acquired and commissioned over the past 12 months.

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

(in millions of Canadian dollars) (unaudited)	Revenues from energy sales	EBITDA(A)[1]
THREE-MONTH PERIOD ENDED JUNE 30, 2017	92	57
Acquisitions/commissioning[2]	6	4
Pricing	(1)	(1)
Compensation	4	4
Volume	(7)	(8)
Foreign exchange effect	1	—
IFER tax	—	2
Share of the Joint Ventures	—	2
Other	—	(3)
Change	3	—
THREE-MONTH PERIOD ENDED JUNE 30, 2018	95	57

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

(2) Addition of 87 MW since June 30, 2017 and contribution from the Kallista wind farms (163 MW) as of June 20, 2018. 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 June 30, 2018, revenues from energy sales totalled $95 million, up $3 million or 3% 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 and 2018, largely offset by lower results from existing wind farms and the U.S. hydroelectric power stations.

In other words, the commissioning of wind farms in France since the end of the second quarter of 2017 and the contribution of the Kallista wind farms as of June 20, 2018 resulted in a $6 million favourable difference. Added to the above are a $4 million contractual compensation granted to the NRWF facility following power limitations imposed by IESO and a $1 million favourable difference resulting from fluctuations in the exchange rate of the euro against the Canadian dollar. Conversely, lower production volumes from wind farms, both in France and Canada, and from U.S. hydroelectric facilities had an unfavourable impact of $7 million. In addition, lower contractual prices at the U.S. hydroelectric power stations resulted in a $1 million unfavourable difference.

The **wind** power segment remains the Corporation's main growth driver, with revenues up 8% due to contributions from assets acquired and commissioned since the end of the second quarter of 2017. Overall, the wind power segment accounted for 77% of consolidated revenues in the second quarter of 2018.

The other operating segments reported varying degrees of revenue variability. Compared with the second quarter of 2017:

- **Hydroelectric** power segment revenues declined 30% to $14 million, representing 14% of consolidated revenues for the past quarter. This decrease was due to lower production and an unfavourable price effect at the U.S. power stations.
- **Thermal** power segment revenues doubled, totalling $7 million for the second quarter of 2018, representing 7% of consolidated revenues. The increase resulted primarily from bringing forward the summer production campaign at Senneterre.
- **Solar** power segment revenues were relatively stable.

In all, Boralex produced 747 GWh of electricity in the second quarter of 2018 (excluding its share of the production of the Joint Ventures), which was similar to the volume reported for second quarter of 2017. Excluding contributions from the assets acquired and commissioned since June 30, 2017, production at existing facilities was down 6% as a result of lower production.

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

For the three-month period ended June 30, 2018, the contribution of the Joint Ventures on a Combined basis amounted to 134 GW, up 12% from 119 GWh in the corresponding quarter of 2017. This increase was due to better wind conditions than in the second quarter of 2017. Accordingly, Boralex's share in the revenues of the Joint Ventures for the second quarter of 2018 amounted to $15 million, up slightly from $13 million for the corresponding quarter of 2017. For more details, see the *Non-IFRS measures* section.

EBITDA(A) and EBITDA(A) margin

Consolidated EBITDA(A) for the second quarter of 2018 remained stable at $57 million, compared with the same quarter of 2017. The differences were largely due to the same factors that affected revenues, namely unfavourable price and production volume differences, plus a $3 million increase in miscellaneous expenses, including the Corporation's office relocation costs. This was partially offset by $4 million in compensation granted to the NRWF facility, a $2 million increase in the share of the Joint Ventures and a $2 million favourable difference in IFER taxes in France, since these taxes were fully recognized as at January 1, 2018, whereas they had been recognized using a time-based method in 2017.

The **wind** power segment accounted for 83% of consolidated EBITDA(A) in the second quarter of 2018 (before the corporate segment and eliminations). Segment EBITDA(A) was up 11%, contributing $5 million more to consolidated EBITDA(A) than in the second quarter of 2017.

Regarding the other operating segments:

- EBITDA(A) of the **hydroelectric** power segment fell 38% to $10 million, owing primarily to lower production and prices as the U.S. power stations. Despite the decline, hydroelectric power segment performance still met management expectations.
- The **thermal** power stations recorded EBITDA(A) of $1 million, compared with a negative value a year earlier.
- **Solar** power segment EBITDA(A) remained stable.

With these results, EBITDA(A) margin as a percentage of revenues fell to 60% in the second quarter of 2018 from 62% 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 June 30, 2018, the contribution of the Joint Ventures on a Combined basis amounted to $11 million, compared with $10 million for the corresponding period of 2017. For more details, see the *Non-IFRS measures* section.

Main changes in net loss attributable to shareholders of Boralex

(in millions of Canadian dollars) (unaudited)

THREE-MONTH PERIOD ENDED JUNE 30, 2017	(2)
EBITDA(A)[1]	—
Amortization	(5)
Impairment	(12)
Acquisition costs	(7)
Financing costs	(7)
Income taxes	8
Other	(3)
Change	(26)
THREE-MONTH PERIOD ENDED JUNE 30, 2018	(28)

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

Amortization

Amortization expense for the second quarter of 2018 was up $5 million to $48 million, owing primarily to commissioning and acquisitions in France in 2017 and 2018.

Impairment

A $6 million (€4 million) impairment loss on property, plant and equipment was recognized in France to reduce the carrying amount to the recoverable amount for assets that will be prematurely decommissioned after the Board of Directors green-lighted the Cham Longe I wind farm repowering. This analysis demonstrated a significant long-term value creation for the shareholders of the Corporation, thus allowing to make the decision to go ahead with the repowering project.

A $4 million impairment loss on property, plant and equipment and intangible assets was recognized for Otter Creek wind project to reduce the carrying value of these assets to their recoverable amount following the unilateral termination of the power purchase agreement by IESO.

A $2 million (€1 million) impairment loss on property, plant and equipment was recognized in France to reduce the carrying value of the assets related to the Lanouée Forest to their recoverable amount following a promise to sell entered into on July 26, 2018.

Acquisition costs

Acquisition costs of $5 million (€3 million) were incurred in France in connection with the Kallista acquisition and $2 million in Canada in connection with the agreement to purchase Invenergy's shares in five wind farms.

Financing costs

Financing costs for the second quarter of 2018 rose $7 million to $30 million, owing primarily to the financing arrangements made and the debts assumed by the Corporation to acquire and commission assets over the past year.

Income taxes

As a result of the loss before income taxes, the Corporation's income tax recovery increased by $8 million.

Net loss

For the three-month period ended June 30, 2018, Boralex recognized a net loss of $33 million, compared with a net loss of $7 million for the same period of 2017, resulting in a net loss attributable to shareholders of Boralex of $28 million or $0.36 per share (basic and diluted), compared with a net loss attributable to shareholders of Boralex of $2 million or $0.03 per share (basic and diluted) a year earlier. The $5 million difference between net loss and net loss attributable to shareholders of Boralex as at June 30, 2018 resulted from the loss attributable to non-controlling shareholders.

The $26 million ($0.33 per share, basic and diluted) deterioration in net loss attributable to shareholders of Boralex compared with the second quarter of 2017 stemmed from the items discussed above. More specifically, the unfavourable difference resulted from increases of $5 million in amortization expense, a $12 million impairment loss on property, plant and equipment and intangible assets, $7 million in acquisition costs, $7 million in financing costs and $3 million in miscellaneous expenses, partially offset by an $8 million tax recovery.

Analysis of consolidated operating results for the six-month period ended June 30, 2018

Production volume up 9% for the first six months of 2018, compared with the same period of 2017.

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

(in millions of Canadian dollars) (unaudited)	Revenues from energy sales	EBITDA(A)[1]
SIX-MONTH PERIOD ENDED JUNE 30, 2017	211	144
Acquisitions/commissioning[2]	23	19
Pricing	(2)	(2)
Compensation	11	11
Volume	(1)	(2)
Foreign exchange effect	5	3
IFER tax	—	(4)
Development	—	(3)
Share of the Joint Ventures	—	1
Other	—	(6)
Change	36	17
SIX-MONTH PERIOD ENDED JUNE 30, 2018	247	161

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

[2] Addition of 91 MW in 2017 and 17 days in January 2018 for the NRWF facility, and contribution from the Kallista wind farms (163 MW) as of June 20, 2018. For greater detail, see the *Commissioning overview* table in section *I - Growth strategy* of this MD&A.

Revenues from energy sales

For the six-month period ended June 30, 2018, revenues from energy sales totalled $247 million, up $36 million or 17% compared with the same period a year earlier. As shown in the table above, this growth was mainly driven by a $23 million increase resulting primarily from the contribution from the NRWF facility for the entire month of January 2018, compared with 14 days in January 2017, the commissioning of French wind farms throughout 2017 and the contribution from the assets acquired from Kallista starting June 20, 2018. The favourable difference also arose from the $11 million contractual compensation granted to the NRWF facility and the $5 million foreign exchange effect resulting mainly from fluctuations in the euro versus the Canadian dollar. The combination of these factors largely offset the unfavourable price and production volume differences, totalling $3 million for the first six months of the year.

In all, Boralex produced 1,802 GWh of electricity in the first six months of 2018 (excluding its share of the production of the Joint Ventures), up 9% from 1,653 GWh for the corresponding period of 2017. Excluding contributions from newly acquired or commissioned power stations, production at existing power stations was largely comparable to a year earlier. Positive first-quarter performance at the French wind farms in 2018 was offset by more difficult conditions in the following quarter, not only at the Canadian and French wind power facilities but also at the U.S. hydroelectric power stations.

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

For the six-month period ended June 30, 2018, the production volume contribution of the Joint Ventures on a Combined basis amounted to 283 GWh, up 4% from 273 GWh for the corresponding period of 2017. This increase was due to better wind conditions overall than in the first six months of 2017. Accordingly, Boralex's share in the revenues of the Joint Ventures amounted to $31 million for the first six months of 2018, in line with the $29 million reported in the corresponding period of 2017. For more details, see the *Non-IFRS measures* section.

EBITDA(A) and EBITDA(A) margin

For the first six months of 2018, consolidated EBITDA(A) totalled $161 million, up $17 million or 12% compared with the corresponding period of 2017, while EBITDA(A) margin as a percentage of revenues stood at 65% compared with 68% a year earlier.

EBITDA(A) growth was fuelled in large part by an additional $19 million in EBITDA(A) from expansion in the operating base since the beginning of fiscal 2017, plus $11 million in contractual compensation granted to the NRWF facility, a $1 million increase in the share of the Joint Ventures and a $3 million foreign exchange effect resulting mainly from fluctuations in the euro against the Canadian dollar. Together, these items offset a $2 million unfavourable price difference, a $2 million unfavourable production volume difference and a $3 million increase in development costs for projects mainly in the United Kingdom in partnership with Infinergy, plus a $6 million increase in miscellaneous expenses related to payroll, professional fees, raw material costs and maintenance costs. Note that an adjustment in respect of the IFER tax in France was recognized in the first quarter of 2018, which resulted in a $6 million unfavourable difference, offset by a $2 million favourable difference in the second quarter. Under accounting standards, French IFER taxes were fully recognized as at January 1, 2018, whereas they had been recognized using a time-based method in 2017. Accordingly, this adjustment should result in a favourable effect of approximately $5 million for the last three quarters of fiscal 2018.

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

For the six-month period ended June 30, 2018, the EBITDA(A) contribution of the Joint Ventures on a Combined basis amounted to $21 million, which was similar to the result for the corresponding period of 2017. For more details, see the *Non-IFRS measures* section.

Main differences in net earnings attributable to shareholders of Boralex

(in millions of Canadian dollars) (unaudited)

SIX-MONTH PERIOD ENDED JUNE 30, 2017	13
EBITDA(A)[1]	17
Amortization	(12)
Impairment	(12)
Acquisition costs	(7)
Financing costs	(11)
Income taxes	9
Non-controlling shareholders	(3)
Other	(2)
Change	(21)
SIX-MONTH PERIOD ENDED JUNE 30, 2018	(8)

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

Amortization

For the first six-months of 2018, amortization expense rose $12 million to $95 million, compared with the same period of the previous year. The NRWF and Kallista acquisitions and wind farms commissioned accounted for substantially all of the difference.

Impairment and acquisition costs

See the *Analysis of consolidated operating results for the three-month period ended June 30, 2018* section.

Financing costs and net loss on financial instruments

For the first six months of 2018, financial costs rose $11 million to $58 million, compared with the same period of the previous year. The increase resulted mainly from the new financing contracted to acquire or build projects and debt assumed by the Corporation, such as in relation to to the NRWF facility.

Income taxes

In light of the loss before income taxes for the six-month period, the Corporation recognized a $2 million income tax recovery, compared with a $7 million tax expense in the first half of 2017.

Net loss

For the first six months of 2018, Boralex reported a net loss of $10 million, compared with net earnings of $8 million for the same period a year earlier. The net loss attributable to shareholders of Boralex amounted to $8 million or $0.10 per share (basic and diluted), compared with net earnings attributable to shareholders of Boralex of $13 million or $0.18 per share (basic and diluted) for the first six months of 2018. For the first half of fiscal 2018, the $2 million difference between the net loss and net loss attributable to shareholders of Boralex resulted from a net loss attributed to non-controlling shareholders.

The $21 million or $0.28 per share (basic and diluted) unfavourable difference in net loss attributable to shareholders of Boralex compared with the first six months of 2017 resulted from the items discussed above. Accordingly, the $17 million increase in EBITDA(A) and $9 million increase in tax recovery were more than offset by increases of $12 million in amortization expense and $11 million in financing costs owing to expansion in the Corporation's operating base over the past year, as well as by a $12 million impairment loss on property, plant and equipment and intangible assets and $7 million in acquisition costs.

Review of operating segments for the three-month period ended June 30, 2018

Wind

Stable production volume for the wind power segment in the second quarter of 2018 compared with the same 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)[1]
THREE-MONTH PERIOD ENDED JUNE 30, 2017	68	53
Acquisitions/commissioning[2]	6	4
Volume	(7)	(7)
Compensation	4	4
Share of the Joint Ventures	—	2
Development	—	(2)
IFER tax	—	2
Other	2	2
Change	5	5
THREE-MONTH PERIOD ENDED JUNE 30, 2018	73	58

(1) See the *Non-IFRS measures* section.
(2) Addition of 87 MW since June 30, 2017 and contribution from the Kallista facilities (163 MW) as of June 20, 2018. 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 June 30				
	Actual			Change	
Wind production (GWh)	**2018**	**2017**	Anticipated production[1][2]	vs. 2017	vs. anticipated production[2]
Canada	242	282	285	**- 14%**	**- 15%**
France	248	206	322	**+ 20%**	**- 23%**
	490	488	607	**—%**	**- 19%**

(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 28 GWh for which the NRWF facility was subject to a power limitation, actual production would have amounted to 270 GWh, or 5% lower than anticipated capacity, for a total of 518 GWh, or 15% lower than the anticipated capacity, instead of 19%.

Production

For the second quarter of 2018, wind power segment production totalled 490 GWh, a volume similar to the 488 GWh for the same quarter last year. The contributions from the wind farms commissioned in France since the end of the second quarter of 2017, with an installed capacity of 87 MW, and from the assets acquired from Kallista as of June 20, 2018 offset the decline in production at existing wind farms in France and Canada due to less favorable weather conditions.

Note, however, that the NRWF facility was again subject to power limitations imposed by IESO and Hydro One in the second quarter of 2018, resulting in a 28 GWh unfavourable effect on production in respect of which the Corporation received a financial compensation of $4 million from IESO.

Broken down geographically, changes in production were as follows:

- In France, less favourable weather conditions prevailed in the second quarter of 2018 compared with a year earlier. As a result, production volume at existing wind farms was 3% lower than in the same period last year. Including the wind farms commissioned since June 30, 2017 and the acquisition of the Kallista assets closed on June 20, 2018, the wind power segment in France recorded a 20% increase in production volume in the second quarter of 2018, compared with the same quarter a year ago, totalling 248 GWh.
- In Canada, the main existing wind farms recorded a lower production volumes in the second quarter of 2018 compared with last year, particularly the NRWF facility, which was subject to a power limitation of approximately 28 GWh. As a result, Canadian wind production fell 14% to 242 GWh.

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

As previously mentioned, the contribution from the Joint Ventures on a Combined basis was 12% higher in the second quarter of 2018 compared with the same quarter of 2017, owing to more favourable wind conditions.

Revenues from energy sales

Wind power segment revenues for the second quarter of 2018 totalled $73 million million, up $5 million or 8% from the same period of 2017. This growth is attributable to the $6 million contribution from the wind farms commissioned in France since June 30, 2017 and the assets acquired from Kallista as of June 20, 2018, plus the $4 million contractual compensation granted to the NRWF facility following power limitations. The combination of these items offset the $7 million unfavourable production volume difference.

Broken down geographically, for the second quarter of 2018, 54% of wind power segment revenues were generated in Canada and 46% in France, compared with 60% and 40%, respectively, for the same period last year. This change resulted primarily from the commissioning of wind farms in France since June 30, 2017, partly offset by less favourable weather conditions in Canada and France. Excluding the foreign exchange effect, revenues at French wind farms were up 21% but were down 3% at Canadian wind farms.

EBITDA(A) and EBITDA(A) margin

For the second quarter of 2018, wind power segment EBITDA(A) rose $5 million or 11% to $58 million. This growth was to some extent driven by Boralex's expansion strategy, as the wind farms commissioned in 2017 generated an additional $4 million in EBITDA(A), plus a $2 million increase in the share of the Joint Ventures, the $4 million financial compensation granted to the NRWF facility and a $2 million favourable difference resulting from the aforementioned IFER tax adjustment in France. These items were partly offset by a $7 million in unfavourable production volume effect and $2 million in development costs, primarily for projects in the United Kingdom with Infinergy.

Broken down geographically, EBITDA(A) at our French operations rose 39% in euros, while EBITDA(A) at Canadian operations (excluding the Joint Ventures) remained stable.

EBITDA(A) margin for the second quarter of 2018 stood at 79%, compared with 77% for the same period last year.

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

For the three-month period ended June 30, 2018, the contribution of SDB I and II to revenues from energy sales and EBITDA(A) on a Combined basis was $15 million and $10 million, respectively, which was comparable to the results for the second quarter of 2017 of $13 million and $9 million, respectively. For more details, see the *Non-IFRS measures* section.

Hydroelectric

Hydroelectricity production down 16% in the second quarter of 2018 compared with a year earlier.

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)[1]
THREE-MONTH PERIOD ENDED JUNE 30, 2017	19	15
Pricing	(2)	(2)
Volume	(3)	(3)
Change	(5)	(5)
THREE-MONTH PERIOD ENDED JUNE 30, 2018	14	10

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

Recent and historical statistical data concerning hydroelectric power segment production

	Three-month periods ended June 30				
	Actual			Change	
Hydroelectric production (GWh)	**2018**	**2017**	Historical average[1]	vs. 2017	vs. historical average
Canada	92	87	93	**+ 5%**	**- 3%**
United States	102	144	116	**- 29%**	**- 12%**
	194	231	209	**- 16%**	**- 8%**

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

Production

For the second quarter of 2018, hydroelectric power segment production was down 16% to 194 GWh, from 231 GWh for the same quarter a year ago. This decline reflected the less favourable water flow conditions that prevailed at U.S. power stations in spring 2018 compared with last year. Canadian power stations enjoyed better conditions and recorded a slightly higher production volume of 92 GWh compared with 87 GWh, year over year.

Hydroelectric power segment production for the second quarter of 2018 was 15 GWh or 8% lower than the historical average of 209 GWh.

Revenues from energy sales

For the second quarter of 2018, the hydroelectric power segment generated revenues of $14 million, down $5 million or 30% 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 a key reason for the decline in revenues. Accordingly, revenues at the U.S. power stations were down 48%, while revenues were up 4% at the Canadian power stations. Note that the energy sales contract at the Hudson Falls power station contained a significant downward adjustment. The price decreased from US$80.58/MWh to US$48.27/MWh starting in December 2017, which had an unfavourable impact of more than $2 million on revenues.

EBITDA(A) and EBITDA(A) margin

In light of the above, hydroelectric power segment EBITDA(A) fell 38% to $10 million for the second quarter of 2018 from $15 million for the corresponding period of 2017. This decrease was attributable to the same unfavourable factors that impacted revenues. EBITDA(A) at the U.S. power stations was down 57%, while it was up 4% at the Canadian power stations.

Hydroelectric power segment EBITDA(A) margin for the second quarter of 2018 stood at 70%, compared with 78% for the same period a year earlier.

Thermal and solar

Management remains satisfied with the performance of its thermal and solar segments. The solar segment's results were relatively stable compared with last year, while the thermal segment recorded better results than in the second quarter of 2017 given that summer production at the Senneterre power station was brought forward by two months following shutdowns in the first quarter.

Review of operating segments for the six-month period ended June 30, 2018

Wind

Power production for the first six months of 2018 up 15% compared with the same period last year.

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)[1]
SIX-MONTH PERIOD ENDED JUNE 30, 2017	155	130
Acquisitions/commissioning[2]	23	19
Compensation	11	11
Volume	2	2
Foreign exchange effect	5	4
Development	—	(3)
IFER tax	—	(4)
Share of the Joint Ventures	—	1
Other	2	—
Change	43	30
SIX-MONTH PERIOD ENDED JUNE 30, 2018	198	160

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

(2) Addition of 91 MW in 2017, contribution of the NRWF facility for 17 days in January 2018 and contributions of Kallista wind farms (163 MW) as of June 20, 2018. 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

	Six-month periods ended June 30				
	Actual			Change	
Wind production (GWh)	**2018**	**2017**	Anticipated production[1][2]	vs. 2017	vs. anticipated production[2]
Canada	610	611	684	**—%**	**- 11%**
France	704	532	736	**+ 32%**	**- 4%**
	1,314	1,143	1,420	**+ 15%**	**- 7%**

(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 84 GWh for which NRWF was subject to a power limitation during the first two quarters of 2018, actual production would have amounted to 694 GWh, or 1% higher than anticipated capacity, for a total of 1,398 GWh, or 1% below anticipated capacity.

Production

The wind power segment produced 1,314 GWh in the first six months of 2018, up 15% from 1,143 GWh for the same period of 2017. This increase was mainly driven by the contributions of wind farms commissioned in France in 2017, for a total installed capacity of 91 MW, plus the contribution of the 230 MW NRWF facility 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) and the contributions of the Kallista facilities from the acquisition date of June 20, 2018. Excluding these items, production at existing power stations was relatively unchanged for the first six months of 2018 compared with the same period of 2017.

Note, however, that the NRWF facility was subject to power limitations imposed by IESO and Hydro One during the first and second quarters of 2018, resulting in an 84 GWh unfavourable effect on production in respect of which the Corporation received a financial compensation of $11 million for 70 GWh from IESO.

Broken down geographically, changes in production were as follows:

- In France, weather conditions in the first quarter of 2018 were favourable compared with conditions well below normal levels in the same quarter of 2017, offsetting the less favourable wind conditions during the second quarter. As a result, production volume at existing wind farms was 10% higher for the first six months of the year compared with the same period of last year. Including the wind farms commissioned throughout the second half of 2017 and the contribution of Kallista facilities from June 20, 2018, the wind power segment in France recorded a production volume of 704 GWh for the first six months of 2018, up by nearly 32% from the same period of last year.
- In Canada, existing wind farms recorded a 6% decrease in production volume, owing to the power limitations imposed on the NRWF facility for each of the first two quarters of the year and to a more limited extent, less favourable wind conditions during the second quarter of 2018. Considering that the NRWF facility 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 for the first six months of 2018 was relatively unchanged compared with the same period of last year, totalling 610 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 stood at 283 GWh for the first six months of 2018, 4% higher than the 273 GWh recorded during the corresponding period of 2017, owing to more favourable wind conditions.

Revenues from energy sales

Wind power segment revenues for the first six months of 2018 totalled $198 million, up $43 million or 27% from the same period of 2017. This growth was driven by the $23 million contribution of wind farms commissioned in 2017, plus the contribution of the NRWF facility for the first 17 days of 2018 and those of the acquired Kallista facilities from June 20, 2018. The $2 million volume effect was composed of an $8 million favourable change in France, while Canada experienced a $6 million decline. Other items that affected wind power segment revenues included the $11 million compensation granted to the NRWF facility following the power limitations and the $5 million favourable foreign exchange effect resulting from fluctuations in the euro's exchange rate against the Canadian dollar.

Broken down geographically, for the first six months of 2018, 51% of wind power segment revenues were generated in Canada and 49% in France, compared with 56% and 44%, respectively, for the same period last year. This change stemmed primarily from the commissioning of wind farms in France during 2017 combined with the contribution of the NRWF facility for the first 17 days of January, 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 34% while they grew 14% at the Canadian facilities.

EBITDA(A) and EBITDA(A) margin

Wind power segment EBITDA(A) for the first six months of 2018 totalled $160 million, up $30 million or 24%. This growth was to some extent driven by Boralex's expansion strategy, with $19 million in additional EBITDA(A) generated by the wind farms acquired and commissioned since the beginning of 2017, but also by the $11 million financial compensation granted to the NRWF facility as disclosed previously and a $4 million favourable foreign exchange effect resulting from fluctuations in the euro's exchange rate against the Canadian dollar, a $1 million increase in the share of the Joint Ventures as well as a $2 million favourable volume effect. These items were partly offset by the $3 million increase in development costs, primarily for projects in the United Kingdom, and the $4 million unfavourable effect resulting from recognizing 100% of the French IFER taxes in the first quarter. This tax was recorded using a time-based method in 2017.

Broken down geographically, EBITDA(A) at our French operations rose 36% in euros, while EBITDA(A) at Canadian operations (excluding Joint Ventures) grew 15%.

EBITDA(A) margin for the first six months of 2018 stood at 81%, compared with 83% for the same period last year. This change resulted primarily from recognizing 100% of the IFER tax in the first quarter of 2018 combined with higher development costs.

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

For the six-month period ended June 30, 2018, the contribution of SDB I and II to revenues from energy sales and EBITDA(A) on a Combined basis was $31 million and $20 million, respectively, which was comparable to the results for the first six months of 2017 of $29 million and $20 million, respectively. For more details, see the *Non-IFRS measures* section.

Hydroelectric

Hydroelectric power production down 11% in first six months of 2018, compared with the same period 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)[1]
SIX-MONTH PERIOD ENDED JUNE 30, 2017	37	28
Pricing	(4)	(4)
Volume	(4)	(4)
Other	(1)	—
Change	(9)	(8)
SIX-MONTH PERIOD ENDED JUNE 30, 2018	28	20

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

Recent and historical statistical data concerning hydroelectric power segment production

	Six-month periods ended June 30				
	Actual			Change	
Hydroelectric production (GWh)	2018	2017	Historical average[1]	vs. 2017	vs. historical average
Canada	139	137	140	**+ 1%**	**- 1%**
United States	220	267	226	**- 17%**	**- 3%**
	359	404	366	**- 11%**	**- 2%**

(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 six months of 2018, hydroelectric segment production declined 11% to 359 GWh from 404 GWh for the same period last year. This decrease resulted from slightly less favourable water flow conditions since the beginning of 2018 compared with the same period last year for the U.S. power stations. Production at Canadian hydroelectric power stations remained stable compared with last year.

Nonetheless, Nonetheless, hydroelectric power segment production for the first six months of 2018 matched the historical average of 366 GWh.

Revenues from energy sales

Hydroelectric power segment revenues for the first six months of 2018 totalled $28 million, down $9 million or 24% from the same period 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 38%, compared with a 1% increase 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 an unfavorable effect of about $4 million on revenues.

EBITDA(A) and EBITDA(A) margin

In light of the above, hydroelectric power segment EBITDA(A) declined 31% to $20 million for the first six months of 2018, compared with $28 million for the corresponding period of 2017. This decrease was attributable to the same unfavourable factors that impacted revenues. EBITDA(A) at the U.S. power stations was down 46% while Canadian power stations recorded a 1% decline in EBITDA(A).

Hydroelectric power segment EBITDA(A) margin for the first six months of 2018 stood at 71%, compared with 78% for the corresponding period of 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 the thermal power segment improved its results for the first six months of 2018, after summer production at the Senneterre power station was brought forward by two months to offset the shutdowns in the first quarter due to a mechanical failure.

Cash flows

The expansion of the operating asset base over the past fiscal year was one of the driving factors for the changes in cash flows during the first half of 2018. Meanwhile, the improved performance of wind farms in France during the first quarter of 2018 compared with the same period last year offset the effect of less favourable weather conditions in the second quarter and contributed to the increase in cash flows related to operating activities for the first six months of 2018, compared with the same period last year.

	Three-month periods ended June 30,		Six-month periods ended June 30,	
(in millions of Canadian dollars) (unaudited)	2018	2017	2018	2017
Cash flows from operations[1]	21	44	98	102
Change in non-cash items related to operating activities	31	(6)	64	(10)
Net cash flows related to operating activities	52	38	162	92
Net cash flows related to investing activities	(162)	(88)	(247)	(209)
Net cash flows related to financing activities	129	68	126	127
Translation adjustment on cash and cash equivalents	(2)	2	3	3
NET CHANGE IN CASH AND CASH EQUIVALENTS	17	20	44	13
CASH AND CASH EQUIVALENTS – END OF PERIOD	159	113	159	113

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

Analysis of cash flows for the three-month period ended June 30, 2018

Operating activities

For the three-month period ended June 30, 2018, Boralex reported $21 million in cash flows from operations compared with $44 million for the same period in 2017. Excluding non-cash items from net earnings for both periods, this decline resulted in particular from a $3 million decrease in distributions received from the Joint Ventures, a $9 million increase in interest paid and a $7 million cash outlay in acquisition costs.

The change in non-cash items related to operating activities generated $31 million in cash during the second quarter of 2018 compared with cash used of $6 million in the same period last year. Cash generated in the second quarter resulted from a $41 million decrease in *Trade and other receivables* arising mainly from the collection of accounts receivable of the first quarter related to seasonal factors. This variation was partially offset by a $13 million decrease in *Trade and other payables* due to the payment of taxes on asset development and construction in Canada and France, offset by fees payable following the Kallista acquisition.

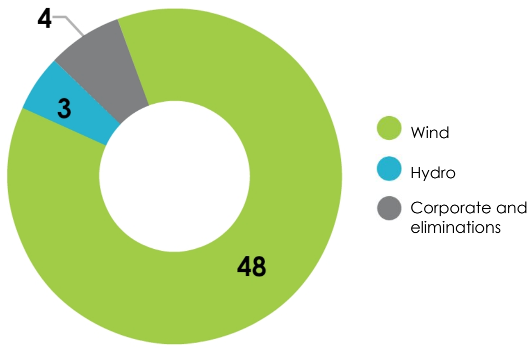
Accordingly, operating activities generated net cash flows totalling $52 million in the second quarter of 2018 compared with $38 million for the same period in the previous year.

Investing activities

Investing activities used cash in the amount of $162 million in the second quarter of 2018 compared with $88 million for the same period last year.

During the second quarter, the Corporation paid $100 million to acquire Kallista shares. Boralex also paid conditional consideration amounting to $4 million for the Hauts de Comble project. This disbursement was presented as a business acquisition since this project was treated as a business combination that resulted from the Ecotera portfolio acquisition in 2015.

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



The Corporation also invested $55 million in additions to property, plant and equipment, including:

- $48 million in the wind power segment; most of these outlays were for the construction of various wind farms under development in Europe;
- $3 million in the hydroelectric power segment, in large part to build the Yellow Falls power station in Ontario, Canada.

Financing activities

Financing activities for the second quarter of 2018 generated total net cash inflows of $129 million.

New financing arrangements and repayments on existing debt

During the second quarter of 2018, new non-current debt contracted by Boralex totalled $273 million as follows:

- $214 million drawn down from Boralex's revolving credit facility, mainly to acquire Kallista;
- $45 million from financing in place for the Sources de l'Ancre, Inter Deux Bos, Hauts de Comble, Le Pelon and Côteaux du Blaiseron wind farms, plus $14 million drawn down from the financing facilities for the Mont de Bagny, Artois, Voie des Monts and Chemin de Grès wind farms.

Conversely, the Corporation made repayments totalling $31 million on its debt relating to various assets in operation as well as $86 million on debt assumed as part of the Kallista acquisition and $5 million in value added tax bridge financing.

Dividends and other items

On May 9, 2018, the Board of Directors authorized an increase in the quarterly dividend of 5% to $0.1575 per common share. Accordingly, during the second quarter of 2018, the Corporation paid dividends to shareholders totalling $12 million ($0.1575 per share) compared with $11 million ($0.15 per share) in the second quarter of 2017.

The Corporation also paid $4 million to non-controlling shareholders, matching the amount paid in the second quarter of 2017. In addition, a total of $7 million was disbursed for the early redemption of financial instruments.

Net change in cash and cash equivalents

Total cash movements for the second quarter of 2018 resulted in a $17 million increase, bringing cash and cash equivalents to $159 million as at June 30, 2018 from $113 million as at June 30, 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 June 30, 2018 amounted to $5 million compared with $2 million for the second quarter of 2017. The contribution of net cash flows related to operating activities amounted to $7 million for the second quarter of 2018 compared with $5 million for the corresponding period of 2017. For more details, see the *Non-IFRS measures* section.

Analysis of cash flows for the six-month period ended June 30, 2018

Operating activities

For the six-month period ended June 30, 2018, cash flows from operations at Boralex totalled $98 million, compared with $102 million for the same period of 2017. Excluding non-cash items from net earnings for both periods, this decline resulted in large part from the $12 million increase in interest paid and the $7 million cash outlay in acquisition costs. These changes were partially offset by the $17 million increase in EBITDA(A).

The change in non-cash items related to operating activities for the first half of 2018 generated cash in the amount of $64 million compared with $10 million in cash used for the same period a year earlier. The cash generated during the first six months of 2018 arose mainly from a $39 million decrease in *Trade and other receivables*, related primarily to the collection of accounts receivable in conjunction with seasonal factors, plus a $23 million increase *Trade and other payables* related to taxes payable on asset development and construction in Canada and France and fees payable following the Kallista acquisition.

In light of the foregoing, operating activities generated net cash flows totalling $162 million during the first six months of 2018, compared with $92 million for the same period of 2017.

Investing activities

Investing activities for the first six months of 2018 used $247 million in cash, compared with $209 million for the same period of 2017.

Investing activities for the first six months of 2018 mainly comprise the $100 million payment to acquire Kallista shares. Contingent consideration of $8 million was also paid for the Hauts de Comble and Sources de l'Ancre projects and reported under business acquisitions since these projects were treated as a business combination when the Ecotera portfolio was acquired in 2015. During the first quarter of 2018, Boralex also paid $10 million in contingent consideration for the acquisition of energy sales contracts related to Ecotera projects, namely the Inter Deux Bos and Basse Thiérache Nord wind farms.

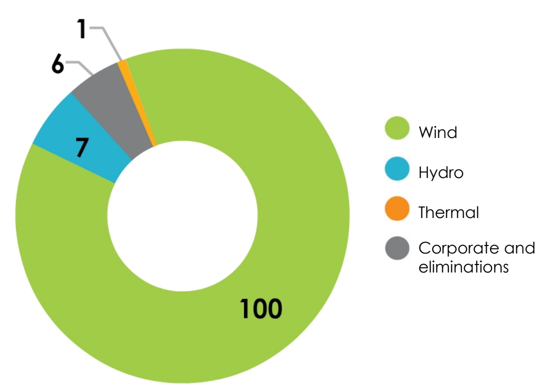
Note that the key investment transaction for the first half of 2017 was the acquisition of all of Enercon's economic interest in the 230 MW NRWF facility in Ontario, Canada. The transaction was entered into for a cash consideration, net of cash acquired, amounting to $230 million as at March 31, 2017. 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 $184 million change in restricted cash from the first quarter of 2017 to the corresponding period of 2018.

During the first six months of 2018, the Corporation invested $114 million in additions to property, plant and equipment, broken down as follows:

- $100 million in the wind power segment, substantially all of which was for the construction of various wind farms in Europe ($93 million) and in Canada ($6 million);
- $7 million in the hydroelectric power segment, including $1 million for the construction of the Yellow Falls power station in Ontario, Canada and $4 million for the upgrade of the Buckingham power station in Québec, Canada.

Segment breakdown of additions to property, plant and equipment

(in millions of Canadian dollars)



Financing activities

Financing activities for the first six months of fiscal 2018 generated total net cash inflows of $126 million.

New financing arrangements and repayments on existing debt

During the first six months of 2018, new non-current debt contracted by Boralex totalled $522 million as follows:

- $214 million drawn down from Boralex's revolving credit facility, mainly to acquire Kallista;
- $200 million drawn from the subordinated debt resulting from the joint investment by the Caisse and the Fonds de solidarité FTQ;
- $93 million from financing in place for the Sources de l'Ancre, Inter Deux Bos, Hauts de Comble, Le Pelon and Côteaux du Blaiseron wind farms, plus $14 million drawn down from the financing facilities for the Mont de Bagny, Artois, Voie des Monts and Chemin de Grès wind farms;
- $1 million for the Moose Lake wind power project in Canada.

Conversely, the Corporation repaid a total of $81 million on its debt related to various assets in operation. Boralex also repaid $164 million on its revolving credit facility, $86 million on debt assumed as part of the Kallista acquisition and $18 million on the value added tax bridge financing facility.

Dividends and other items

On May 9, 2018, the Board of Directors authorized an increase in the quarterly dividend of 5% to $0.1575 per common share. During the six-month period ended June 30, 2018, the Corporation paid dividends to shareholders totalling $23 million or the equivalent of $0.15 per share in the first quarter and $0.1575 per share in the second quarter, compared with $23 million (or the equivalent of $0.15 per share for each of the first two quarters) in the first half of 2017.

During the first six months of 2018, the Corporation disbursed $17 million for the early redemption of financial instruments. Boralex also paid $4 million to non-controlling shareholders, an amount equivalent to that for the same period of 2017.

Net change in cash and cash equivalents

Total cash movements since the beginning of fiscal 2018 resulted in a $44 million increase in *Cash and cash equivalents* to $159 million as at June 30, 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 first six months of 2018 amounted to $13 million, which was similar to the amount reported in the corresponding period of 2017. The contribution of net cash flows related to operating activities amounted to $12 million, compared with $11 million for the first half 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 June 30, 2018	As at December 31, 2017
ASSETS		
Cash and cash equivalents	159	115
Restricted cash	51	35
Other current assets	132	175
CURRENT ASSETS	342	325
Property, plant and equipment	2,879	2,621
Intangible assets	796	655
Goodwill	192	182
Interests in the Joint Ventures	27	24
Other non-current assets	138	119
NON-CURRENT ASSETS	4,032	3,601
TOTAL ASSETS	4,374	3,926
LIABILITIES		
CURRENT LIABILITIES	502	429
Non-current debt	2,768	2,418
Convertible debentures	138	137
Various other non-current liabilities	256	213
NON-CURRENT LIABILITIES	3,162	2,768
TOTAL LIABILITIES	3,664	3,197
EQUITY		
TOTAL EQUITY	710	729
TOTAL LIABILITIES AND EQUITY	4,374	3,926

Summary of significant changes

In addition to the impact of exchange rate fluctuations, the changes related Boralex's statement of financial position between December 31, 2017 and June 30, 2018 reflect investments and financing related to the continued development of the Corporation's wind and hydroelectric power projects.

Assets

As at June 30, 2018, Boralex's total assets amounted to $4,374 million, up $448 million from the amount as at December 31, 2017 as a result of the following: $17 million growth in *Current assets*, driven mainly by the $44 million increase in *Cash and cash equivalents* (including $16 million following the acquisition of Kallista) and $16 million in *Restricted cash*.

Non-current assets were up $431 million, owing primarily to:

- The $258 million increase in the value of *Property, plant and equipment* (net of amortization for the period):
  - $219 million following the Kallista acquisition;
  - $47 million owing to the progress of projects under construction, including the Inter Deux Bos, Le Pelon, Hauts de Comble and Sources de l'Ancre wind farms in France and the foreign exchange effect;
  - An $8 million reduction resulting from impairment losses of $6 million on the Cham longe I wind farm and $2 million on Lanouée Forest land.
- A $141 million increase in the value of *Intangible assets* (net of amortization for the period):
  - A $10 million increase in contingent consideration in connection with projects in the Ecotera portfolio for the Inter Deux Bos and Basse Thiérache Nord wind power projects;
  - A $149 million increase in value related to Kallista at the time of the preliminary purchase price allocation;
  - A $5 million increase resulting from the foreign exchange difference on the value of French energy sales contracts;
  - A $4 million reduction due to the impairment loss on the Otter Creek project intangible assets in connection with the government's decision.
- A $10 million increase in *Goodwill*, of which $9 million resulted from the preliminary purchase price allocation for the Kallista shares.
- A $19 million increase in *Other non-current assets*, including $10 million in reserve funds for servicing Kallista's non-current borrowings, and $8 million in *Other non-current financial assets*.

Current liabilities

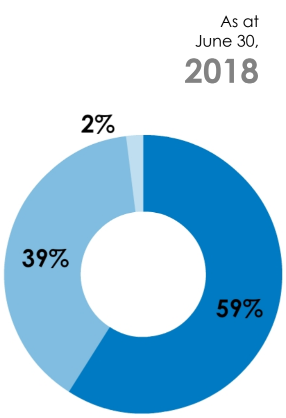
Current liabilities as at June 30, 2018 amounted to $502 million, compared with $429 million as at December 31, 2017. This $73 million increase was due to the $89 million increase in the *Current portion of debt* partially offset by the $22 million decrease in *Other current financial liabilities*. The increase in the *Current portion of debt* is primarily attributable to the $64 million Cube term loan that will mature in January 2019, as well as $17 million in non-current debt assumed upon the Kallista asset acquisition.

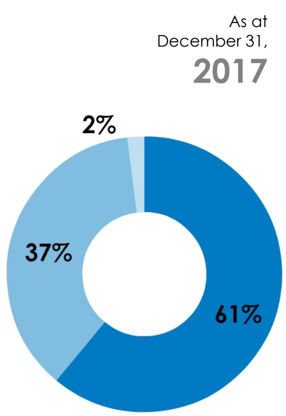
Non-current liabilities

Total *Non-current liabilities* were up $394 million, owing to the $350 million increase in *Non-current debt* (net of repayments for the period) including $139 million of non-current debt assumed following the Kallista acquisition. Note also the $43 million in various non-current liabilities, particularly the increases of $11 million in *Other non-current financial liabilities* and $12 million in the *Decommissioning liability* also related to the Kallista acquisition. In addition, a $19 million increase in *Deferred tax liabilities* was recognized following the Kallista asset acquisition. The principal financing transactions are summarized in the *Analysis of results* and *Financial position sections* for the six-month period ended June 30, 2018 (*Financing activities*).

Also, as at June 30, 2018, Boralex had $168 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 $84 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 June 30, 2018 amounting to $374 million on a Combined basis was comparable to $383 million as at the same date in 2017. The contribution of the Joint Ventures' debt totalled $305 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 declined $19 million during the first half of 2018 to $710 million as at June 30, 2018. The decrease resulted primarily from the inclusion of a $10 million net loss and from the $17 million change in *Accumulated other comprehensive income* related to translation of financial statements, less total dividends of $23 million paid to shareholders of Boralex.

Debt ratios

Net debt, as defined under *Non-IFRS measures*, amounted to $2,900 million as at June 30, 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 62% as at June 30, 2018 from 56% as at December 31, 2017.

Information about the Corporation's equity

As at June 30, 2018, Boralex's capital stock consisted of 76,319,152 Class A shares issued and outstanding (76,255,051 as at December 31, 2017).

There were 622,898 outstanding stock options as at June 30, 2018, of which 526,417 were exercisable.

As at June 30, 2018, Boralex had 1,437,170 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 July 1 to August 9, 2018, no new shares were issued on exercise of stock options and 510 new shares were issued 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 Patrick Lemaire, a director of the Corporation, is one of three shareholders. For the six-month period ended June 30, 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 June 30, 2018, the amount of the transactions with this entity is not material.

On March 29, 2018, the Corporation entered into $170 million in financing with the Caisse in the form of unsecured subordinated debt with a 10-year maturity. On July 24, 2018, Boralex drew down its $100 million second tranche. As at June 30, 2018, the interest related to this transaction amounted to $2 million.

The Six Nations' equity interest in FWRN LP was financed through a non-recourse loan initially provided by Enercon which will be repaid, with interest, through Six Nations' share of the payouts that FWRN LP will make during the term of the feed-in tariff contract. As at June 30, 2018, interest related to this advance amounted to $1 million.

On June 20, 2018, the Corporation acquired the shares of Kallista, which owned a portfolio of 15 wind farms in operation. The 15 MW Val aux Moines wind farm is 35% owned by the shareholder Nordex Employees Holding GmbH. The non-controlling shareholder advanced $6 million (€4 million) to the project to finance the construction of the facility. As at June 30, 2018, interest related to this due to a non-controlling shareholder was not material.

Transactions with the Joint Ventures

SDB I

For the six-month period ended June 30, 2018, Joint Venture Phase I reported net earnings of $10 million ($9 million in 2017), with Boralex's share amounting to $5 million ($4 million in 2017).

SDB II

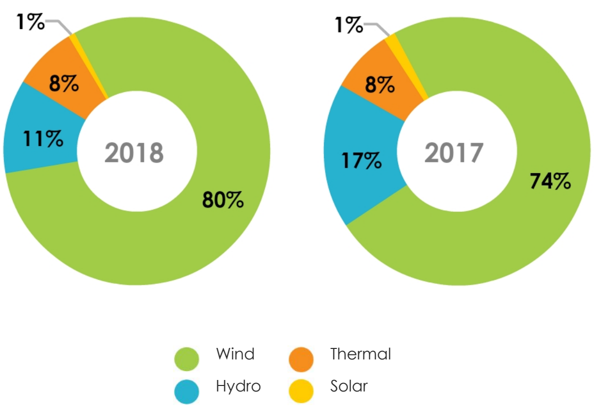
For the six-month period ended June 30, 2018, Joint Venture Phase II reported net earnings of $2 million ($2 million in 2017) with Boralex's share amounting to $1 million ($1 million in 2017).

Segment and geographic breakdown of results for the six-month periods ended June 30, 2018 and 2017

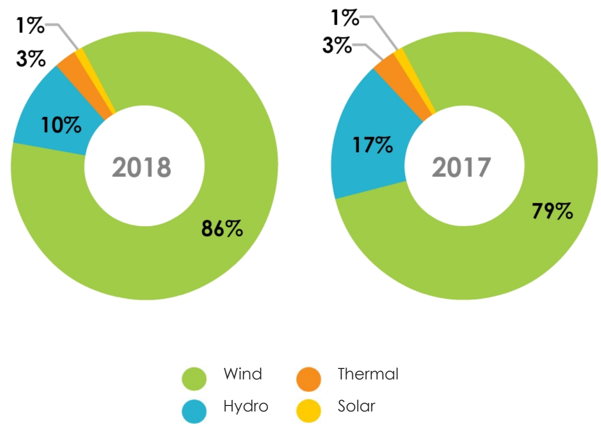
Segment breakdown

The following is a discussion of changes in segment breakdown of revenues and EBITDA(A) for the six-month period ended June 30, 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 six months of 2018 wind power segment revenues rose 27% from the same period of 2017 and represented 80% of consolidated revenues, compared with 74% for 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, the contribution of the NRWF facility for the first 17 days of 2018 and that of acquired Kallista facilities from June 20, 2018 and better performance at the existing facilities in France during the first quarter as a result of much more favourable wind conditions.

Wind power segment EBITDA(A) for the first six months of 2018 rose 24% compared with the same period in 2017, representing 86% of consolidated EBITDA(A) (before the corporate segment and eliminations), exceeding the 2017 first half-year 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., 81% for the first six months of 2018, compared with 83% for the same period in 2017.

Given the anticipated acquisitions and commissioning until 2020 for 218 MW in additional capacity, as well as the large pipeline of potential projects Boralex has access to, this segment's contribution to the Corporation's operating profitability will increase over the coming quarters and years, helping to maintain a solid average profit margin.

Hydroelectric

For the first six months of 2018, hydroelectric power segment revenues and EBITDA(A) declined 24% and 31%, respectively, compared with the corresponding period of 2017, owing primarily to less favourable water flow conditions and lower prices at the U.S. power stations. Given the growth in the wind power segment, the hydroelectric power segment's contribution to the Corporation's consolidated revenues eased to 11% for the first six months of 2018 from 17% for the same period in 2017, while its contribution to EBITDA(A) (before the corporate segment and eliminations) declined to 10% from 17%. EBITDA(A) margin for this segment, as a percentage of revenues, declined to 71% for the first six months of 2018 from 78% for the same period of 2017.

Thermal

Thermal power segment revenues were up 18% for the first six months of 2018 compared to the same period last year, owing to better performance in the second quarter which largely offset lower production at the Senneterre power station in Québec for the first quarter. This segment accounted for 8% of consolidated revenues for the first six months of 2018, the same percentage as for the corresponding period last year. The thermal segment's contribution to consolidated EBITDA(A) (before the corporate segment and eliminations) also held steady at 3%. EBITDA(A) margin for this segment declined to 30% for the first six months of 2018 from 32% for the same period of 2017.

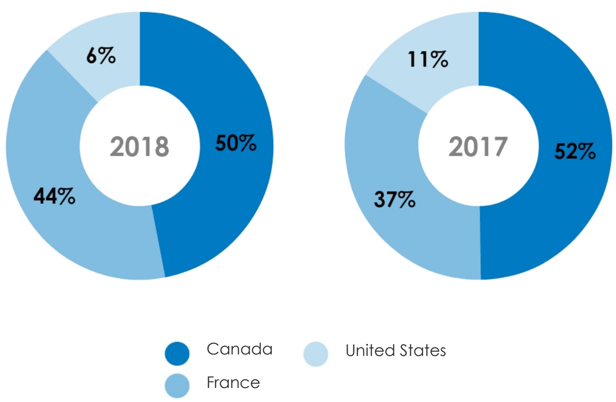
Solar

For the first six months of 2018, the solar power segment generated EBITDA(A) of $2 million, or results similar to a year earlier. The solar power segment for the time being accounts for only a marginal share of Boralex's asset portfolio.

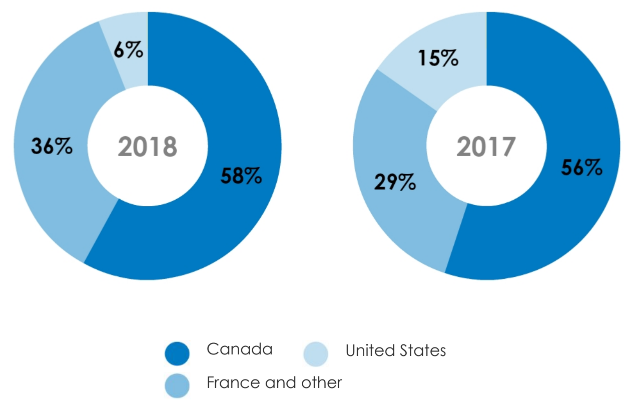
Geographic breakdown

This section discusses changes in geographic breakdown of revenues and EBITDA(A) for the six-month period ended June 30, 2018 compared with the same period of 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 six-month period ended June 30, 2018 were broken down as follows:

- 50% in **Canada** compared with 52% in 2017;
- 44% in **France** compared with 37% in 2017, given the commissioning of wind farms during fiscal 2017 and following improved performance at the French wind farms in the first quarter of 2018 compared with the same period in 2017;
- 6% in the **United States** compared with 11% in the corresponding period of 2017, owing mainly to the lower production volume and 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 Combined information

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**
Three-month period ended June 30:				
Power production (GWh)	747	134	—	881
Revenues from energy sales	95	15	—	110
EBITDA(A)	57	13	(2)*	68
Net earnings (loss)	(33)	3	(3)*	(33)
Net cash flows related to operating activities	52	9	(2)**	59
Cash flows from operations	21	7	(2)**	26
Six-month period ended June 30:				
Power production (GWh)	1,802	283	—	2,085
Revenues from energy sales	247	31	—	278
EBITDA(A)	161	26	(5)*	182
Net earnings (loss)	(10)	7	(7)*	(10)
Net cash flows related to operating activities	162	18	(6)**	174
Cash flows from operations	98	19	(6)**	111
As at June 30:				
Total assets	4,374	374	(24)***	4,724
Debt, including non-current debt and current portion of debt	3,081	305	—	3,386

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

2017

(in millions of Canadian dollars) (unaudited)	IFRS	SDB – I and II (50%)	Eliminations	Combined
Three-month period ended June 30:				
Power production (GWh)	744	119	—	863
Revenues from energy sales	92	13	—	105
EBITDA(A)	57	10	—	67
Net earnings (loss)	(7)	1	(1)*	(7)
Net cash flows related to operating activities	38	10	(5)**	43
Cash flows from operations	44	7	(5)**	46
Six-month period ended June 30:				
Power production (GWh)	1,653	273	—	1,926
Revenues from energy sales	211	29	—	240
EBITDA(A)	144	25	(4)*	165
Net earnings	8	5	(5)*	8
Net cash flows related to operating activities	92	16	(5)**	103
Cash flows from operations	102	18	(5)**	115
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

2018

(in millions of Canadian dollars) (unaudited)	IFRS	SDB – I and II (50%)	Eliminations	Combined
Three-month period ended June 30:				
Power production (GWh)	490	134	—	624
Revenues from energy sales	73	15	—	88
EBITDA(A)	58	12	(2)*	68
Six-month period ended June 30:				
Power production (GWh)	1,314	283	—	1,597
Revenues from energy sales	198	31	—	229
EBITDA(A)	160	26	(6)*	180

2017

(in millions of Canadian dollars) (unaudited)	IFRS	SDB – I and II (50%)	Eliminations	Combined
Three-month period ended June 30:				
Power production (GWh)	488	119	—	607
Revenues from energy sales	68	13	—	81
EBITDA(A)	53	10	(1)*	62
Six-month period ended June 30:				
Power production (GWh)	1,143	273	—	1,416
Revenues from energy sales	155	29	—	184
EBITDA(A)	130	25	(5)*	150

* 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 acquisition costs 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:

	2018			
(in millions of Canadian dollars) (unaudited)	IFRS	SDB – I and II (50%)	Eliminations	Combined
Three-month period ended June 30:				
Net loss	(33)	3	(3)	(33)
Income tax recovery	(8)	—	—	(8)
Financing costs	30	4	1	35
Amortization	48	5	—	53
Impairment of property, plant and equipment and intangible assets	12	—	—	12
EBITDA	49	12	(2)	59
Adjustments:				
Acquisition costs	7	—	—	7
Other	1	1	—	2
EBITDA(A)	57	13	(2)	68
Six-month period ended June 30:				
Net earnings (loss)	(10)	7	(7)	(10)
Income tax recovery	(2)	—	—	(2)
Financing costs	58	9	2	69
Amortization	95	11	—	106
Impairment of property, plant and equipment and intangible assets	12	—	—	12
EBITDA	153	27	(5)	175
Adjustments:				
Acquisition costs	7	—	—	7
Other	1	(1)	—	—
EBITDA(A)	161	26	(5)	182

(in millions of Canadian dollars) (unaudited)	IFRS	SDB – I and II (50%)	Eliminations	Combined
				2017
Three-month period ended June 30:				
Net earnings (loss)	(7)	1	(1)	(7)
Financing costs	23	4	1	28
Amortization	43	6	—	49
EBITDA	59	11	—	70
Adjustments:				
Other	(2)	(1)	—	(3)
EBITDA(A)	57	10	—	67
Six-month period ended June 30:				
Net earnings	8	5	(5)	8
Income tax expense	7	—	—	7
Financing costs	47	10	1	58
Amortization	83	11	—	94
EBITDA	145	26	(4)	167
Adjustments:				
Other	(1)	(1)	—	(2)
EBITDA(A)	144	25	(4)	165

Cash flows from operations

Cash flows from operations under IFRS and 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, changes in non-cash items can vary considerably.

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

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

(in millions of Canadian dollars) (unaudited)	IFRS	SDB – I and II (50%)	Eliminations	Combined
				2018
Three-month period ended June 30:				
Net cash flows related to operating activities	52	9	(2)*	59
Change in non-cash items related to operating activities	(31)	(2)	—	(33)
CASH FLOWS FROM OPERATIONS	21	7	(2)	26
Six-month period ended June 30:				
Net cash flows related to operating activities	162	18	(6)*	174
Change in non-cash items related to operating activities	(64)	1	—	(63)
CASH FLOWS FROM OPERATIONS	98	19	(6)	111

* Distributions received from the Joint Ventures

(in millions of Canadian dollars) (unaudited)	2017 IFRS	2017 SDB – I and II (50%)	2017 Eliminations	2017 Combined
Three-month period ended June 30:				
Net cash flows related to operating activities	38	10	(5)*	43
Change in non-cash items related to operating activities	6	(3)	—	3
CASH FLOWS FROM OPERATIONS	44	7	(5)	46
Six-month period ended June 30:				
Net cash flows related to operating activities	92	16	(5)*	103
Change in non-cash items related to operating activities	10	2	—	12
CASH FLOWS FROM OPERATIONS	102	18	(5)	115

* 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:

(in millions of Canadian dollars) (unaudited)	IFRS As at June 30, 2018	IFRS As at December 31, 2017
Non-current debt	2,768	2,418
Current portion of debt	313	224
Borrowing costs, net of accumulated amortization	29	27
Less:		
Cash and cash equivalents	159	115
Restricted cash	51	35
Net debt	2,900	2,519
Net debt excluding non-current debt drawn for projects under construction	2,737	2,394

The Corporation defines total market capitalization as follows:

(in millions of Canadian dollars, unless otherwise specified) (unaudited)	IFRS As at June 30, 2018	IFRS As at December 31, 2017
Number of outstanding shares (in thousands)	76,319	76,255
Share market price (in $ per share)	21.06	23.50
Market value of equity attributable to shareholders	1,607	1,792
Non-controlling shareholders	39	44
Net debt	2,900	2,519
Convertible debentures (nominal value)	144	144
Total market capitalization	4,690	4,499

The Corporation computes the net debt ratio as follows:

	IFRS	
(in millions of Canadian dollars unless otherwise specified) (unaudited)	As at June 30, 2018	As at December 31, 2017
Net debt	2,900	2,519
Total market capitalization	4,690	4,499
NET DEBT RATIO (market capitalization)	62%	56%
NET DEBT RATIO (market capitalization, excluding non-current debt drawn for projects under construction)	58%	53%

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 on a Combined basis, 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, all of which is calculated based on the previous 12 months of operations. 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 12-month period ended June 30, 2018, dividends paid to shareholders by the Corporation represented 65% of discretionary cash flows.

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

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

	IFRS	
	Twelve-month periods ended	
(in millions of Canadian dollars, unless otherwise specified) (unaudited)	As at June 30, 2018	As at December 31, 2017
Cash flows from operations	191	195
Adjustment for non-recurring items(1)	7	—
Distributions paid to non-controlling shareholders	(8)	(8)
Additions to property, plant and equipment (maintenance of operations)	(7)	(8)
Repayments on non-current debt (projects)(2)(3)	(131)	(125)
Development costs (from statement of earnings)	20	17
Discretionary cash flows	**72**	**71**
Discretionary cash flows per share	$0.93	$0.94
Dividends paid to shareholders of Boralex	$46	$46
Weighted average number of outstanding shares – basic (in thousands)	76,288	75,436
Dividends paid to shareholders of Boralex per share	$0.61	$0.60
Payout ratio	**65%**	**64%**

(1) Excluding the acquisition costs incurred for Kallista and Invenergy.
(2) Adjustment of the March 2017 NRWF debt repayment prorated to the number of days held since the acquisition.
(3) Excluding the VAT and repayment of borrowings assumed at the time of the Kallista acquisition (2018).

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 benefits from partial natural coverage from this risk exposure, as revenues, expenses and financing are in the local currency. Accordingly, foreign exchange risk arises particularly from the residual liquidity that can be distributed to the parent company.

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

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

In connection with Canadian project development, certain future expenditures may be in foreign currencies. For example, certain equipment purchases in Canada are partly denominated in euros or U.S. dollars. Where applicable, the Corporation's objective is to protect its anticipated return on its investment by entering into hedging instruments to reduce 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 June 30, 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 June 30, 2018, approximately 59% of non-current debt issued bore 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 June 30, 2018:

As at June 30,

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	365	561	(18)	(28)
Interest rate swaps	CAD	859	859	8	8
Foreign exchange forward contracts	EUR vs. CAD	74	115	(7)	(7)
Cross-currency swaps	EUR vs. CAD	165	251	(3)	(3)
					(30)

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

Commitments

France – Kallista acquisition

Following the Kallista acquisition, the Corporation has to take Kallista's commitments into account:

(a) The wind farms are committed to selling 100% of their power output under long-term contracts maturing between 2020 and 2032 with a weighted average remaining term of 8 years. The contracts provide for annual indexation based on changes in cost of living indexes in France.

(b) The wind farms entered into wind turbine maintenance contracts maturing between 2019 and 2032.

(c) The wind farms lease land on which wind turbines are installed under leases maturing between 2023 and 2034.

(d) The Corporation entered into a construction contract for the **Noyers Bucamps** wind power project.

As at June 30, 2018, the Corporation's net commitment under the maintenance contracts, land leases and a construction contract amounted to $61 million (€40 million).

France – Sources de l'Ancre wind power project

In 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 $19 million (€12 million)

France – Basse Thiérache Nord wind power project

The Corporation entered into construction contracts and a turbine purchase contract and a connection agreement for the **Basse Thiérache Nord** wind power project during the quarter. As at June 30, 2018, the Corporation's net commitment under these contracts amounted to $21 million (€14 million).

France – Catésis wind power project

The Corporation entered into construction contracts and a turbine purchase contract for the **Catésis** wind power project during the quarter. As at June 30, 2018, the Corporation's net commitment under these contracts amounted to $16 million (€11 million).

France – Cham Longe I wind power project

In June 2018, the Corporation entered into certain preliminary construction contracts in connection with the **Cham Longe 1** wind farm repowering project. As at June 30, 2018, the Corporation's net commitment under these contracts amounted to $2 million (€1 million).

Subsequent events

Agreement for the acquisition of the indirect interest of Invenergy Renewables LLC ("Invenergy") in five wind farms in Québec and closing of the bought deal offering

On June 20, 2018, Boralex entered into binding agreements with members of the Invenergy Renewables LLC group ("Invenergy") to acquire all of the financial interest of Invenergy in five Québec wind farms (**Des Moulins I**, **Des Moulins II**, **Le Plateau I**, **Le Plateau II** and **Roncevaux**) totalling 201 MW for a total cash consideration of $215 million, subject to adjustments under the acquisition agreements and certain closing conditions. As at June 30, 2018, transaction costs amounted to $2 million. At the same time and to finance the acquisition, Boralex announced a public offering and a concurrent private placement of subscription receipts with the Caisse.

On July 11, 2018, the Corporation carried out a bought deal public offering of subscription receipts for gross proceeds of approximately $207 million ($199 million net of transaction costs), including the full exercise of the over-allotment option by the underwriters. The offering was carried out by a syndicate of underwriters who bought a total amount of 10,247,650 subscription receipts of the Corporation at a price of $20.20 each.

At the same date, the Corporation also carried out the concurrent private placement of Boralex subscription receipts with the Caisse for gross proceeds of $52 million ($49 million net of transaction costs), including the full exercise of the private placement option by the Caisse. The Caisse bought 2,562,200 subscription receipts through the private placement at a price of $20.20 each.

The subscription receipts are exchangeable on a one-for-one basis for Boralex Class A common shares upon closing of the transaction to acquire Invenergy's interest in **Des Moulins I**, **Des Moulins II** and **Le Plateau I** wind farms.

As at June 30, the Caisse's financial interest in Invenergy amounted to 52.4% and its interest in Boralex totalled 19.9%. Accordingly, the transaction would be considered as a "related party transaction" and the concurrent private placement as a "related party transaction" under *Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions.*

Given the acquisition and the confidence inspired by the Corporation's outlook, the Board of Directors conditionally authorized a 4.8% increase in the annual dividend from $0.63 to $0.66 per common share (from $0.1575 to $0.1650 on a quarterly basis), the second increase in the Corporation's annual dividend in 2018 for a total increase of 10.0%. This second increase will come into effect upon closing of the acquisition of **Des Moulins I**, **Des Moulins II** and **Le Plateau I** wind farms.

Canada - Construction of the Yellow Falls hydroelectric power station

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

In July 2018, a settlement agreement was entered into between the parties under which the Corporation will pay an additional lump-sum amount of $5 million to settle the claim. The signatures of the parties are currently held under escrow pending finalization of the transaction conditions. This $5 million amount was recognized in the financial statements as at June 30, 2018.

Canada – Buckingham hydroelectric power station

As at July 18, 2018, the Corporation entered into a construction contract in connection with the capacity upgrade project for the **Buckingham** hydroelectric power station. The Corporation's net commitment under this contract amounted to $19 million.

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 to 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 (loss).

IFRS 9 also sets out an expected credit loss impairment model that will require more timely recognition of credit losses. More specifically, the new standard requires entities to account for expected credit losses upon initial recognition of financial instruments, and to recognize lifetime 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(4)	Derivatives used for hedging purposes (FVPL)	FVPL/FVOCI
Due to a non-controlling shareholder	Other financial liabilities (amortized cost)	Amortized cost

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

(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 (loss). The effective portion of gains and losses on financial instruments designated as hedges is included in the consolidated statements of comprehensive income (loss) in the period in which they arise. Where management has opted to recognize a financial liability at FVPL, any changes associated with the Corporation's own credit risk will be recognized in other comprehensive income (loss).

(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 (loss).

Financial liabilities

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

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 June 30, 2018, no changes were made to ICFR that have materially affected, or are reasonably likely to materially affect, ICFR.

Limitation on scope of design of DC&P and ICFR

The limitation on the scope and design of the Corporation's DC&P and ICFR as at June 30, 2018, did not cover the controls and procedures of the activities of Kallista, acquired on June 20, 2018, and which are included in the consolidated financial statements of June 30, 2018. The Corporation has elected to apply section 3.3(1)(b) of Regulation 52-109, which allows this acquisition to be excluded from the evaluation of the design of DC&P and ICFR for a maximum of 365 days from the acquisition date. The limitation on the scope is based primarily on the time required to assess DC&P and ICFR with respect to information relating to Kallista.

Since the acquisition date, Kallista has contributed $1 million (€1 million) in revenues from energy sales and generated a negligible contribution to net loss. In addition, current assets and current liabilities represented 8% and 1% of consolidated current assets and liabilities, respectively. Non-current assets and non-current liabilities represented 10% and 7%, respectively, of consolidated non-current assets and liabilities.

Unaudited interim

Consolidated financial statements

Table of contents

CONSOLIDATED FINANCIAL STATEMENTS		56
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS		61
NOTE 1	INCORPORATION AND NATURE OF BUSINESS	61
NOTE 2	BASIS OF PRESENTATION	61
NOTE 3	CHANGES IN ACCOUNTING POLICIES	61
NOTE 4	BUSINESS COMBINATIONS	64
NOTE 5	INTERESTS IN THE JOINT VENTURES	65
NOTE 6	NON-CURRENT DEBT	70
NOTE 7	IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	71
NOTE 8	NET EARNINGS (LOSS) PER SHARE	72
NOTE 9	FINANCIAL INSTRUMENTS	73
NOTE 10	COMMITMENTS	76
NOTE 11	SEASONAL AND OTHER CYCLICAL FACTORS	77
NOTE 12	SEGMENTED INFORMATION	78
NOTE 13	SUBSEQUENT EVENTS	81

Consolidated statements of financial position

(in millions of Canadian dollars) (unaudited)	Note	As at June 30, 2018	As at December 31, 2017
ASSETS			
Cash and cash equivalents		159	115
Restricted cash		51	35
Trade and other receivables		105	134
Other current assets		27	41
CURRENT ASSETS		342	325
Property, plant and equipment		2,879	2,621
Intangible assets		796	655
Goodwill		192	182
Interests in the Joint Ventures	5	27	24
Other non-current financial assets	9	70	62
Other non-current assets		68	57
NON-CURRENT ASSETS		4,032	3,601
TOTAL ASSETS		4,374	3,926
LIABILITIES			
Trade and other payables		158	152
Current portion of debt	6	313	224
Other current financial liabilities	9	31	53
CURRENT LIABILITIES		502	429
Non-current debt	6	2,768	2,418
Convertible debentures		138	137
Deferred income tax liability		129	110
Decommissioning liability		62	48
Other non-current financial liabilities	9	41	30
Other non-current liabilities		24	25
NON-CURRENT LIABILITIES		3,162	2,768
TOTAL LIABILITIES		3,664	3,197
EQUITY			
Equity attributable to shareholders		671	685
Non-controlling shareholders		39	44
TOTAL EQUITY		710	729
TOTAL LIABILITIES AND EQUITY		4,374	3,926

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

Consolidated statements of earnings (loss)

(in millions of Canadian dollars, unless otherwise specified) (unaudited)	Note	Three-month periods ended June 30, 2018	2017	Six-month periods ended June 30, 2018	2017
REVENUES					
Revenues from energy sales		95	92	247	211
Other income		2	1	3	2
		97	93	250	213
COSTS AND OTHER EXPENSES					
Operating		30	26	69	54
Administrative		8	7	15	12
Development		4	3	10	7
Amortization		48	43	95	83
Impairment of property, plant and equipment and intangible assets	7	12	—	12	—
		102	79	201	156
OPERATING INCOME		(5)	14	49	57
Acquisition costs	4, 13	7	—	7	—
Financing costs		30	23	58	47
Share in earnings of the Joint Ventures	5	2	—	5	4
Other		1	(2)	1	(1)
EARNINGS (LOSS) BEFORE INCOME TAXES		(41)	(7)	(12)	15
Income tax expense (recovery)		(8)	—	(2)	7
NET EARNINGS (LOSS)		(33)	(7)	(10)	8
NET EARNINGS (LOSS) ATTRIBUTABLE TO:					
Shareholders of Boralex		(28)	(2)	(8)	13
Non-controlling shareholders		(5)	(5)	(2)	(5)
NET EARNINGS (LOSS)		(33)	(7)	(10)	8
NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – BASIC AND DILUTED	8	($0.36)	($0.03)	($0.10)	$0.18

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

Consolidated statements of comprehensive income (loss)

(in millions of Canadian dollars) (unaudited)	Three-month periods ended June 30, 2018	2017	Six-month periods ended June 30, 2018	2017
NET EARNINGS (LOSS)	(33)	(7)	(10)	8
Other comprehensive income (loss) to be subsequently reclassified to net earnings (loss) when certain conditions are met				
Translation adjustments:				
Unrealized foreign exchange gain (loss) on translation of financial statements of self-sustaining foreign operations	(12)	12	11	12
Hedge of net investment:				
Change in fair value	5	(5)	(3)	(3)
Cash flow hedges:				
Change in fair value	(1)	9	2	5
Hedging items realized and recognized in net earnings (loss)	3	3	7	6
Income taxes	—	(4)	(2)	(4)
Cash flow hedges – Joint Ventures:				
Change in fair value	—	3	1	1
Hedging items realized and recognized in net earnings (loss)	1	2	2	3
Income taxes	(1)	(1)	(1)	(1)
Total other comprehensive income (loss)	(5)	19	17	19
COMPREHENSIVE INCOME (LOSS)	(38)	12	7	27
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of Boralex	(33)	17	9	31
Non-controlling shareholders	(5)	(5)	(2)	(4)
COMPREHENSIVE INCOME (LOSS)	(38)	12	7	27

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

Consolidated statements of changes in equity

Six-month period ended June 30, **2018**

(in millions of Canadian dollars) (unaudited)	Equity attributable to shareholders							
	Capital stock	Equity component of convertible debentures	Contributed surplus	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 loss	—	—	—	(8)	—	(8)	(2)	(10)
Other comprehensive income	—	—	—	—	17	17	—	17
COMPREHENSIVE INCOME (LOSS)	—	—	—	(8)	17	9	(2)	7
Dividends (note 8)	—	—	—	(23)	—	(23)	—	(23)
Exercise of options	1	—	—	—	—	1	—	1
Distributions paid to non-controlling shareholders	—	—	—	—	—	—	(4)	(4)
Other	(1)	—	—	—	—	(1)	1	—
BALANCE AS AT JUNE 30, 2018	733	4	9	(74)	(1)	671	39	710

Six-month period ended June 30, **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 income (loss)	Total	Non-controlling shareholders	Total equity
BALANCE AS AT JANUARY 1, 2017	557	4	9	(19)	(55)	496	18	514
Net earnings (loss)	—	—	—	13	—	13	(5)	8
Other comprehensive income	—	—	—	—	18	18	1	19
COMPREHENSIVE INCOME (LOSS)	—	—	—	13	18	31	(4)	27
Dividends (note 8)	—	—	—	(23)	—	(23)	—	(23)
Shares issued	170	—	—	—	—	170	—	170
Exercise of options	2	—	—	—	—	2	—	2
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	—	—	—	—	—	—	(4)	(4)
BALANCE AS AT JUNE 30, 2017	729	4	9	(29)	(37)	676	54	730

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 June 30, 2018	Three-month periods ended June 30, 2017	Six-month periods ended June 30, 2018	Six-month periods ended June 30, 2017
Net earnings (loss)		(33)	(7)	(10)	8
Distributions received from the Joint Ventures	5	2	5	6	5
Financing costs		30	23	58	47
Interest paid		(27)	(18)	(55)	(43)
Income tax expense (recovery)		(8)	—	(2)	7
Income taxes paid		(1)	(1)	(1)	(1)
Non-cash items in earnings (loss):					
Amortization		48	43	95	83
Share in earnings of the Joint Ventures	5	(2)	—	(5)	(4)
Impairment of property, plant and equipment and intangible assets	7	12	—	12	—
Other		—	(1)	—	—
Change in non-cash items related to operating activities		31	(6)	64	(10)
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES		52	38	162	92
Business acquisition, net of cash acquired	4	(104)	—	(108)	(230)
Additions to property, plant and equipment		(55)	(67)	(114)	(124)
Acquisition of energy sales contracts		—	(22)	(10)	(22)
Change in restricted cash		(6)	2	(16)	168
Other		3	(1)	1	(1)
NET CASH FLOWS RELATED TO INVESTING ACTIVITIES		(162)	(88)	(247)	(209)
Increase in non-current debt		273	109	522	248
Repayments on non-current debt		(36)	(27)	(263)	(90)
Repayment of loans assumed in a business acquisition	4	(86)	—	(86)	—
Distributions paid to non-controlling shareholders		(4)	(4)	(4)	(4)
Dividends paid to shareholders of Boralex	8	(12)	(11)	(23)	(23)
Share issuance and financing costs		—	—	(4)	(6)
Exercise of options		—	1	1	2
Redemption of financial instruments prior to maturity	9	(7)	—	(17)	—
Other		1	—	—	—
NET CASH FLOWS RELATED TO FINANCING ACTIVITIES		129	68	126	127
TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS		(2)	2	3	3
NET CHANGE IN CASH AND CASH EQUIVALENTS		17	20	44	13
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD		142	93	115	100
CASH AND CASH EQUIVALENTS – END OF PERIOD		159	113	159	113

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

Notes to consolidated financial statements

As at June 30, 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 June 30, 2018, the Corporation had interests in 70 wind farms, 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 1,619 megawatts ("MW"). In addition, Boralex has new production sites under development, representing an additional 244 MW of power. The Corporation also operates two hydroelectric power stations on behalf of R.S.P. Énergie Inc., an entity of which one of the three shareholders is Patrick Lemaire, a director of the Corporation. Revenues from energy sales are generated mainly in Canada, France and the United States.

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

(The data expressed in MW and GWh contained in notes 1, 4, 5, 7, 11, 12 and 13 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 August 9, 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 (loss).

IFRS 9 also sets out an expected credit loss impairment model that will require more timely recognition of credit losses. More specifically, the new standard requires entities to account for expected credit losses upon initial recognition of financial instruments, and to recognize lifetime 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(4)	Derivatives used for hedging purposes (FVPL)	FVPL/FVOCI
Due to a non-controlling shareholder	Other financial liabilities (amortized cost)	Amortized cost

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

(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 (loss). The effective portion of gains and losses on financial instruments designated as hedges is included in the consolidated statements of comprehensive income (loss) in the period in which they arise. Where management has opted to recognize a financial liability at FVPL, any changes associated with the Corporation's own credit risk will be recognized in other comprehensive income (loss).

(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 (loss).

Financial liabilities

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

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. Business combinations

Kallista acquisition

On June 20, 2018, Boralex announced the signing of a purchase agreement with Ardian Infrastructure to acquire all the shares outstanding of Kallista Energy Investment SAS and 10% of the shares of KE Production SAS for a total cash consideration of $121 million (€78 million) for the shares, subject to adjustments under the acquisition agreements and the assumption by Boralex of project debt amounting to $171 million (€111 million). The Corporation also repaid $78 million (€51 million) on a due to a non-controlling shareholder granted by Ardian Infrastructure to Kallista Energy Investment SAS and $8 million (€6 million) on a bridge loan included under assumed Non-current debt, for a total amount of $86 million (€56 million).

The portfolio comprises 15 wind farms in operation totalling 163 MW with a weighted average remaining life of 8 years under contract, a 10 MW facility under construction and a portfolio of projects totalling about 158 MW. The consideration was paid by Boralex from its revolving credit facility.

This transaction gave rise to acquisition costs of $4 million (€3 million), which were expensed. The acquisition was accounted for by the Corporation using the acquisition method set out in IFRS 3, *Business Combinations*. The statement of financial position and the results of this acquisition are consolidated as of June 20, 2018.

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

	Preliminary allocation	
	(in $)	(in €)
Cash and cash equivalents	21	13
Trade and other receivables	4	3
Other current assets	2	1
Property, plant and equipment	221	143
Energy sales contracts	149	97
Goodwill	9	6
Other non-current assets	10	6
Current liabilities	(4)	(2)
Assumed non-current debt	(171)	(111)
Deferred income tax liabilities	(19)	(13)
Other non-current financial liabilities	(5)	(3)
Decommissioning liability	(12)	(7)
Due to a non-controlling shareholder	(6)	(4)
	199	129
Assumed loan to a shareholder	(78)	(51)
Net assets	121	78
Less:		
Cash and cash equivalents acquired	21	13
Net consideration paid for the acquisition	100	65

Trade and other receivables acquired at the time of the transaction had a fair value of $4 million (€3 million), and the Corporation expects they will all be received during 2018. *Goodwill* consists of deferred tax. *Goodwill* is not deductible for tax purposes.

The preliminary purchase price allocation was based on the fair value at the acquisition date. Once the final purchase price has been determined, adjustments will be reflected in a number of line items, possibly *Property, plant and equipment*, *Energy sales contracts*, *Goodwill* and *Deferred income tax liabilities*.

Since the acquisition date, the acquired entity has contributed $1 million (less than €1 million) to revenues from energy sales and generated non-significant net earnings.

If the acquisition had occurred on January 1, 2018, management estimates that consolidated revenues from energy sales would have been $22 million (€14 million) higher or $269 million and net loss would have been $7 million. These estimates are based on the assumption that the fair market value adjustments that were made on the date of acquisition would have been the same had the acquisition occurred on January 1, 2018.

Note 5. 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

				Six-month period ended June 30, 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	5	1	—	6	8	1	—	9
Share in other comprehensive income	3	—	—	3	10	—	—	10
Distributions	(4)	(2)	—	(6)	(13)	(4)	—	(17)
Balance – end of period	16	8	3	27	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 June 30, 2018			As at December 31, 2017
	Phase I	Phase II	Total	Phase I	Phase II	Total
Cash and cash equivalents	26	4	30	19	4	23
Other current assets	8	2	10	11	2	13
Non-current assets	558	151	709	575	156	731
TOTAL ASSETS	592	157	749	605	162	767
Current portion of debt	26	5	31	27	4	31
Other current liabilities	14	2	16	17	4	21
Non-current debt	457	121	578	468	124	592
Non-current financial liabilities	20	—	20	26	—	26
Other non-current liabilities	42	13	55	43	12	55
TOTAL LIABILITIES	559	141	700	581	144	725
NET ASSETS	33	16	49	24	18	42

The Joint Venture Phase I debt has a combined average interest rate of 4.89% and matures in 2032, whereas the Joint Venture Phase II debt has a combined average interest rate of 5.66% and matures in 2034.

Note 5. Interests in the Joint Ventures (cont'd)

	Three-month period ended June 30, 2018			Three-month period ended June 30, 2017		
	Phase I	Phase II	Total	Phase I	Phase II	Total
Power production (GWh)	213	56	269	188	51	239
Revenues from energy sales	24	6	30	20	6	26
Operating expenses	4	1	5	4	1	5
Amortization	9	2	11	9	2	11
Other gains	—	—	—	(1)	—	(1)
OPERATING INCOME	11	3	14	8	3	11
Financing costs	7	2	9	7	2	9
NET EARNINGS	4	1	5	1	1	2
Total other comprehensive income	2	—	2	8	—	8
COMPREHENSIVE INCOME	6	1	7	9	1	10

	Six-month period ended June 30, 2018			Six-month period ended June 30, 2017		
	Phase I	Phase II	Total	Phase I	Phase II	Total
Power production (GWh)	447	119	566	433	113	546
Revenues from energy sales	49	13	62	47	11	58
Operating expenses	7	2	9	8	1	9
Amortization	18	5	23	18	4	22
Other gains	(1)	—	(1)	(2)	—	(2)
OPERATING INCOME	25	6	31	23	6	29
Financing costs	15	4	19	14	4	18
NET EARNINGS	10	2	12	9	2	11
Total other comprehensive income	6	—	6	7	—	7
COMPREHENSIVE INCOME	16	2	18	16	2	18

	Three-month period ended June 30, 2018			Three-month period ended June 30, 2017		
	Phase I	**Phase II**	**Total**	**Phase I**	**Phase II**	**Total**
Net earnings	4	1	5	1	1	2
Financing costs	7	2	9	7	2	9
Interest paid	(7)	(2)	(9)	(6)	(2)	(8)
Amortization	9	2	11	9	2	11
Other gains	—	—	—	(1)	—	(1)
Change in non-cash items related to operating activities	2	2	4	5	—	5
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES	15	5	20	15	3	18
NET CASH FLOWS RELATED TO INVESTING ACTIVITIES	—	—	—	—	—	—
Repayments on non-current debt	(14)	(1)	(15)	(14)	(1)	(15)
Distributions paid	—	(4)	(4)	(7)	(3)	(10)
NET CASH FLOWS RELATED TO FINANCING ACTIVITIES	(14)	(5)	(19)	(21)	(4)	(25)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1	—	1	(6)	(1)	(7)
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	25	4	29	27	5	32
CASH AND CASH EQUIVALENTS – END OF PERIOD	26	4	30	21	4	25

	Six-month period ended June 30, 2018			Six-month period ended June 30, 2017		
	Phase I	Phase II	Total	Phase I	Phase II	Total
Net earnings	10	2	12	9	2	11
Financing costs	15	4	19	14	4	18
Interest paid	(13)	(4)	(17)	(13)	(4)	(17)
Amortization	18	5	23	18	4	22
Other gains	(1)	—	(1)	(2)	—	(2)
Change in non-cash items related to operating activities	(1)	—	(1)	—	—	—
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES	28	7	35	26	6	32
NET CASH FLOWS RELATED TO INVESTING ACTIVITIES	—	—	—	—	—	—
Repayments on non-current debt	(14)	(2)	(16)	(14)	(2)	(16)
Distributions paid	(7)	(5)	(12)	(7)	(3)	(10)
NET CASH FLOWS RELATED TO FINANCING ACTIVITIES	(21)	(7)	(28)	(21)	(5)	(26)
NET CHANGE IN CASH AND CASH EQUIVALENTS	7	—	7	5	1	6
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	19	4	23	16	3	19
CASH AND CASH EQUIVALENTS - END OF PERIOD	26	4	30	21	4	25

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 (loss) of Boralex:

	Three-month period ended June 30, 2018				Three-month period ended June 30, 2017			
	Phase I	Phase II	Denmark	Total	Phase I	Phase II	Denmark	Total
Share in results (50%)	2	1	—	3	—	—	—	—
Other[(1)]	(1)	—	—	(1)	—	—	—	—
Share in earnings of the Joint Ventures	1	1	—	2	—	—	—	—

	Six-month period ended June 30, 2018				Six-month period ended June 30, 2017			
	Phase I	Phase II	Denmark	Total	Phase I	Phase II	Denmark	Total
Share in results (50%)	5	1	—	6	4	1	—	5
Other[(1)]	(1)	—	—	(1)	(1)	—	—	(1)
Share in earnings of the Joint Ventures	4	1	—	5	3	1	—	4

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

Share in comprehensive income of the Joint Ventures

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

	Three-month period ended June 30, 2018				Three-month period ended June 30, 2017			
	Phase I	Phase II	Denmark	Total	Phase I	Phase II	Denmark	Total
Share in comprehensive income (50%)	1	—	—	1	4	—	—	4

	Six-month period ended June 30, 2018				Six-month period ended June 30, 2017			
	Phase I	Phase II	Denmark	Total	Phase I	Phase II	Denmark	Total
Share in comprehensive income (50%)	3	—	—	3	4	—	—	4

Note 6. Non-current debt

	Note	Maturity	Rate(1)	Currency of origin	As at June 30, 2018	As at December 31, 2017
Revolving credit facility	(a)	2022	4.15		314	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		133	138
Témiscouata I wind farm		2032	5.26		45	46
Témiscouata II wind farm		2033	5.64		112	114
Niagara Region Wind Farm (NRWF)		2034	3.69		727	750
Port Ryerse wind farm		2034	3.94		29	30
Frampton wind farm		2035	4.17		67	69
Côte-de-Beaupré wind farm		2035	4.23		52	52
Moose Lake wind project		2043	3.85		27	26
Jamie Creek power station		2054	5.42		55	55
Other debt		—	—		6	6
CANADA					1,847	1,632
Master agreement – wind farms in France		2020-2025	5.33	63	96	101
Bridge financing facility – France and Scotland		2018	0.84	46	70	69
Term loan payable:						
Cube		2019	6.50	40	61	60
Kallista wind farms	4,(c)	2019-2035	3.43	102	157	—
Avignonet II wind farm		2025	1.68	2	3	3
Lauragais solar power facility		2025-2028	3.97	8	12	13
Mont de Bagny, Voie des Monts, Artois and Chemin de Grès wind farms		2026-2032	1.59	128	196	199
St-Patrick wind farm		2027	1.64	31	48	50
La Vallée wind farm		2028	4.42	25	39	40
Fortel-Bonnières and St-François wind farms		2028-2029	3.74	47	72	75
Vron wind farm		2030	3.38	8	13	13
Boralex Énergie Verte (BEV) wind farms		2030	2.50	158	243	251
Calmont wind farm		2030	2.51	18	28	28
Plateau de Savernat wind farm		2031	2.37	15	23	24
Touvent wind farm		2031	2.11	18	27	28
Les Cigalettes solar power facility		2033	2.77	8	13	13
Inter Deux Bos, Côteaux du Blaiseron, Hauts de Comble, Sources de l'Ancre et Le Pelon wind projects		2033	2.55	60	93	1
Other debt		—	—	5	7	6
FRANCE				782	1,201	974
Senior secured U.S. note		2026	3.51	48	62	63
UNITED STATES				48	62	63
			3.87		3,110	2,669
Current portion of debt					(313)	(224)
Borrowing costs, net of accumulated amortization					(29)	(27)
					2,768	2,418

(1) Weighted average rates, adjusted to reflect the impact of interest rate swaps and calculated using the effective interest method, 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 ("The Caisse"), 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. On July 24, 2018, Boralex drew on the second $100 million tranche to partly refinance the Kallista acquisition. Its terms and conditions are the same as for the first tranche, except for the interest rate of 5.72% which reflects 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.

(c) Kallista acquisition

On June 20, 2018, Boralex completed the transaction, announced on April 20, 2018, to acquire Kallista Energy Investment SAS, consisting of 15 assets in operation and one asset under construction with 15 project financing facilities. These terms loans secured by the underlying assets of each of these projects are repayable on a quarterly or half-yearly basis over periods ranging from 2019 to 2035 and bearing interest at rates between 1.33% to 6.20% or a weighted average rate of 3.43%. considering the impact of interest rate swaps.

Note 7. Impairment of property, plant and equipment and intangible assets

Cham Longe I wind farm

Boralex's Board of Directors recently green-lighted the repowering of the Cham Longe I wind farm with a current capacity of 18 MW, to be increased to 35 MW, all of which is to be covered by a new energy sales contract. To carry out the repowering, the Corporation has to wind up operations prematurely and decommission the current facility. As at June 30, 2018, the Corporation assessed the impact of premature decommissioning of the facility and recorded an impairment loss of $6 million (€4 million) on property, plant and equipment to write down the carrying amount of these assets to their recovery amount. However, in its profitability analysis for the repowering, the Corporation took into account the loss of liquidity associated with the current contract. This analysis demonstrated a significant long-term value creation for the shareholders of the Corporation, thus allowing to make the decision to go ahead with the repowering project.

Otter Creek wind power project

On July 16, 2018, the Corporation received notice from IESO of the unilateral termination of the power purchase agreement for the 50 MW Otter Creek wind power project in Ontario. As at June 30, 2018, a $4 million impairment loss on property, plant and equipment and intangible assets was recognized to write down the carrying amount of these assets to their recoverable amount.

Lanouée Forest

On July 26, 2018, the Corporation signed an offer to sell about 3,833 hectares of the Lanouée Forest in France, acquired in September 2016 with a portfolio of wind power projects located in France and in Scotland, for a price of $45 million (€30 million). The price is subject to adjustments in order to set the final price as at December 17, 2018, the date of sale of the forest. A $2 million (€1 million) impairment loss on property, plant and equipment was recognized as at June 30, 2018 to write down the carrying amount of these assets to their recovery amount.

Note 8. Net earnings (loss) per share

(a) Net earnings (loss) per share – basic

(in millions of Canadian dollars, unless otherwise specified) (unaudited)	Three-month periods ended June 30, 2018	2017	Six-month periods ended June 30, 2018	2017
Net earnings (loss) attributable to shareholders of Boralex	(28)	(2)	(8)	13
Weighted average number of shares – basic	76,318,743	75,874,562	76,287,941	74,955,352
Net earnings (loss) per share attributable to shareholders of Boralex – basic	($0.36)	($0.03)	($0.10)	$0.18

(b) Net earnings (loss) per share – diluted

(in millions of Canadian dollars, unless otherwise specified) (unaudited)	Three-month periods ended June 30, 2018	2017	Six-month periods ended June 30, 2018	2017
Net earnings (loss) attributable to shareholders of Boralex	(28)	(2)	(8)	13
Weighted average number of shares – basic	76,318,743	75,874,562	76,287,941	74,955,352
Dilutive effect of stock options	—	—	—	471,793
Weighted average number of shares – diluted	76,318,743	75,874,562	76,287,941	75,427,145
Net earnings (loss) per share attributable to shareholders of Boralex – diluted	($0.36)	($0.03)	($0.10)	$0.18

The table below shows the items that could dilute basic net earnings (loss) per common share in the future, but that were not reflected in the calculation of diluted net earnings (loss) per common share due to their anti-dilutive effect:

	Three-month periods ended June 30, 2018	2017	Six-month periods ended June 30, 2018	2017
Convertible debentures excluded due to their anti-dilutive effect	7,332,909	7,334,183	7,333,117	7,334,183
Stock options excluded due to their anti-dilutive effect	622,898	1,031,767	622,898	—

(c) Dividends paid

On May 8, 2018, the Board of Directors authorized a 5% annualized increase in the dividend from $0.60 to $0.63 per common share (from $0.1500 to $0.1575 on a quarterly basis).

On August 9, 2018, a dividend of $0.1575 per common share was declared and will be paid on September 18, 2018 to holders of record at the market close on August 31, 2018.

The Corporation paid dividends in the total amount of $23 million for the six-month period ended June 30, 2018 ($23 million in 2017).

Note 9. Financial instruments

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

		As at June 30, 2018		As at December 31, 2017	
	Note	Carrying amount	Fair value	Carrying amount	Fair value
OTHER NON-CURRENT FINANCIAL ASSETS					
Advance to a non-controlling shareholder		34	33	32	31
Interest rate swaps		36	36	30	30
		70	69	62	61
DEBT(1)	6	3,081	3,158	2,642	2,732
CONVERTIBLE DEBENTURES(2)		142	164	141	178
OTHER CURRENT FINANCIAL LIABILITIES					
Contingent consideration		—	—	7	7
Cross-currency swaps (Euro for CAD)		3	3	1	1
Interest rate swaps		28	28	45	45
		31	31	53	53
OTHER NON-CURRENT FINANCIAL LIABILITIES					
Due to a non-controlling shareholder	4	6	6	—	—
Foreign exchange forward contracts		7	7	6	6
Interest rate swaps		28	28	24	24
		41	41	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, non-current debt and the due to a non-controlling shareholder are essentially based on discounted cash flows. Discount rates, ranging from 0.75% to 7.74%, were determined based on local government bond yields adjusted for the risks specific to each of the borrowings and for credit market liquidity conditions. The convertible debentures are traded on the stock exchange and their fair values are based on the prices as at June 30, 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 Interest rate swaps as at June 30, 2018:

As at June 30, 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%	3-6 month EURIBOR	2019-2034	561	(28)
Interest rate swaps	CAD	1.81% to 8.00%	3-month CDOR	2034-2043	859	8

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. Swaps in the amounts of $10 million and $7 million were unwound in January 2018 and May 2018, respectively.

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 June 30, 2018	Exchange rate	Maturity	Current notional (in CAD)	Fair value (in CAD)
Foreign exchange forward contracts (EUR for CAD)	1.5475	2018-2025	115	(7)

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 also entered into cross-currency swaps. These derivatives cover the Corporation's net investment in France, as they allow financing issued in Canada for investment in France to be synthetically translated into euros. In addition to mitigating the risk related to foreign currency fluctuations, these instruments also allow Boralex to currently benefit in part from interest rates lower than those prevailing in Europe. 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 June 30, 2018	Exchange rate	Maturity	Current notional (in CAD)	Fair value (in CAD)
Cross-currency swaps (EUR for CAD)	1.5185	2018-2019	251	(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 and the due 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:

		Fair value hierarchy levels		
	As at June 30, **2018**	Level 1	Level 2	Level 3
NON-DERIVATIVE FINANCIAL ASSETS				
Advance to a non-controlling shareholder	33	—	33	—
DERIVATIVE FINANCIAL ASSETS				
Interest rate swaps	36	—	36	—
NON-DERIVATIVE FINANCIAL LIABILITIES				
Debt[1]	3,158	—	3,158	—
Convertible debentures[2]	164	164	—	—
Due to a non-controlling shareholder	6	—	6	—
	3,328	164	3,164	—
DERIVATIVE FINANCIAL LIABILITIES				
Foreign exchange forward contracts	7	—	7	—
Cross-currency swaps (EUR for CAD)	3	—	3	—
Interest rate swaps	56	—	56	—
	66	—	66	—

		Fair value hierarchy levels		
	As at December 31, **2017**	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 June 30, 2018:

	As at June 30, 2018	As at December 31, 2017
Balance – beginning of period	7	15
Translation adjustments	1	—
Loss recorded in net earnings (loss)	—	2
Payments	(8)	(10)
Balance – end of period	—	7

Note 10. Commitments

France – Kallista acquisition

Following the Kallista acquisition, the Corporation has to take Kallista's commitments into account:

(a) The wind farms are committed to selling 100% of their power output under long-term contracts maturing between 2020 and 2032 with a weighted average remaining term of 8 years. The contracts provide for annual indexation based on changes in cost of living indexes in France.

(b) The wind farms entered into wind turbine maintenance contracts maturing between 2019 and 2032.

(c) The wind farms lease land on which wind turbines are installed under leases maturing between 2023 and 2034.

(d) The Corporation entered into a construction contract for the **Noyers Bucamps** wind power project.

As at June 30, 2018, the Corporation's net commitment under the maintenance contracts, land leases and a construction contract amounted to $61 million (€40 million).

France – Sources de l'Ancre wind power project

In 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 $19 million (€12 million)

France – Basse Thiérache Nord wind power project

The Corporation entered into construction contracts and a turbine purchase contract and a connection agreement for the **Basse Thiérache Nord** wind power project during the quarter. As at June 30, 2018, the Corporation's net commitment under these contracts amounted to $21 million (€14 million).

France – Catésis wind power project

The Corporation entered into construction contracts and a turbine purchase contract for the **Catésis** wind power project during the quarter. As at June 30, 2018, the Corporation's net commitment under these contracts amounted to $16 million (€11 million).

France – Cham Longe I wind power project

In June 2018, the Corporation entered into certain preliminary construction contracts in connection with the **Cham Longe 1** wind farm repowering project. As at June 30, 2018, the Corporation's net commitment under these contracts amounted to $2 million (€1 million).

Note 11. 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 June 30, 2018, revenues from energy sales related to facilities not covered by energy sales contracts amounted to $1 million ($1 million for the same period of 2017). For the six-month period ended June 30, 2018, revenues from energy sales for facilities not covered by energy sales contracts amounted to $3 million ($3 million for the same period of 2017). Furthermore, the Corporation estimates that just 196 MW (12% 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 totals 1,400 MW, wind conditions both in France and Canada are usually more favourable in the winter, which falls during Boralex's first and fourth quarters. However, in winter there is a greater risk of lower production caused by weather conditions, such as icing. In general, management estimates the breakdown of wind power segment production at approximately 60% for the first and fourth quarters and 40% for the second and third quarters.

Hydroelectric

With respect to hydroelectric assets of which Boralex's share is currently 156 MW, they will reach 182 MW of installed capacity with the commissioning of the Yellow Falls project expected in the second half of 2018 and the increase in capacity of the Buckingham power station one year later. 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 12. 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 acquisition costs, net loss on financial instruments and foreign exchange gain, the last two items being included under *Other*. EBITDA(A) does not have a standardized meaning under IFRS; accordingly, it may not be comparable to similarly named measures used by other companies. Investors should not view EBITDA(A) as an alternative measure to, for example, net earnings, or as a measure of operating results, which are IFRS measures.

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

		Three-month periods ended June 30,		Six-month periods ended June 30,	
	Note	2018	2017	2018	2017
Net earnings (loss)		(33)	(7)	(10)	8
Income tax expense (recovery)		(8)	—	(2)	7
Financing costs		30	23	58	47
Amortization		48	43	95	83
Impairment of property, plant and equipment and intangible assets	7	12	—	12	—
EBITDA		49	59	153	145
Adjustments:					
Acquisition costs	4,13	7	—	7	—
Other		1	(2)	1	(1)
EBITDA(A)		57	57	161	144

Information by operating segment

	Three-month periods ended June 30, 2018	2017	Six-month periods ended June 30, 2018	2017
Power production (GWh)				
Wind power stations	490	488	1,314	1,143
Hydroelectric power stations	194	231	359	404
Thermal power stations	57	18	119	95
Solar power stations	6	7	10	11
	747	744	1,802	1,653
Revenues from energy sales				
Wind power stations	73	68	198	155
Hydroelectric power stations	14	19	28	37
Thermal power stations	7	3	19	16
Solar power stations	1	2	2	3
	95	92	247	211
EBITDA(A)				
Wind power stations	58	53	160	130
Hydroelectric power stations	10	15	20	28
Thermal power stations	1	(1)	5	5
Solar power stations	1	1	2	2
Corporate and eliminations	(13)	(11)	(26)	(21)
	57	57	161	144
Additions to property, plant and equipment				
Wind power stations	48	54	100	99
Hydroelectric power stations	3	10	7	20
Thermal power stations	—	1	1	2
Corporate and eliminations	4	2	6	3
	55	67	114	124

	As at June 30, 2018	As at December 31, 2017
Total assets		
Wind power stations	3,714	3,264
Hydroelectric power stations	566	557
Thermal power stations	34	36
Solar power stations	39	38
Corporate	21	31
	4,374	3,926
Total liabilities		
Wind power stations	2,624	2,449
Hydroelectric power stations	256	249
Thermal power stations	9	11
Solar power stations	28	27
Corporate	747	461
	3,664	3,197

Information by geographic segment

	Three-month periods ended June 30, 2018	Three-month periods ended June 30, 2017	Six-month periods ended June 30, 2018	Six-month periods ended June 30, 2017
Power production (GWh)				
Canada	391	387	846	822
France	254	213	735	565
United States	102	144	221	266
	747	744	1,802	1,653
Revenues from energy sales				
Canada	50	49	122	109
France	38	31	110	78
United States	7	12	15	24
	95	92	247	211
EBITDA(A)				
Canada	33	33	89	81
France	21	15	65	45
United States	4	10	10	19
Other[1]	(1)	(1)	(3)	(1)
	57	57	161	144
Additions to property, plant and equipment				
Canada	6	25	18	42
France	49	42	96	81
United States	—	—	—	1
	55	67	114	124

	As at June 30, 2018	As at December 31, 2017
Total assets		
Canada	2,164	2,183
France	2,012	1,549
United States	179	175
Other[1]	19	19
	4,374	3,926
Non-current assets[2]		
Canada	2,022	2,039
France	1,808	1,364
United States	163	160
Other[1]	12	14
	4,005	3,577
Total liabilities		
Canada	2,154	1,938
France	1,419	1,169
United States	91	90
	3,664	3,197

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

Note 13. Subsequent events

Agreement for the acquisition of the indirect interest of Invenergy Renewables LLC (“Invenergy”) in five wind farms in Québec and closing of the bought deal offering

On June 20, 2018, Boralex entered into binding agreements with members of the Invenergy Renewables LLC group ("Invenergy") to acquire all of the financial interest of Invenergy in five Québec wind farms (**Des Moulins I**, **Des Moulins II**, **Le Plateau I**, **Le Plateau II** and **Roncevaux**) totalling 201 MW for a total cash consideration of $215 million, subject to adjustments under the acquisition agreements and certain closing conditions. As at June 30, 2018, transaction costs amounted to $2 million. At the same time and to finance the acquisition, Boralex announced a public offering and a concurrent private placement of subscription receipts with the Caisse.

On July 11, 2018, the Corporation carried out a bought deal public offering of subscription receipts for gross proceeds of approximately $207 million ($199 million net of transaction costs), including the full exercise of the over-allotment option by the underwriters. The offering was carried out by a syndicate of underwriters who bought a total amount of 10,247,650 subscription receipts of the Corporation at a price of $20.20 each.

At the same date, the Corporation also carried out the concurrent private placement of Boralex subscription receipts with the Caisse for gross proceeds of $52 million ($49 million net of transaction costs), including the full exercise of the private placement option by the Caisse. The Caisse bought 2,562,200 subscription receipts through the private placement at a price of $20.20 each.

The subscription receipts are exchangeable on a one-for-one basis for Boralex Class A common shares upon closing of the transaction to acquire Invenergy's interest in **Des Moulins I**, **Des Moulins II** and **Le Plateau I** wind farms.

As at June 30, the Caisse's financial interest in Invenergy amounted to 52.4% and its interest in Boralex totalled 19.9%. Accordingly, the transaction would be considered as a "related party transaction" and the concurrent private placement as a "related party transaction" under *Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions.*

Given the acquisition and the confidence inspired by the Corporation's outlook, the Board of Directors conditionally authorized a 4.8% increase in the annual dividend from $0.63 to $0.66 per common share (from $0.1575 to $0.1650 on a quarterly basis), the second increase in the Corporation's annual dividend in 2018 for a total increase of 10.0%. This second increase will come into effect upon closing of the acquisition of **Des Moulins I**, **Des Moulins II** and **Le Plateau I** wind farms.

Canada - Construction of the Yellow Falls hydroelectric power station

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

In July 2018, a settlement agreement was entered into between the parties under which the Corporation will pay an additional lump-sum amount of $5 million to settle the claim. The signatures of the parties are currently held under escrow pending finalization of the transaction conditions. This $5 million amount was recognized in the financial statements as at June 30, 2018.

Canada – Buckingham hydroelectric power station

As at July 18, 2018, the Corporation entered into a construction contract in connection with the capacity upgrade project for the **Buckingham** hydroelectric power station. The Corporation's net commitment under this contract amounted to $19 million.

Contact us

HEAD OFFICE

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

WEBSITE

www.boralex.com

@BoralexInc

BUSINESS OFFICES

CANADA

900 de Maisonneuve Boulevard
West 24th floor
Montréal, Québec
Canada H3A 0A8
Telephone: 514-284-9890
Fax: 514-284-9895

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

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

FRANCE

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

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

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

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

@BoralexInc
boralex.com