BORALEX
energy creator

LEVERAGING OUR STRENGTHS

2019 Annual Report

LEVERAGING OUR STRENGTHS

Building on the strengths that have driven Boralex's success from the very beginning, we have developed a strategic plan that will allow us to take full advantage of the opportunities created by the global energy transition. By combining the strengths and best practices of our workforces in Europe and North America, Boralex will optimize its assets and actively pursue its development, thereby strengthening its position as a major player in the clean energy sector.

ONE STRATEGIC PLAN, FOUR MAIN DIRECTIONS

GROWTH

Continue development activities in the European and North American markets where we are already active and which offer high growth potential in renewable energy.

DIVERSIFICATION

Strengthen our presence in the solar power sector and participate in developing the energy storage market.

CUSTOMERS

Adopt new business models to sell energy directly to electricity-consuming corporations and deliver complementary services.

OPTIMIZATION

Maximize synergies, optimize costs within the company and diversify our sources of financing.

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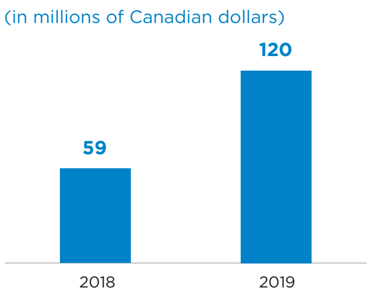
FINANCIAL OBJECTIVES

REACHING NEW HEIGHTS

The three criteria selected as financial objectives confirm that initiatives guided by our strategic plan are propelling Boralex to new heights by delivering sustained and disciplined growth while creating value for shareholders. Results for fiscal 2019 show steady progress toward these objectives and strong growth in all results compared to a year earlier.

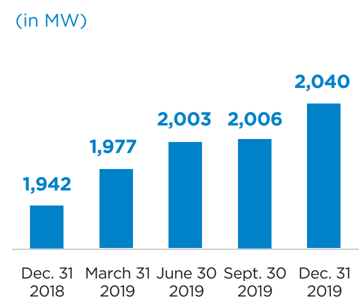
DISCRETIONARY CASH FLOW (AFFO)[1]

2023 Objectives: $140 million to $150 million



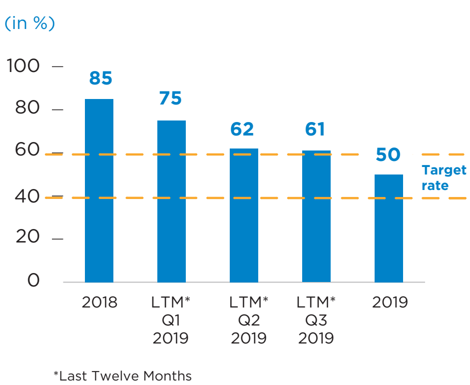
NET INSTALLED CAPACITY[2]

2023 Objectives: 2,800 MW



DIVIDEND PAYOUT RATIO[3]

2023 Objectives: 40% to 60% of discretionary cash flow



FOR MORE INFORMATION

For detailed financial results from the last three fiscal years and market information, please see *Financial and Markets Highlights* at the end of this report.

[1] Cash flow generated by the operations which are available to invest in growth projects and dividend payment.

[2] Reflects 100% of Boralex production capacity in subsidiaries in which the Corporation is the controlling shareholder and Boralex's share in entities over which it does not have control.

[3] Dividend paid divided by last twelve months discretionary cash flows.

> **"THIS SUCCESS IS ROOTED IN THE CREATIVITY, KNOW-HOW AND AGILITY OF THE BORALEX TEAMS, IN ITS ABILITY TO DEVELOP STRONG PARTNERSHIPS..."**
>
> — Alain Rhéaume

BUILDING ON A STRONG FOUNDATION

Anyone who has followed Boralex's evolution over the years will be aware of the factors that have driven its rise to a key place in the field of renewable energy while demonstrating both strong and profitable growth. The expertise and credibility of the Corporation as developer, prime contractor and operator of clean energy assets are clear for all to see.

This success is rooted in the creativity, know-how and agility of the Boralex teams, in its ability to develop strong partnerships, in the engagement of employees and management, and in exemplary financial discipline that supports a proven business model in a sector offering a broad range of opportunities.

That being said, 2019 was a pivotal year for Boralex. The current energy transition and accelerated development in the renewable energy sector are spurred by greater market competition and an industry transformation fueled by strong innovation and rapid technological change. This offers the Corporation new opportunities to benefit from the significant potential of its industry.

Following a rigorous process supported by the Board of Directors that was based on a thorough analysis of markets, trends, and an ongoing technology watch, Boralex has formulated and implemented new strategic directions. These will allow it to adjust its business model to benefit from strong growth potential in markets where it already operates with success, and make significant breakthroughs into new markets and fast-growing products such as solar and energy storage. The new directions—oriented to expansion of the customer base and products, geographic diversification, a new emphasis on profitable growth and optimization of the Corporation's operations and financial structure—offer Boralex the opportunity to further its development by drawing on the same discipline and strengths that have defined it since its inception.

At the same time, the Board has continued to adopt governance best practices that will benefit Boralex going forward. The Corporation's Code of Ethics has been updated and several corporate policies have been formulated and implemented. The senior management succession plan has been detailed and, in that process, strengthened, and the organizational structure simplified. We also took steps to make the Board more diverse in gender, expertise and experience. As well, we modified the policy governing directors' term of office to provide the flexibility required to maintain the diversity and scope of support the Board offers to the Corporation and its management, while ensuring an orderly renewal of Board members.

It is through this approach, that of drawing on its strengths and keeping pace with its rapidly changing industry, that Boralex has established itself as a key player in the clean energy sector. By continuing to build on its solid foundation, Boralex will assert its presence even more while creating value for all its stakeholders.

Alain Rhéaume

Chairman of the Board
Boralex Inc.

ACTIVELY CONTRIBUTING TO THE ENERGY TRANSITION TO ENSURE A BETTER FUTURE

A conversation with President and Chief Executive Officer **Patrick Lemaire** and Vice President and Chief Operating Officer **Patrick Decostre**

What were the highlights of fiscal 2019?

P. Lemaire: In 2019, we reaped the benefits of major investments in 2018, which resulted in strong growth in power production and cash flows. We also reached our target of 2,000 MW in net installed capacity a year ahead of schedule, and added a good number of projects to our portfolio. That being the case, 2019 was a success right down the line for Boralex and investors showed their appreciation: our share price rose strongly. But the highlight of 2019 was the launch of our new strategic plan to leverage high-potential markets in which we will continue to stand out.

P. Decostre: Our new plan was officially kicked off in June, but we have already made good progress on a number of initiatives, including integrating the wind power assets acquired a year earlier to maximize operational synergies. In addition to that, we took steps to keep growing and start diversifying, which led to gains in France through the calls for tenders for onshore wind power, and, in New York State, for the production of solar energy. We also took advantage of more favourable condition to refinance our debt, cutting our interest expense on a recurring basis. It's also important to note that wind conditions in France returned to values closer to historical averages after three years of below-average figures.

How did you make the choices that led to this strategic plan?

P. Lemaire: It's now accepted that wind and solar power are the least expensive energy sources and anyone who has followed our industry knows that it is undergoing a very profound and rapid pace of change. So it was important for us to make informed decisions about our priorities for the next several years. We needed to adapt in order to maintain profitable growth and be present in areas where our expertise gives us a clear competitive advantage. In other words, we chose to focus on growth in industries and regions where we have a significant presence, with the aim of ramping up our presence in sectors such as solar and energy storage that will play a growing role in the energy transition.

P. Decostre: Also, our teams are working daily to optimize the remarkable portfolio of assets we've developed over time, both by improving production and by reducing costs. For instance, they're looking at whether we should replace certain equipment with more modern and productive alternatives, as we did with the Buckingham hydroelectric power station in Québec, Canada, and are now doing at the Cham Longe I wind farm in France.

Patrick Lemaire
President and Chief Executive Officer

Patrick Decostre
Vice President and Chief Operating Officer

What are the priorities for 2020?

P. Lemaire: In 2020 we'll move forward with initiatives that support our strategic directions. Optimization is going well. The debt refinancing in France and Québec gave us more financial flexibility and significantly reduced our annual interest expense. Our teams are working hard to ensure that projects make it on to our *Growth Path*. As for diversification, we're on track in the United States, we simply need to put more effort into making ourselves known and strengthening our base. With respect to customers, negotiations are underway to sign agreements with corporations (corporate PPAs). Lastly, we have the option of making acquisitions as a way to develop our asset portfolio and we're always on the lookout for good candidates. Our position is that there's no need to make an acquisition unless there are material operational synergies or growth opportunities to be added. As in the past, we will take a disciplined approach.

P. Decostre: We plan to continue working with teams on the ground so that we can do more with our existing energy assets and integrate commissioned facilities and potential acquisitions while keeping costs under control. In other words, we will stick to the strict discipline that has allowed Boralex to build on its success and continually improve.

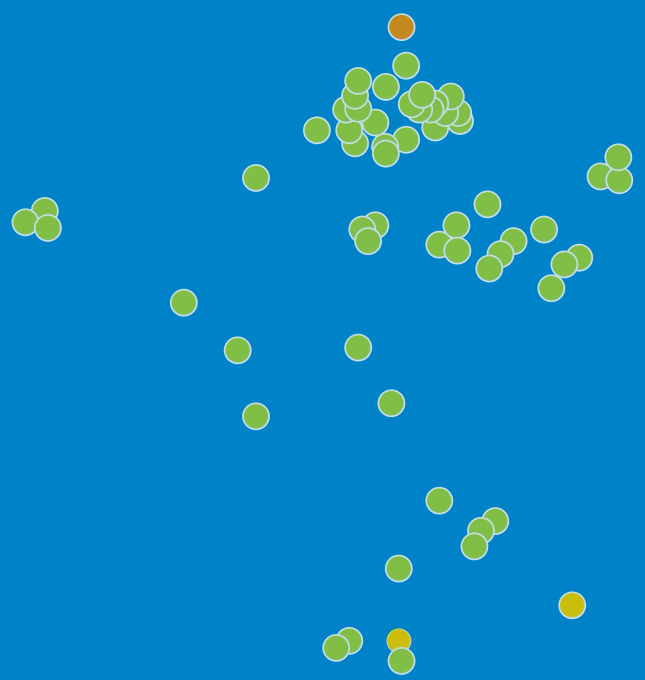
How will what you call "leveraging our strengths" help you achieve your objectives?

P. Lemaire: I'd say that it's the creativity and agility of our teams that has kept us in the forefront of the energy transition. Those strengths have been a critical asset and a vital part of our process for 30 years. In 2019, we made adjustments to increase cooperation and share best business practices among all our people in North America and Europe, so we can fully develop the potential of our business going forward.

P. Decostre: I would add that even before it became popular, we had made the Environmental, Social and Governance (ESG) criteria part of our business culture. You can see it everywhere in how people work. Our employees are motivated and proud to be part of the movement to become responsible stewards of our resources and accelerate the energy transition.

BORALEX TODAY

In fiscal 2019, one year ahead of schedule, Boralex exceeded its targeted 2,000 MW in net installed capacity. The commissioning of three wind farms in France, a fourth in British Columbia and a first hydroelectric power station in Ontario, coupled with the repowering of the Buckingham hydroelectric power station in Québec after a production upgrade, added 95 MW to net installed capacity, which stood at 2,040 MW on December 31, 2019.



23%
compared to 2018

POWER PRODUCTION

(GWh)

	WIND		HYDRO	THERMAL	SOLAR	TOTAL	
2019	3,434	(4,607)	756	158	23	**4,371**	**(5,544)**
2018	2,734	(3,471)	648	166	20	**3,568**	**(4,305)**
Variation	26	(33)	17	(4)	9	**23**	**(29)**

Note: The bracketed figures for Wind Power sector and Total are results on a Combined basis in comparison to those disclosed under IFRS. See the *Non-IFRS measures* section in Management's Discussion and Analysis.

Boralex closed fiscal 2019 with a 23% increase in production volume compared to 2018. Once again, the main driver of growth was the wind power sector.

In fiscal 2018, acquisitions and commissionings added a record 486 MW or 33% to net installed capacity; these facilities contributed to consolidated results for all of 2019. When the contribution from newly commissioned facilities in 2019 is factored in, most of the increase in production stems from expansion of the asset base. That being said, production volume at comparable sites also rose, up 7% compared to 2018, due to better weather and a return to wind conditions that were more in line with historical averages in France.

For details, see the *Analysis of results, cash flows and financial position – IFRS* in Management's Discussion and Analysis.

OPERATIONAL REVIEW

STRATEGIC PLAN IMPLEMENTATION

In June 2019, Boralex management announced the guiding principles of its development plan, with four strategic orientations. In the following months actions were taken to implement the plan and significant progress has already been achieved in each area.

GROWTH

In addition to the commissioning of four wind farms and two hydroelectric power stations in 2019, two wind projects were placed on the *Growth Path*, which will add another 27 MW in net installed capacity by the end of 2021. Furthermore, five of the Corporation's new onshore wind site projects have been selected under the call for tenders in France, for the possible addition of more than 100 MW in net installed capacity. In Scotland, the government has awarded an irrevocable permit to build the 90 MW Limekiln wind farm.

CUSTOMERS

First, the team set up the infrastructure required to support development of the customer base. At the same time, talks have been well underway in both Europe and North America to sign agreements to sell electricity directly to energy-consuming corporations.

DIVERSIFICATION

Efforts were mainly focused on setting up a team to work on the development of solar power in New York State. This team submitted four solar power projects totalling 180 MW in response to a call for tenders. In France, teams were also set up to increase Boralex's presence in the solar power segment.

OPTIMIZATION

In the first phase of optimization our teams focus on achieving optimal utilization of facilities. This is what led to the optimized maintenance work and also the increase in installed capacity at the Buckingham hydroelectric power station, in Québec, which had its equipment upgraded. However, the main highlight in 2019 was the debt refinancings in France and Québec, which greatly increased our financial flexibility and significantly reduced our annual interest expense.

For details, see the *Growth Strategy* section of Management's Discussion and Analysis.

SUSTAINABILITY REPORT

ENVIRONMENTAL

96% of the power produced by Boralex comes from renewable energy

Emission of 290,577 tons[1] **of CO_2 prevented** in 2019 by our production of renewable energy

Internal **Sustainable Development Committee** composed of employees

Diversified partnerships to improve our environmental practices

[1] Based on calculations and assumptions by the Chair in Energy Sector Management of HEC Montréal.

SOCIAL

Acknowledged to have **good relations** with local players and First Nations communities

Economic contributions in host communities: **jobs, donations and sponsorships**

Our major asset is our employees: high retention rate, excellent health and safety performance

Adheres to the Equator Principles and **the Universal Declaration of Human Rights**

GOVERNANCE

Diversified and complementary expertise. **Out of 11 Board members, 4 are women**

All members, except the CEO, are independent

Code of Ethics updated, 100% of employees passed their test

Clawback Policy and one independent HR consultant

For the sustainability portion of our annual report, Boralex applies the Global Reporting Initiative (**GRI**) and Sustainability Accounting Standard Board (**SASB**) criteria.

ENVIRONMENT

Renewable Energy to Combat Climate Change

As a company dedicated to the development, construction and operation of facilities to produce renewable energy, sustainable development has always been part of our DNA. We are active players in furthering the energy transition in an effort to reduce the greenhouse gas emissions (GHGs) that cause climate change.

In keeping with the adoption of sustainable development as its guiding principle, Boralex also strives to minimize the environmental footprint of its operations. Company-wide, this translates into specific actions to use resources responsibly, manage waste, preserve habitats, and protect biodiversity.

These actions take different forms depending on the site and environmental issues involved. In France, efforts to protect habitats included transplanting a line of trees to act as a visual screen and help reconstitute the habitat network around the Seuil de Cambrésis wind farm. Near the Zondrange and Morlange wind farms, various types of fruit trees were planted to turn adjacent fallow land into an orchard. In Canada, wind turbine cut-in speeds at some farms were lowered to protect bats during their seasonal migrations. These are just a few examples of actions initiated by different Boralex teams in partnership with communities.

Furthermore, we continue to apply the **Sustainable Procurement Charter** adopted last year. The goal is to build partnerships with suppliers based, among other things, on contributing to local development and following the principles of sustainability.

290,577

TONS[1] OF CO_2 EMISSION AVOIDED

Renewable energy and CO_2 equivalent avoided

The 4,196 GWh produced by Boralex in 2019 prevented the emission of 290,577 tons[1] of CO_2 that would have resulted from equivalent production using fossil fuels.

[1] Based on calculations and assumptions by the Chair in Energy Sector Management of HEC Montréal.

COMPLIANCE WITH LAWS AND REGULATIONS

At Boralex, we also ensure that we comply with applicable laws and regulations to protect the environment, and that we take steps to correct any problems. Thus, in 2019, Boralex submitted a corrective measures plan to the Québec Ministry of Sustainable Development, Environment and the Fight Against Climate Change after we were notified that regulatory pH levels had been exceeded at the biomass energy power station in Senneterre, Québec. The plan has since been implemented.

ECO-RESPONSIBLE TRANSPORTATION BENEFITS

Boralex offers a financial incentive to encourage all employees to travel to and from work by means of eco-responsible modes of transportation: walking, biking, public transit, electric vehicles.

INTERNAL SUSTAINABLE DEVELOPMENT COMMITTEE

In 2019, five Boralex employees from France and Canada decided, with the support of management, to set up an internal Sustainable Development Committee in order to identify and carry out employee initiatives. The committee's main task is to propose initiatives and practices that will improve the sustainability of the Corporation's facilities in Canada, France and the United States. The proposals focus on:

- Fostering collaboration with suppliers who adopt principles that result in a responsible supply chain.
- Implementing best practices to provide a motivating work environment.
- Reducing the environmental footprint of Boralex operations.

IMPROVING KNOWLEDGE AND KNOW-HOW

Partnerships with third parties are a key aspect of Boralex's efforts to steadily improve knowledge and know-how.

To that end, we are continuing the collaboration started in 2018 with the **Landscape and Energy Chair of the *École nationale supérieure de paysage* at Versailles**, in France. Field research in the form of educational workshops, internships and public events will help develop good practices to ensure that Boralex's projects are well-integrated with the land. Note also that Boralex has worked with the **World Wildlife Fund** (WWF) in France since 2011 to protect species and habitats that could be impacted by wind and solar power projects. Other partnerships include one established with the **Chair in Energy Sector Management at HEC Montréal**, which addresses issues related to the sustainable management of energy resources. Additionally, Boralex maintains an active presence with other organizations whose missions engage with the preservation and enhancement/restoration of plant and animal habitats.

Maison Manuvie

BOMA Best – Platinum Certification

In December 2019, Maison Manuvie, where Boralex has its Montreal office business, received its **BOMA Best** – Platinum Certification, the highest level in this program. It's important for Boralex to be in a space that is recognized for excellent energy efficiency and environmental management practices.

Label: 100% Green Electricity Produced in France

In France, Boralex is a member of a group of seven independent renewable energy producers who have created the ***Electricité Verte d'Origine Contrôlée*** label. Customers of these companies are thus guaranteed that they are being provided with energy that is 100% renewable, produced in France and that creates value by fostering local jobs, social integration and the agricultural transition.

New offices in Lyon reflect Boralex's values

In October 2019, Boralex moved into its new premises in the *Sky 56* building in Lyon, France. This building, which meets **Haute Qualité Environnementale**, BREEAM and Well Silver criteria, has spacious and light-filled offices that encourage the flow of conversation and relational connectivity.

SOCIAL

IN HARMONY WITH COMMUNITIES

The ability to build good relations with local stakeholders is an integral part of the Boralex approach. All projects go through a rigorous and well-structured process to foster social acceptability by them.

Public consultations. In the United States, the development teams set up a consultation process to present each of the four solar power projects to the communities, key players and local groups concerned, including representatives of the host municipalities. This led to constructive dialogue and promoted the effective integration of each project within its local environment.

Open house days. In France, for the past 10 years, open houses have been one of the most popular ways to connect and interact with communities. Local residents are regularly invited to visit a site to find out more about how a wind or solar farm operates. In 2019, open houses were held at three wind farms.

CANADIAN ACHIEVEMENT IN FRANCE

In April 2019, Boralex was presented the award for Canadian achievement in France by the *Chambre de Commerce et d'Industrie Française au Canada*. This award is a tribute to the gains made by Boralex since it started operating in France, and to the dedicated efforts of all employees.

ECONOMIC IMPACT OF BORALEX'S OPERATIONS

(in millions of Canadian dollars)

Salaries and benefits

2019	2018
49	40

Investments in property, plant and equipment

2019	2018
159	282

Tax payments

2019	2018
3	3

Note: In 2019, no wind turbine orders were cancelled in France or in Canada (SASB indicator).

As a leading renewable energy developer, Boralex aims to maximize positive benefits in order to help communities thrive. In addition to creating quality jobs by building and operating our facilities, Boralex purchases goods and services from local suppliers. In some cases, it has agreements to pay royalties to the community.

Boralex also has donations and sponsorship policy that focuses on four areas: community social activities, the environment, education, and volunteering by employees.

DONATIONS AND SPONSORSHIPS

In 2019, Boralex supported a large number of organizations in Canada, the United States and France for a total contribution of $911,000 ($993,000)[1], compared to $883,000 ($935,000) in 2018.

$911,000
in 2019

$883,000
in 2018

[1] The figures in brackets are on a Combined basis, versus those in accordance with IFRS. See the *Non-IFRS* measures section in Management's Discussion and Analysis.

EXAMPLES OF DONATIONS AND SPONSORSHIPS TO ENHANCE COMMUNITY WELL-BEING

France. In November 2019, Boralex became a partner, for the second time, of the *International Wildlife and Nature Festival* held at Montier-en-Der in northeastern France. The four-day event attracts nearly 40,000 visitors. The festival also features an educational and environmental component, with presentations and discussions. Boralex contributed to this with a panel discussion on wind power and biodiversity.

Canada. Boralex is supporting a project to protect bats, in partnership with the *Association québécoise de la production d'énergie renouvelable* (AQPER) and the Zoo de Granby. The goal of the project is to develop a winter refuge to help the recovery of the bat population in Québec as bats play a very important role in the ecosystem.

United States. Boralex sponsors a family activity held at the **Strand Theater** in the village of Hudson Falls, near the Glens Falls hydroelectric power station in New York State. In the summer, families are invited to attend free film screenings at the theatre. Plus, once a week, all year long, the theatre coffee shop holds a music event that's open to families as well. Through this sponsorship Boralex is helping the theatre to re-energize its contribution to art and culture in the region.

AN ATTRACTIVE WORK ENVIRONMENT

The success of Boralex derives in large part from its ability to attract and retain qualified personnel who can enact its growth strategy. To that end, the Corporation aims to offer a stimulating, flexible, inclusive and respectful workplace that encourages every employee to learn and grow in their jobs. Our retention rate is high, over **87%**, given the context of a competitive labour market and shortage of skilled workers.

WORKFORCE
(AS AT DECEMBER 31)

479*	410	335
2019	2018	2017

WORKFORCE BREAKDOWN
(AS AT DECEMBER 31, 2019)

251	206	22
Canada	France	United States

* **141** women including **24** in a managerial role

EQUATOR PRINCIPLES AND THE UNIVERSAL DECLARATION OF HUMAN RIGHTS

Boralex has adhered to these standards and principles since 2018, in keeping with its commitment to promote a workplace culture of inclusion and respect. We comply with and abide by applicable laws and regulations to ensure that our people enjoy fair and equitable treatment in a work environment free of harassment, intimidation and discrimination.

WIND HARMONY

Achieving harmonization across Europe, Boralex was selected by the European Commission to become a member of the Wind Harmony steering group. The purpose of this project is to standardize health and safety practices in the wind industry across Europe. To fully align best practices, the work will continue until the summer of 2020.

0
LOST-TIME INCIDENT

For the fifth year in a row, the six hydroelectric power stations in Québec did not record a single lost-time incident.

EMPLOYEE ENGAGEMENT

Efforts in recent years to increase employee engagement shows good progress. The last survey in March 2019 showed a engagement rate of 62%, up 4% over the 2017 survey and 1% higher than target. A new survey will be conducted in 2020, with a target of 65%.

+4%
over the 2017 survey

HEALTH AND SAFETY

Year after year, Boralex ranks as one of the best companies in its industry for worker health and safety.

HOURS WORKED

2019	2018
767,000	700,000

LOST-TIME INCIDENTS

2019	2018
1	1

LOST-TIME INCIDENT RATE*

2019	2018
0.3	0

*According to the U.S. OSHA 300 standard, the lost-time injury rate is the number of absences for each 200,000 hours worked, divided by the number of hours worked per 100 employees. For example, a rate of 1 means that one in 100 employees was involved in a lost-time incident during the year.

GOVERNANCE

BOARD OF DIRECTORS

BREAKDOWN BY AGE GROUP

Under age 60: 6 individuals

60 to 69: 4 individuals

70 to 75: 1 individual

In 2019, a number of significant measures were implemented by the Board of Directors to accompany Boralex management in the elaboration of its new strategic plan. In addition, believing that best practices in governance help achieve the key objective of enhancing the Corporation's value for shareholders, the Board of Directors continued to improve its practices by emphasizing diversity on the Board and in senior management, and addressing risk management, ethics and compliance.

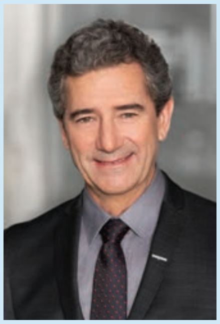
In 2019, there were a total of 10 meetings of the Board of Directors, 5 of the Audit Committee, 7 of the Nominating and Corporate Governance Committee, 4 of the Environmental, Health and Safety Committee, 7 of the Human Resources Committee, and 5 of the Investment and Risk Management Committee. Overall attendance by directors at these meetings was **98%**.

Alain Rhéaume

Chairman of the Board, Boralex Inc. and Corporate Director

Patrick Lemaire *

President and Chief Executive Officer Boralex Inc.



Alain Ducharme [3][4]

Consultant

Lise Croteau [1][5]

Corporate Director

Yves Rheault [3][5]

Corporate Director and Consultant

Dany St-Pierre [1][2][4]

President Cleantech Expansion LLC

André Courville [1][2]

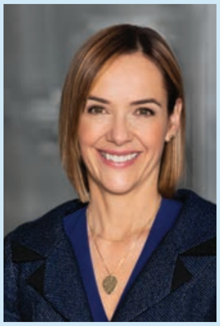
Corporate Director

Ghyslain Deschamps [4][5]

Executive Vice President - Building EBC Inc.

Marie Giguère [2][3][4]

Corporate Director



Marie-Claude Dumas [3][5]

Global Director, Major Projects & Programs/Executive Market Leader - Quebec, WSP Canada

Edward H. Kernaghan [1][2]

Senior Investment Advisor Kernaghan & Partners Ltd President Principia Research Inc. and Kernwood Ltd

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

* Except for Patrick Lemaire, all directors are independent of the Corporation.

CODE OF ETHICS

The Board of Directors revised the Code of Ethics for employees, management, Board directors and consultants, updating it in particular with respect to harassment and violence in the workplace. Once the new version of the Code was adopted, everyone was required to take an online training course and obtain a Certificate of Completion. We are proud to say that 100% of employees, management, and Board directors obtained their certificates within the specified timeframe. No violation of the Code of Ethics or other corporate policies was reported in 2019, and no waiver from the application of the Code of Ethics or corporate policies was issued. The Code of Ethics course is included in the orientation for everyone who works for the Corporation.

We are proud to say that 100% of employees, management, and Board directors obtained their certificates within the specified timeframe.

Boralex also set up a phone line and website which individuals can use safely, honestly and confidentially to relay questions and concerns about unethical or illegal activities while remaining anonymous.

CORPORATE POLICIES

In addition to complying with current laws and regulations, the Corporation has established company-wide policies that define our values and our culture of responsible management. The Board of Directors systematically reviews these policies to ensure they are still applicable and appropriate, and makes recommendations for policy amendments that take into account existing and emerging risks faced by the Corporation. A brief description of several of these policies is provided below.

(a) Enterprise Risk Management Policy

In 2019, the Board of Directors adopted an Enterprise Risk Management Policy that applies to all operating units and covers every type of risk to which the Corporation is exposed in its activities. This initiative is part of the Corporation's efforts to improve the structure of risk identification and risk mitigation, and reporting to the Audit Committee and the Board of Directors. During the year the Corporation also created a position dedicated exclusively to managing enterprise risk; this position reports to the Vice President, Finance.

(b) Majority Vote Policy

In keeping with the principle that each director should have the trust and support of the Corporation's shareholders, the Board of Directors adopted the Majority Vote Policy. In an uncontested election of a director, any nominee who receives a greater number of abstentions than votes for his or her election will not be considered to have the support of shareholders and shall promptly tender his or her resignation. The resignation will take effect upon acceptance by the Board of Directors, on the basis of a review and recommendation by the Corporate Governance Committee.

(c) Anti-Bribery and Anti-Corruption Policy

This policy affirms the Corporation's commitment to conducting its operations with honesty and integrity and strictly prohibits behaviours or actions that involve corruption, bribery, fraud, embezzlement, facilitation payments or any other such activity. The policy also sets out rules for the giving or receiving of gifts, entertainment or charitable donations, and establishes the framework for permitted lobbying activities based on regulations and Boralex's values.

(d) Principles of Shareholder Interactions

The Board of Directors and Boralex management believe that interacting with Corporation shareholders is a good governance practice and encourages greater transparency. The principles set out how shareholders may communicate with the Board of Directors and officers if they wish to discuss a matter or meet with the Chair of the Board of Directors regarding the corporate structure and governance practices, compensation of directors or officers, or succession planning. Shareholders may contact the Board of Directors at the following email address: conseil_administration@boralex.com.

EXECUTIVE COMMITTEE

From left to right:

Nicolas Wolff
Vice President and General Manager Boralex, Europe

Hugues Girardin
Vice President, Development

Marie-Josée Arsenault
Vice President, Talent and Culture

Bruno Guilmette
Vice President and Chief Financial Officer

Patrick Lemaire
President and Chief Executive Officer

Patrick Decostre
Vice President and Chief Operating Officer

Julie Cusson
Vice President, Public and Corporate Affairs

Pascal Hurtubise
Vice President, Chief Legal Officer and Corporate Secretary

SIMPLIFIED ORGANIZATIONAL STRUCTURE

Given the significant growth in the asset portfolio in recent years and the new strategic plan, management decided it was time to review and simplify the organizational structure, with a view to becoming more agile and effective while ensuring optimal utilization of existing resources. This led in particular to the creation of the Vice President and Chief Operating Officer position, which has a mandate to, among other things, maximize operational synergies on a global scale. The Vice President and Chief Operating Officer, the Vice President and Chief Financial Officer, and the Vice President, Chief Legal Officer and Corporate Secretary report to the Boralex President and CEO. The other members of the Executive Committee now report to the VP and COO. Furthermore, women now form 25% of Executive Committee members.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As at December 31, 2019

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Profile

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

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

Highlights

For the three-month periods ended December 31

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

For the years ended December 31

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

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

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

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

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

Abbreviations and definitions

In alphabetical order

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

Anticipated production	Historical averages for the oldest sites adjusted for facility commissioning and planned shutdowns, and productivity forecasts for the other sites.

Introductory comments

General

This Management's Discussion and Analysis ("MD&A") reviews the operating results for the three-month period and fiscal year ended December 31, 2019, compared with the corresponding periods of 2018, the cash flows for the year ended December 31, 2019 compared with the year ended December 31, 2018, as well as the Corporation's financial position as at December 31, 2019 compared with December 31, 2018. This report should be read in conjunction with the audited consolidated financial statements and related notes found in this Annual Report for the fiscal year ended December 31, 2019.

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

In this MD&A, Boralex or the Corporation means, as applicable, either Boralex and its subsidiaries and divisions or Boralex or one of its subsidiaries or divisions. The information contained in this MD&A reflects all material events up to February 27, 2020, the date on which the Board of Directors approved this annual MD&A and the consolidated financial statements. Unless otherwise indicated, the financial information presented in this MD&A, including tabular amounts, is prepared in accordance with IFRS under Part I of the *CPA Canada Handbook*. The financial statements included in this MD&A have been prepared according to IFRS applicable to the preparation of financial statements, IAS 1, *Presentation of Financial Statements*, and contain comparative figures for 2018.

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

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

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

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

	Closing rate[1]	
	As at December 31,	
Currency	2019	2018
USD	1.2990	1.3637
EUR	1.4567	1.5636
GBP	1.7226	1.7403

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

[1] Source: Bank of Canada
[2] Average daily rates

Notice concerning forward-looking statements

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

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

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

Boralex would like to point out that, by their very nature, forward-looking statements involve risks and uncertainties such that its results or the measures it adopts could differ materially from those indicated by or underlying these statements, or could have an impact on the degree of realization of a particular forward-looking statement. The main factors that could lead to a material difference between the Corporation's actual results and the forward-looking financial information or expectations set forth in the forward-looking statements include, but are not limited to, the general impact of economic conditions, currency fluctuations, volatility in energy selling prices, the Corporation's financing capacity, competition, changes in general market conditions, the regulations governing the industry and raw material price increases and availability, litigation and other regulatory issues related to projects in operation or under development, as well as certain other factors described in the documents filed by the Corporation with the different securities commissions.

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

Description of business

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

Segment and geographic breakdown

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

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

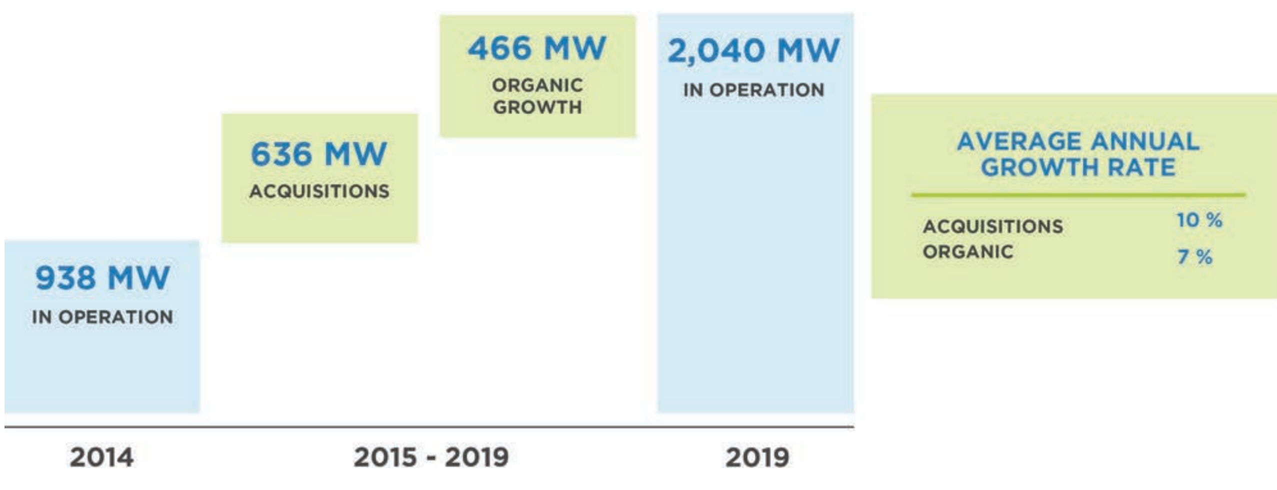
Breakdown of sources of revenues from energy sales and feed-in premium

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

Net installed capacity

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

Net installed capacity
(in MW)
Compound annual growth rate: 17%



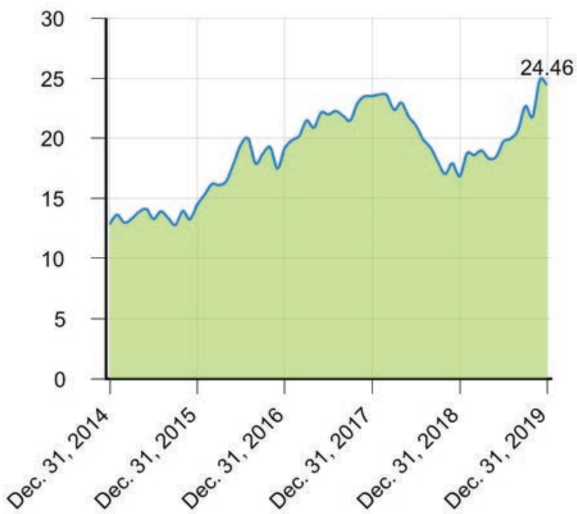
[1] This data, and all of the data in this MD&A, reflects 100% of Boralex's subsidiaries in which Boralex is the controlling shareholder. The data also reflects Boralex's share in entities over which it does not have control and which are accounted for using the equity method in this MD&A, consisting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

Selected financial information: A growth company

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

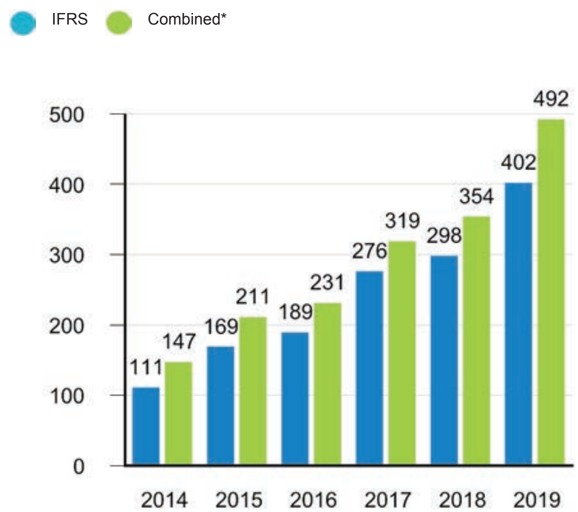
Share price

(Closing price in Canadian dollars)
Compound annual growth rate: 14%
(Toronto Stock Exchange under the ticker BLX)



EBITDA(A)*

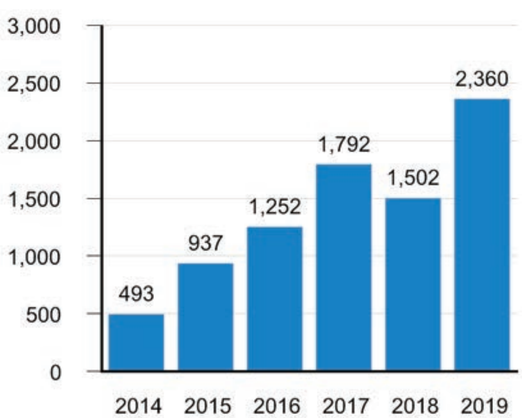
(in millions of Canadian dollars)
Compound annual growth rate: 29% (IFRS) and 27% (Combined)



* See the *Non-IFRS measures* section.

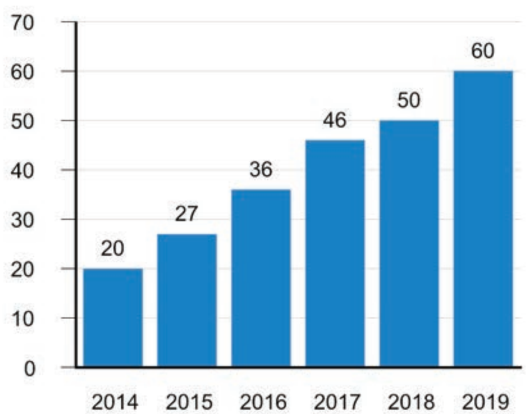
Market capitalization

(in millions of Canadian dollars)
Compound annual growth rate: 37%



Dividends paid

(in millions of Canadian dollars)



Overview of past three fiscal years

Selected annual information

Operating results data

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

Statement of financial position data

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

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

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

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

Key developments in the past three fiscal years

Acquisitions and commissioning

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

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

(1) Dates of acquisition and commissioning by Boralex.
(2) Boralex owns 50% of FWRN LP, which owns the intangible assets of the wind farm and 100% of NR Capital GP, which owns the property, plant and equipment and debt.
(3) 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.
(4) These contracts have a weighted average remaining contractual term of 16 years from the acquisition date.
(5) See the *Interests in the Joint Ventures and associates* note in this 2019 Annual Report.
(6) Owing to administrative restrictions, the energy sales contract became effective on January 1, 2019. However, since the facility was already operational, it is therefore considered as a 2018 commissioning.
(7) Owing to administrative restrictions, the energy sales contract became effective on April 4, 2019. However, since the facility was already operational, it is therefore considered as having been commissioned in the first quarter of 2019.
(8) Commercial commissioning was confirmed with the IESO on November 14, 2019. Boralex received retroactive compensation to make up for the difference between the contract price and the market price for electricity sold by the power station since it was commissioned on March 6, 2019.
(9) This 10 MW capacity increase will result in an additional $5 million in annual EBITDA for total pro forma EBITDA of $8 million for the project and installed capacity of 20 MW.
(10) Capacity increases totalling 3 MW have been made to existing French facilities since the beginning of fiscal 2019.

2019

Commissioning

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

Project authorization

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

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

RFP participation

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

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

Miscellaneous developments

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

Changes in accounting policies

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

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

Change in accounting estimates

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

Financing transactions

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

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

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

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

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

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

Results

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

2018

Acquisitions and commissioning

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

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

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

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

Project authorization

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

RFP participation

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

Financing transactions

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

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

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

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

Dividend increase

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

Results

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

2017

Acquisition and commissioning

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

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

Project authorization

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

Joint arrangement

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

Results

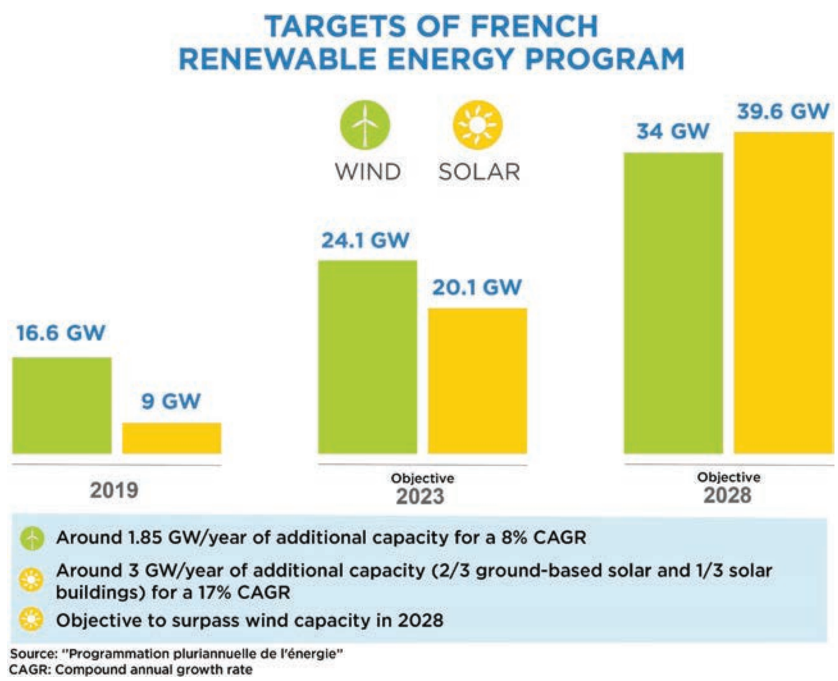
In 2017, the Corporation generated 3,218 GWh of electricity, up 28% from the prior fiscal year, driven mainly by the expanded operating base and, to a lesser extent, more favourable wind conditions in the second half of the fiscal year. This increase led to a 38% rise in revenues from energy sales and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

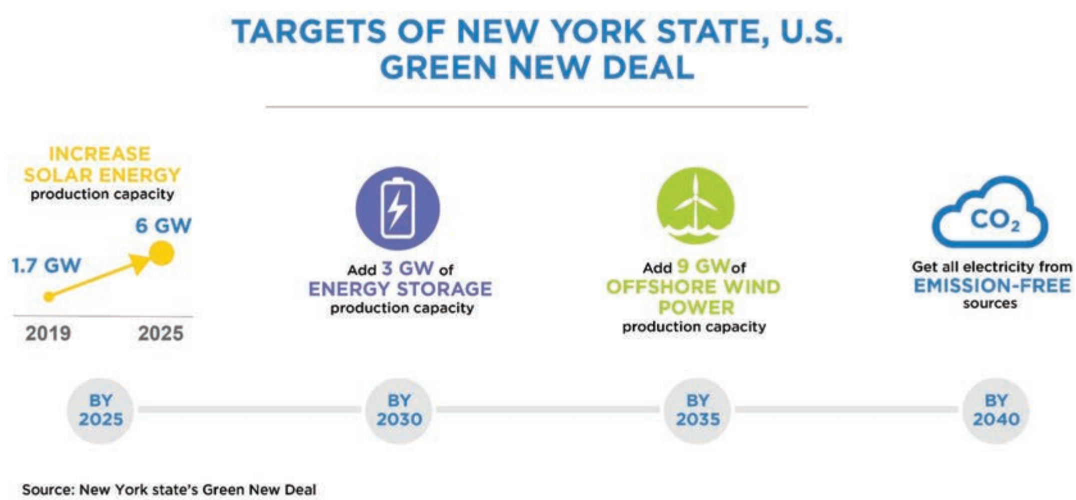
Growth strategy and development outlook

Strategic plan and financial objectives for 2023

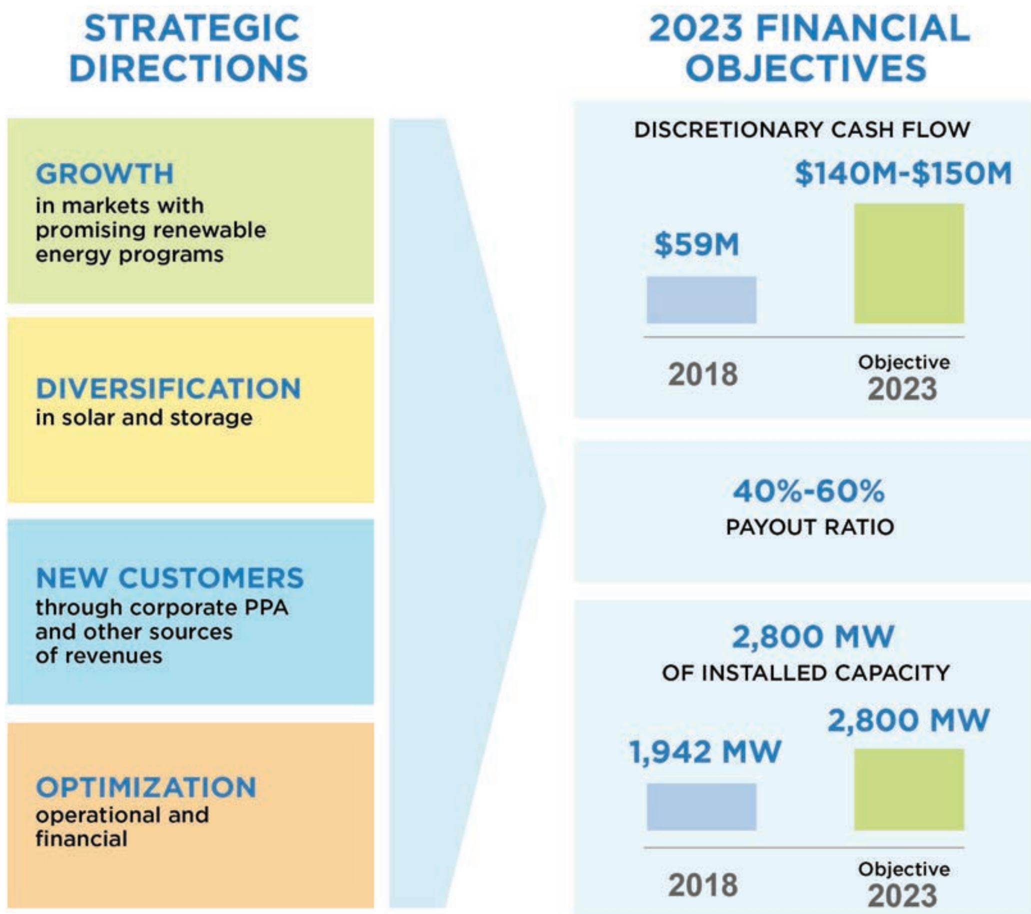
On June 18, 2019, Boralex's management announced the strategic plan which will steer its actions to achieve the financial objectives set for 2023. This plan is a continuation of the actions undertaken to date in sectors with high growth potential and for which the Corporation has developed solid expertise.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

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





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



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

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

Development outlook by strategic direction

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

Growth

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

BREAKDOWN OF BORALEX DEVELOPMENT PROJECTS

PIPELINE

TOTAL **2,703 MW**

EARLY STAGE

- Real estate rights secured
- Grid connection available
- Verification of the acceptability of the project by local communities and regulatory risks

	NORTH AMERICA	EUROPE	TOTAL BORALEX
	315 MW	344 MW	659 MW
	155 MW	99 MW	254 MW
TOTAL	470 MW	443 MW	913 MW

MID STAGE

- North America: Preliminary valuation and design to make a bid under a request for proposals
- Europe: Preliminary design and requests for administrative authorizations made

	NORTH AMERICA	EUROPE	TOTAL BORALEX
	760 MW	496 MW	1,256 MW
	-	50 MW	50 MW
TOTAL	760 MW	546 MW	1,306 MW

ADVANCED STAGE

- North America: Project submitted under a request for proposals
- Europe: Project authorized by regulatory authorities and submitted under a request for proposals (France)

	NORTH AMERICA	EUROPE	TOTAL BORALEX
	-	236 MW	236 MW
	205 MW	43 MW	248 MW
TOTAL	205 MW	279 MW	484 MW

GROWTH PATH

TOTAL **225 MW**

SECURED STAGE

- North America: Contract win (REC or PPA) and grid connection secured
- Europe: Contract win (PPA) and grid connection secured (France); project authorized by regulatory authorities and grid connection secured (Scotland)

	NORTH AMERICA	EUROPE	TOTAL BORALEX
	-	167 MW	167 MW
	-	-	-
TOTAL	-	167 MW	167 MW

UNDER CONSTRUCTION OR READY-TO-BUILD

- Permits obtained
- Financing in progress
- Commissioning date determined
- Cleared of any claims (France)
- Approved by Boralex Board of Directors

	NORTH AMERICA	EUROPE	TOTAL BORALEX
	-	58 MW	58 MW
	-	-	-
TOTAL	-	58 MW	58 MW

CURRENTLY IN OPERATION 2,040 MW

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

Europe

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

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

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

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

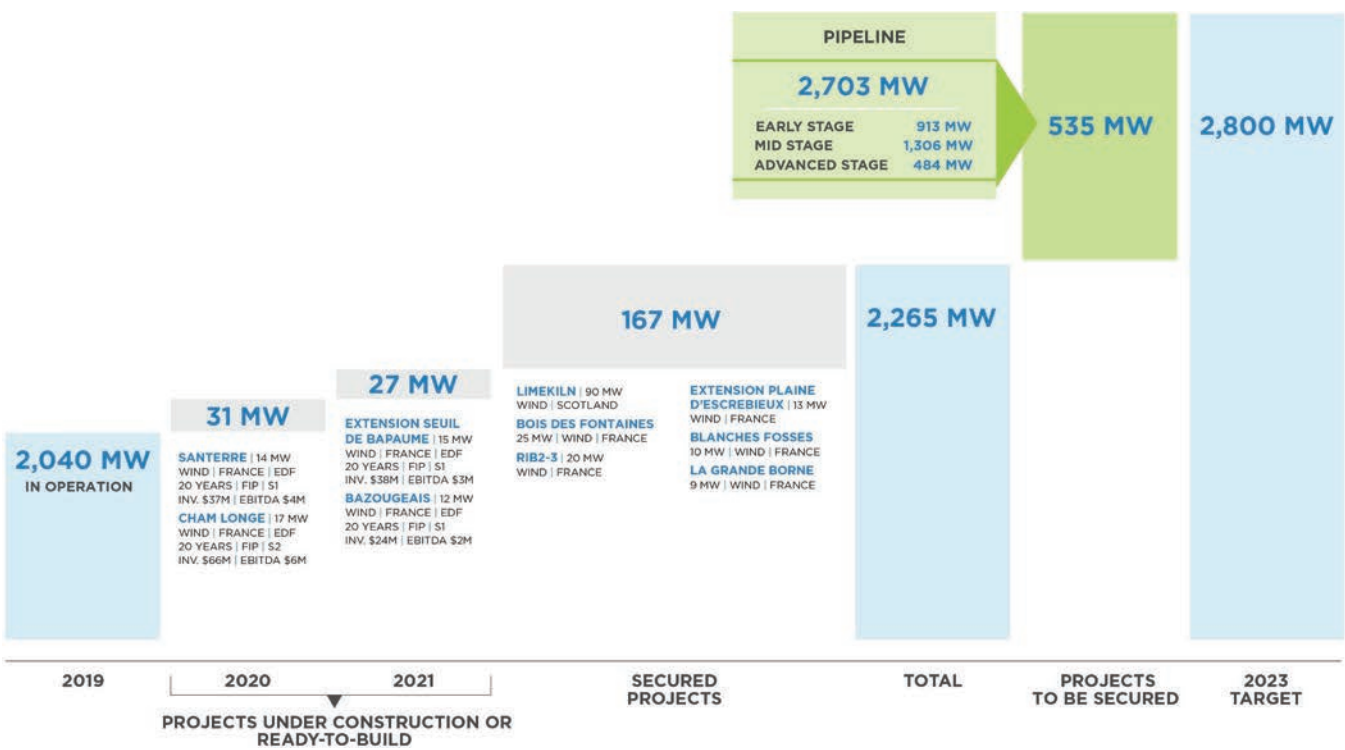
Furthermore, Boralex is well placed to penetrate the **U.K.** market since the acquisition of a pipeline of projects in September 2016 combined with the partnership entered into in October 2017 with Infinergy (see the *Key developments in the past three fiscal years* section).

North America

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

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

Growth path



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

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

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

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

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

Growth

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

Diversification

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

Europe

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

North America

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

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

Energy storage

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

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

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

Diversification

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

Customers

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

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

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

Customers

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

Optimization

Optimization has two main components:

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

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

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

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

Optimization

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

Financial objectives - current status

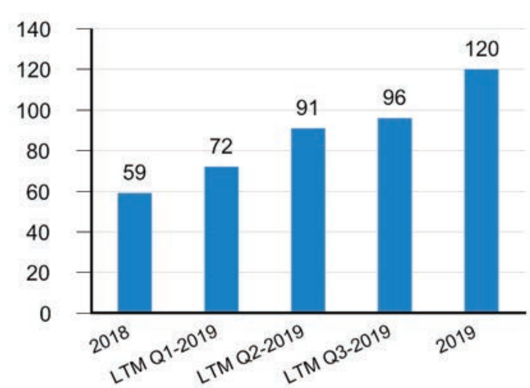
To ensure that the implementation of the strategic plan results in disciplined growth while creating shareholder value, Boralex's management monitors the three criteria chosen as financial objectives.

(1) Discretionary cash flows

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

Discretionary cash flows*

(in millions of Canadian dollars)



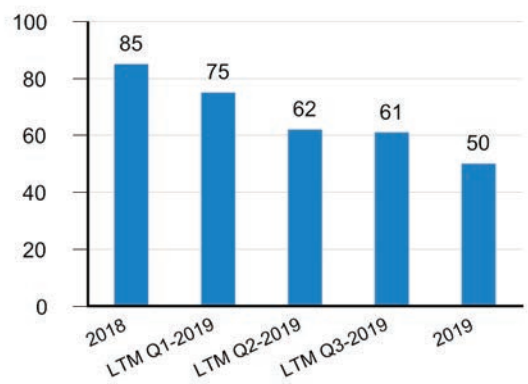
* See the *Non-IFRS measures* section.

(2) Dividend

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

Dividend payout ratio*

(as a %)



* See the *Non-IFRS measures* section.

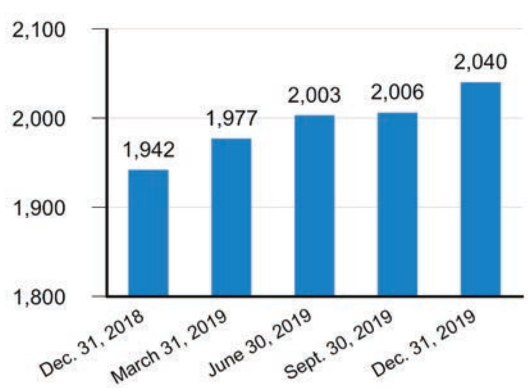
(3) Net installed capacity

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

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

Net installed capacity

(in MW)



Financial highlights

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

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

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

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

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

Total power production

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

(1) Includes compensation for the equivalent of 64 GWh in light of the power limitation imposed on the NRWF facility for the fourth quarter of 2019 (41 GWh for the fourth quarter of 2018).
(2) See the *Acquisitions and commissioning* table in section I - Growth strategy.

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

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

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

Hydroelectric

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

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

Revenues from energy sales and feed-in premium

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

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

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

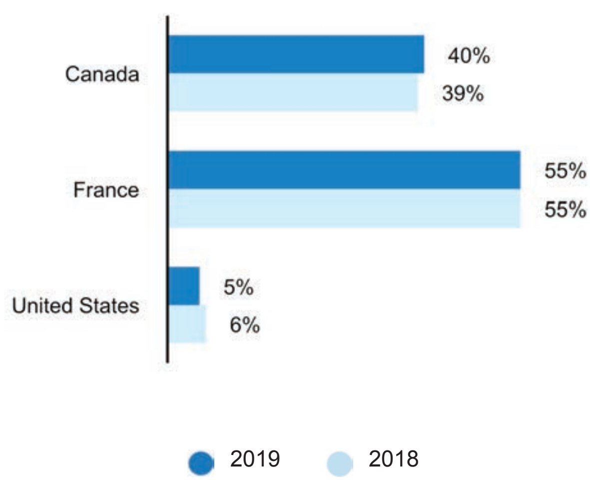
For the three-month period ended December 31, 2019, revenues from energy sales totalled $179 million, up $34 million or 24% compared with the results of the corresponding quarter of 2018. This increase was driven by the expansion of the Corporation's operating base since the third quarter of 2018 (see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

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

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

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

(Three-month periods ended December 31)



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

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

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

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

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

EBITDA(A)[(1)]

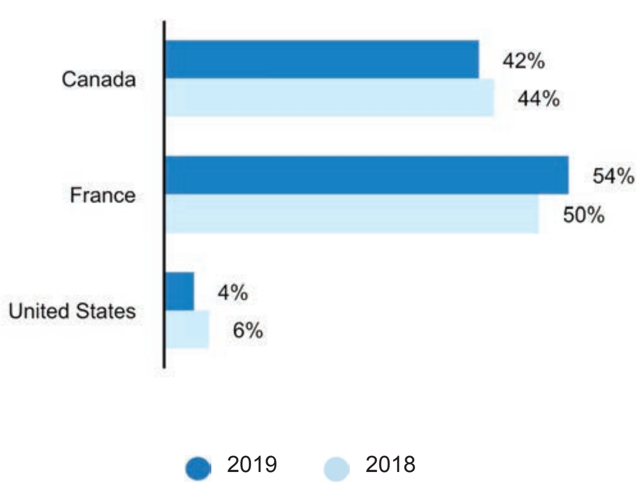
Main differences in EBITDA(A)

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

(1) See the *Non-IFRS measures* section.
(2) Excluding corporate segment and eliminations.
(3) See the *Acquisitions and commissioning* table in section I - Growth strategy.
(4) Includes differences related to salaries, prices and foreign exchange effect.

Geographic breakdown of EBITDA(A)[(1)]

(Three-month periods ended December 31)



(1) Excluding corporate segment and eliminations.

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

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

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

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

  The EBITDA(A) of French wind farms increased 56% driven mainly by better wind conditions. Canadian facilities reported a 21% increase, following better wind conditions and commissioning of the **Moose Lake** wind farm.
- The **hydroelectric** power segment recorded EBITDA(A) of $17 million for the fourth quarter of 2019, more than doubling the $8 million recorded for the corresponding quarter of 2018. The increase resulted entirely from the contributions of the **Yellow Falls** and **Buckingham** power stations.

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

Main differences in net earnings attributable to shareholders of Boralex

(in millions of Canadian dollars)

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

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

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

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

Amortization

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

Impairment

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

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

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

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

Acquisition costs

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

Financing costs

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

Income taxes

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

Other

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

Net loss

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

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

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

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

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

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

Total power production

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

(1) Including compensation for the equivalent of 175 GWh in light of the power limitation imposed on the NRWF facility for fiscal 2019 (153 GWh for fiscal 2018).
(2) See the *Acquisitions and commissioning* table in section I - *Growth strategy*.

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

Wind

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

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

Hydroelectric

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

- In **Canada**, the hydroelectric power segment reported a higher production volume of 289 GWh in 2019 compared with 260 GWh in 2018. Production at comparable power stations was relatively stable at 209 GWh with commissioning of the **Yellow Falls** power station offsetting the shortfall in production volume resulting from the shutdown of the **Buckingham** power station for the duration of the capacity upgrade work.
- In the **United States**, more favourable water flow conditions resulted in a 21% increase in production volume to 467 GWh in 2019 compared with 388 GWh in 2018.

Revenues from energy sales and feed-in premium

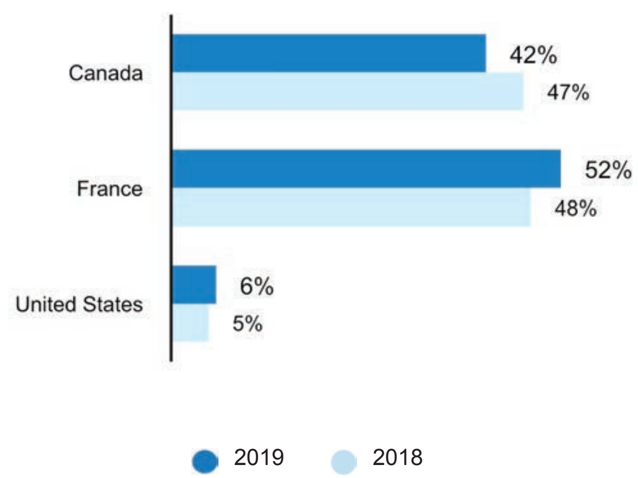
Main differences in revenues from energy sales and feed-in premium

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

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

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

(Years ended December 31)



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

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

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

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

  Overall, the French wind power segment recorded revenue growth of 38% driven primarily by contributions from acquired and commissioned assets. In Canada, revenues grew by 6% attributable to better wind conditions and commissioning of the **Moose Lake** wind farm.
- For fiscal 2019, the **hydroelectric** power segment generated revenues of $60 million, up 21% from $49 million for 2018. This favourable change resulted primarily from better water flow conditions at comparable stations, mainly in the United States, and by commissioning of the **Yellow Falls** power station, each contributing $6 million to the increase.

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

EBITDA(A)(1)

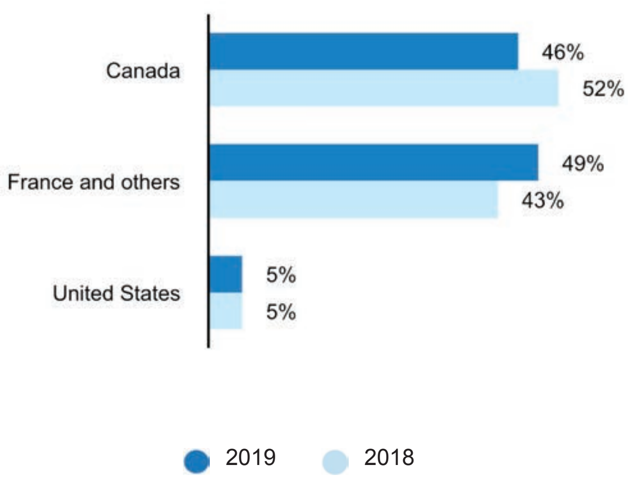
Main differences in EBITDA(A)

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

(1) See the *Non-IFRS measures* section.
(1) Excluding the corporate segment and eliminations.
(2) See the *Acquisitions and commissioning* table in section *I - Growth strategy*.
(3) Including differences in property taxes, salaries, professional fees and raw material costs.

Geographic breakdown of EBITDA(A)(1)

(Years ended December 31)



(1) Excluding corporate segment and eliminations.

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

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

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

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

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

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

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

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

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

Main differences in net loss attributable to shareholders of Boralex

(in millions of Canadian dollars)

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

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

Amortization

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

Impairment

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

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

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

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

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

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

Acquisition costs

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

Financing costs

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

Other

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

Income taxes

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

Net loss

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

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

Cash flows

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

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

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

Operating activities

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

Distributions received from the Joint Ventures and associates

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

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

Investing activities

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

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

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

[1] See the *Acquisitions and commissioning* table in *Section 1 - Growth strategy*.

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

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

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

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

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

Financing activities

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

New financing arrangements and repayments on existing debt

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

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

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

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

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

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

Dividends and other items

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

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

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

Net change in cash and cash equivalents

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

Discretionary cash flows and payout ratio(1)

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

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

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

Financial position

Overview of the consolidated condensed statements of financial position

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

Summary of significant changes

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

Assets

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

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

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

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

- An $18 million decrease related to asset impairment of the **Moulins du Lohan** project;
- A $7 million decrease resulting primarily from the sale of land in Scotland;
- A $159 million increase related to projects under construction (see the *Cash flows* section), $15 million of which pertained to the previous year's payables;

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

Current liabilities

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

Working capital

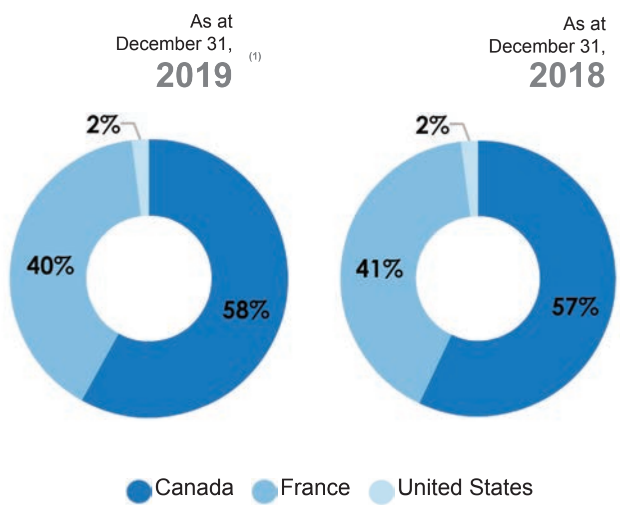
As at December 31, 2019, the Corporation had working capital of $59 million for a ratio of 1.19:1, compared with a working capital deficiency of $142 million and a ratio of 0.75:1 as at December 31, 2018. The improvement in working capital resulted from the reduction in the current portion of long-term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

Non-current liabilities

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

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

Geographic breakdown of debt



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

Equity

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

Debt ratios

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

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

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

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

Information about the Corporation's equity

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

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

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

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

Related party transactions

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

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

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

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

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

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

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

Seasonal factors

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

(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. The impact of these cycles is mitigated by diversifying the Corporation's power generation sources and favourable geographical positioning.

Operating volumes at Boralex facilities are influenced as follows:

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

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

Financial instruments

Foreign exchange risk

Foreign exchange risk

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

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

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

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

Price risk

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

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

Interest rate risk

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

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

As at December 31, **2019**		Current notional		Fair value	
(in millions of Canadian dollars)	Currency	(currency of origin)	(CAD)	(currency of origin)	(CAD)
Interest rate swaps	EUR	734	1,069	(18)	(27)
Interest rate swaps	CAD	753	753	11	11
Foreign exchange forward contracts	EUR vs. CAD	60	93	—	—
Cross-currency swaps	EUR vs. CAD	318	479	16	16
Cross-currency swaps	USD vs. CAD	186	245	(3)	(3)
					(3)

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

Combined

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

Interests in the Joint Ventures and associates

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

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

Highlights of the Joint Ventures and associates

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

[1] The Corporation acquired Invenergy's interests in the DM I and II, LP I and II, and Roncevaux wind farms on September 14, 2018.

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

Total power production

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

[1] Includes compensation for the equivalent of 64 GWh in light of the capacity limitation imposed on the NRWF facility for the fourth quarter of 2019 (41 GWh for the fourth quarter of 2018).
[2] *See the Acquisitions and commissioning* table in section I - *Growth strategy.*

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

Revenues from energy sales and feed-in premium

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

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

[1] *See the Acquisitions and commissioning table in section I - Growth strategy.*

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

EBITDA(A)[1]

Main differences in EBITDA(A)

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

(1) See the *Non-IFRS measures* section.
(2) Excluding corporate segment and eliminations.
(3) See the *Acquisitions and commissioning* table in section *I - Growth strategy*.
(4) Includes differences related to salaries, prices and the foreign exchange effect.

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

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

Total power production

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

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

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

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

Revenues from energy sales and feed-in premium

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

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

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

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

EBITDA(A)[1]

Main differences in EBITDA(A)

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

(1) See the *Non-IFRS measures* section.
(2) See the *Acquisitions and commissioning* table in section *I - Growth strategy*.
(3) Includes differences in property taxes, salaries, professional fees and raw material costs.
(4) Excluding corporate segment and eliminations.

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

Non-IFRS measures

Performance measures

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

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

Reconciliation between IFRS and Combined information

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

Consolidated

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

[1] Including the respective contribution of Joint Ventures and associates as a percentage of Boralex's interest less adjustments to reverse recognition of these interests under IFRS.

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

Wind

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

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

EBITDA(A)

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

EBITDA and EBITDA(A) are reconciled to the most comparable IFRS measure, namely net earnings (loss), in the following table. The comparative information has not been restated under IFRS 16, *Leases*, and continues to be reported under IAS 17.

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

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

Cash flows from operations

Cash flows from operations under IFRS and on a Combined basis are equal to net cash flows related to operating activities before change in non-cash items. Management uses this measure to assess cash flows generated by the Corporation's operations and its capacity to finance its expansion through those funds. In light of the seasonal nature of the Corporation's operations and the volume of construction activity, changes in non-cash items can vary considerably, which affects the degree to which cash flows relating to operating activities are representative.

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

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

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

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

Net debt ratio

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

The Corporation defines net debt as follows:

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

The Corporation defines total market capitalization as follows:

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

The Corporation computes the net debt ratio as follows:

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

Discretionary cash flows and payout ratio

Discretionary cash flows

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

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

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

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

Payout ratio

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

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

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

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

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

[1] The comparative information has not been restated under IFRS 16, *Leases*, and continues to be reported under the former standard IAS 17.
[2] Excluding mainly a $15 million exceptional distribution received following refinancing of the LP I wind farm (2019) and acquisition costs incurred (2018).
[3] Excluding bridge financing, VAT bridge refinancing, debt assumed at the time of the Kallista acquisition (2018) and early debt repayments.

Commitments and contingencies

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

(a) Purchase and construction contracts

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

(b) Maintenance contracts

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

(c) Contingent consideration

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

(d) Other commitments

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

Energy sales contracts

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

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

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

Contingencies

France – Contingency

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

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

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

Canada – Contingencies

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

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

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

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

Canada – Boralex Power Income Fund

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

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

DM I Joint Venture

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

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

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

Subsequent event

Revolving credit facility

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

Risk factors

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

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

The Corporation's ability to implement its strategic plan

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

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

Industry risk and competition

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

Segment and geographical diversification

The Corporation capitalizes on diversification in its power generation sources and geography. This diversification is reflected in the Corporation's operating revenues and EBITDA(A). Given the size of some of its operating segments, the Corporation could, however, be exposed to significant financial consequences in the event of a substantial downturn in its wind power segment.

Relationships with stakeholders

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

Ability to secure appropriate land

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

Development, construction and design

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

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

Acquisitions

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

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

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

Equipment supply

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

Raw material supply

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

COVID-19 coronavirus outbreak

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

Seasonal factors

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

Hydrology, wind and sunshine

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

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

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

Power station operation and equipment failure

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

Availability and reliability of electric transmission systems

The Corporation's ability to sell electricity is impacted by the availability of the various power transmission systems in each jurisdiction in which it operates. The failure of existing transmission facilities or the lack of adequate transmission capacity would have a material adverse effect on the Corporation's ability to deliver electricity to its various counterparties, thereby unfavourably impacting the Corporation's operating results, financial position or prospects.

Dam safety

Hydroelectric power stations in Québec, which represented 2% of total installed capacity as at December 31, 2019, are subject to the *Dam Safety Act* and its regulation. Depending on the region where the power stations are located, dams must comply with some criteria defined in this Act. Generally speaking, once the Corporation's recommendations are accepted by the Ministère de l'Environnement et de la Lutte contre les changements climatiques, an action plan is prepared reflecting the relative urgency of the work required. The Corporation is also subject to disclosure requirements and regulations relating to the monitoring of structural integrity of the power stations it operates in British Columbia and the United States.

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

Energy sales contracts

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

Price risk

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

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

Non-performance by counterparties

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

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

Ability to attract and retain management, key employees and staff

The Corporation's members of management and other key employees play an important role in its success. The Corporation's performance and future growth depend in large part on the skills, experience and efforts of its members of management. The Corporation’s continued success is dependent on its ability to attract and retain highly qualified and experienced officers. Should the Corporation prove unable to do so, or to identify, train or attract successors in the event of the departure of key members of management, such failure could have a material adverse effect on its business, operating results, operations and outlook.

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

Additional financing

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

Debt

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

Financial leverage and restrictive covenants

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

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

Liquidity risks related to derivative financial instruments

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

Interest rate and refinancing

Given the high-leverage financing strategy used by the Corporation, interest rate fluctuations are a factor which may materially affect its profitability. When a loan is taken on a variable rate basis, in order to limit the effect of changes in interest rates, the Corporation simultaneously arranges interest rate swaps covering a significant portion of the corresponding loan. The hedged portion is typically between 75% and 90% of anticipated variable interest cash flows. As at December 31, 2019, excluding the revolving credit and subordinated debt and given the effect of the interest rate swaps in force, only about 10% and 8% of the total debt was exposed to interest rate fluctuations under IFRS and on a Combined basis.

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

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

Foreign exchange risk

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

In France, given the above and the size of the sector and that Boralex now pays a dividend in Canadian dollars, the Corporation entered into forward sales contracts to hedge the exchange rate on a portion of the distributions it expects to repatriate from Europe up to 2025. Similar purchases will be made based on the cash flows generated. The Corporation also holds cross-currency swaps. These derivative instruments serve to hedge the Corporation's net investment in France, allowing financing issued in Canada for investment in France to be synthetically translated into euros. In addition to reducing exposure to foreign currency risk, these instruments provide access to lower interest rates than those prevailing in Europe.

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

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

Declaration of dividends

The declaration of dividends is subject to regulatory restrictions and at the discretion of the Board of Directors, regardless of whether the Corporation has sufficient funds, less indebtedness, to pay dividends. The Corporation may neither declare nor pay dividends if it has reasonable grounds to believe that (i) the Corporation cannot, or could not thereby, pay its liabilities as they become due; or (ii) the realizable value of the Corporation's assets would thereby be less than the aggregate of its liabilities and stated outstanding share capital; or (iii) it would be possible to procure shareholders higher yield by investing the equivalent amount in its current operations.

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

Health, safety and environmental risks

The construction, ownership and operation of the Corporation's generation assets carry an inherent risk of liability related to worker health and safety and the environment, including the risk of government-imposed orders to remedy unsafe conditions and/ or to remediate or otherwise address environmental contamination, potential penalties for contravention of health, safety and environmental laws, licences, permits and other approvals, and potential civil liability. Compliance with health, safety and environmental laws (and any future changes to these laws) and the requirements of licences, permits and other approvals will remain material to the Corporation. In addition, the Corporation may become subject to government orders, investigations, inquiries or civil suits relating to health, safety or environmental matters. Potential penalties or other remediation orders could have a material adverse effect on the Corporation's business and results of operations.

Regulatory and political environment

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

There can be no assurance that economic and political conditions in the countries in which the Corporation operates or intends to operate will continue as they are at present. The effect of such factors is unpredictable.

The Corporation's operations are also subject to changes in governmental regulatory requirements, including environment and energy-related regulations, unforeseen environmental effects and other matters beyond the control of the Corporation. The operation of power stations is subject to extensive regulation by various government agencies at the municipal, provincial and federal levels.

Currently unregulated operations may become regulated. Because legal requirements change frequently and are subject to interpretation, the Corporation is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. Some of the Corporation's operations are regulated by government agencies that exercise statutory discretion. Because the scope of such discretionary authority is uncertain and may be inconsistently applied, the Corporation is unable to predict the ultimate cost of compliance with such requirements or their effect on operations. Failure of the Corporation to obtain or maintain all necessary licences, leases or permits, including renewals thereof or modifications thereto, may adversely affect its ability to generate revenues.

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

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

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

Social acceptance of renewable energy projects

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

Litigation

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

Information systems and cybersecurity

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

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

Natural disasters and force majeure events

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

Insurance limits

The Corporation believes that its insurance coverage addresses all material insurable risks, provides adequate coverage that is similar to what would be maintained by a prudent owner/operator of similar facilities, and is subject to deductibles, limits and exclusions which are customary or reasonable. However, given the cost of procuring insurance, current operating conditions and the credit quality of the different insurance companies on the market, there can be no assurance that such insurance will continue to be offered on an economically affordable basis, or that such insurance will cover all events which could give rise to a loss or claim involving the assets or operations of the Corporation.

Damage to reputation

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

Factors of uncertainty

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

The following items require management to make the most critical estimates and judgments:

Main sources of uncertainty relating to management's estimates

Management determines its estimates based on a number of factors, namely its experience, current events and measures the Corporation could subsequently take, as well as other assumptions it deems reasonable given the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results may differ from them. Underlying estimates and assumptions are periodically reviewed and the impact of any changes is recognized immediately.

Impairment of assets

Every year, on August 31, the Corporation tests its CGUs and groups of CGUs for impairment with respect to intangible assets with indefinite useful lives and *Goodwill*. Also, at each reporting date, if any evidence of impairment exists, the Corporation must perform impairment tests on its assets with indefinite and finite useful lives and *Goodwill* to assess whether their carrying amounts are recoverable. Impairment tests require the use of various assumptions based on management's best estimates.

Recoverable amounts

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

Discount rate

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

Production

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

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

In determining the useful lives of property, plant and equipment and intangible assets with finite useful lives, management takes into account estimates of the expected use period of the asset. Such estimates are reviewed annually and the impacts of any changes are accounted for prospectively.

Deferred taxes

Management is required to estimate the amounts to be recognized as deferred income tax assets and liabilities. In particular, management must assess the timing of the reversal of temporary differences to which future income tax rates are applied. Further, the amount of deferred tax assets, which is limited to the amount that is considered likely to be realized, is estimated by taking into account future taxable income.

Decommissioning liability

Future remediation costs, whether required under contract or by law, are recognized based on management's best estimates. These estimates are calculated at the end of each period taking into account expected discounted outflows for each asset in question. Estimates depend on labour costs, efficiency of site restoration and remediation measures, inflation rates and pre-tax interest rates that reflect the risks specific to the liability. Management also estimates the timing of expenses, which may change depending on the type of continuing operations. Expected future costs are inherently uncertain and could materially change over time. Given current knowledge, it is reasonably possible that, in upcoming fiscal years, actual costs could differ from the assumptions, requiring significant adjustments to the related liability's carrying amount.

Fair value of financial instruments

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

Fair value of business combinations

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

Main sources of uncertainty relating to management's key judgments

Evidence of asset impairment

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

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

Determining the development phase

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

Business combination or asset acquisition

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

Consolidation

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

Accounting policies

Changes to accounting policies

IFRS 16, *Leases*

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

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

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

Exceptions to the application of IFRS 16

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

Impact of transition to IFRS 16

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

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

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

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

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

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

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

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

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

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

Uncertainty over income tax treatments

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

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

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

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

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

Future changes in accounting policies

IFRS 3, *Business Combinations*

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

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

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

Conceptual Framework for Financial Reporting

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

Internal controls and procedures

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

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

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

Consolidated financial statements

Management's report

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

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

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

Patrick Lemaire

President and Chief Executive Officer

Bruno Guilmette

Vice-President and Chief Financial Officer

Montréal, Canada

February 27, 2020

Independent auditor's report

To the Shareholders of Boralex Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Boralex Inc. and its subsidiaries (together, the Corporation) as at December 31, 2019 and 2018 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of loss for the years then ended;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Corporation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report, and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

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

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

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

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

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

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

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

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

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

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

PricewaterhouseCoopers LLP[1]

Montréal, Québec
February 27, 2020

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

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Consolidated statements of financial position

(in millions of Canadian dollars)	Note	As at December 31, 2019	As at December 31, 2018
ASSETS			
Cash and cash equivalents		153	157
Restricted cash		15	96
Trade and other receivables	6	153	142
Other current financial assets	24	17	—
Other current assets		25	27
CURRENT ASSETS		363	422
Property, plant and equipment	7	2,715	2,918
Right-of-use assets	8	260	—
Intangible assets	9	700	798
Goodwill	9	188	195
Interests in the Joint Ventures and associates	10	236	279
Other non-current financial assets	24	76	137
Other non-current assets		19	15
NON-CURRENT ASSETS		4,194	4,342
TOTAL ASSETS		4,557	4,764
LIABILITIES			
Trade and other payables	11	118	142
Current portion of debt	12	172	414
Current portion of lease liabilities	8	11	—
Other current financial liabilities	24	3	8
CURRENT LIABILITIES		304	564
Debt	12	2,895	2,857
Lease liabilities	8	197	—
Convertible debentures	13	—	140
Deferred income tax liability	14	136	158
Decommissioning liability	15	90	69
Other non-current financial liabilities	24	38	45
Other non-current liabilities		22	24
NON-CURRENT LIABILITIES		3,378	3,293
TOTAL LIABILITIES		3,682	3,857
EQUITY			
Equity attributable to shareholders		860	876
Non-controlling shareholders		15	31
TOTAL EQUITY		875	907
TOTAL LIABILITIES AND EQUITY		4,557	4,764

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

The Board of Directors approved these audited annual consolidated financial statements on February 27, 2020.

Alain Rhéaume, Director

Lise Croteau, Director

Consolidated statements of loss

(in millions of Canadian dollars, unless otherwise specified)	Note	2019	2018
REVENUES			
Revenues from energy sales		553	471
Feed-in premium		11	—
Revenues from energy sales and feed-in premium		564	471
Other income		10	8
		574	479
COSTS AND OTHER			
Operating	18	127	133
Administrative	18	35	31
Development		24	26
Amortization		244	208
Impairment	19	55	15
Other gains		(1)	(1)
		484	412
OPERATING INCOME		90	67
Acquisition costs	5	—	5
Financing costs	20	143	123
Share in earnings of the Joint Ventures and associates	10	(14)	(9)
Other		9	—
LOSS BEFORE INCOME TAXES		(48)	(52)
Income tax recovery	14	(5)	(14)
NET LOSS		(43)	(38)
NET LOSS ATTRIBUTABLE TO:			
Shareholders of Boralex		(39)	(30)
Non-controlling shareholders		(4)	(8)
NET LOSS		(43)	(38)
NET LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF BORALEX – BASIC AND DILUTED	21	($0.43)	($0.38)

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

Consolidated statements of comprehensive loss

(in millions of Canadian dollars)	2019	2018
NET LOSS	(43)	(38)
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	(44)	26
Net investment hedge:		
Change in fair value	30	(8)
Income taxes	(2)	—
Cash flow hedges:		
Change in fair value	(44)	(11)
Hedging items realized and recognized in net loss	11	14
Income taxes	9	(1)
Cash flow hedges – Interests:		
Change in fair value	(10)	(4)
Hedging items realized and recognized in net loss	4	4
Income taxes	1	—
Total other comprehensive income (loss)	(45)	20
COMPREHENSIVE LOSS	(88)	(18)
COMPREHENSIVE LOSS ATTRIBUTABLE TO:		
Shareholders of Boralex	(82)	(10)
Non-controlling shareholders	(6)	(8)
COMPREHENSIVE LOSS	(88)	(18)

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

Consolidated statements of changes in equity

2019

(in millions of Canadian dollars)	Equity attributable to shareholders							
	Capital stock	Equity component of convertible debentures	Contributed surplus	Accumulated deficit	Accumulated other comprehensive income (loss)	Total	Non-controlling shareholders	Total equity
BALANCE AS AT JANUARY 1, 2019	984	4	9	(123)	2	876	31	907
Impact of adopting IFRS 16 – net of taxes (note 3)	—	—	—	(9)	—	(9)	(4)	(13)
BALANCE AS AT JANUARY 1, 2019 – RESTATED	984	4	9	(132)	2	867	27	894
Net loss	—	—	—	(39)	—	(39)	(4)	(43)
Other comprehensive loss	—	—	—	—	(43)	(43)	(2)	(45)
COMPREHENSIVE LOSS	—	—	—	(39)	(43)	(82)	(6)	(88)
Dividends (note 16)	—	—	—	(60)	—	(60)	—	(60)
Share issued and conversion of convertible debentures (note 13 and 16)	138	(4)	—	—	—	134	—	134
Exercise of options (note 16)	3	—	—	—	—	3	—	3
Distributions paid to non-controlling shareholders	—	—	—	—	—	—	(7)	(7)
Other	—	—	—	(2)	—	(2)	1	(1)
BALANCE AS AT DECEMBER 31, 2019	1,125	—	9	(233)	(41)	860	15	875

2018

(in millions of Canadian dollars)	Equity attributable to shareholders							
	Capital stock	Equity component of convertible debentures	Contributed surplus	Accumulated 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	—	—	—	(30)	—	(30)	(8)	(38)
Other comprehensive income	—	—	—	—	20	20	—	20
COMPREHENSIVE INCOME (LOSS)	—	—	—	(30)	20	(10)	(8)	(18)
Dividends (note 16)	—	—	—	(50)	—	(50)	—	(50)
Shares issued (note 16)	250	—	—	—	—	250	—	250
Exercise of options (note 16)	2	—	—	—	—	2	—	2
Distributions paid to non-controlling shareholders	—	—	—	—	—	—	(7)	(7)
Other (note 16)	(1)	—	—	—	—	(1)	2	1
BALANCE AS AT DECEMBER 31, 2018	984	4	9	(123)	2	876	31	907

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

Consolidated statements of cash flows

(in millions of Canadian dollars)	Note	2019	2018
Net loss		(43)	(38)
Distributions received from the Joint Ventures and associates		54	23
Financing costs	20	143	123
Interest paid		(123)	(115)
Income tax recovery		(5)	(14)
Income taxes paid		(3)	(3)
Non-cash items in loss:			
Amortization		244	208
Share in earnings of the Joint Ventures and associates		(14)	(9)
Impairment	19	55	15
Other		2	2
Change in non-cash items related to operating activities	22	(16)	10
NET CASH FLOWS RELATED TO OPERATING ACTIVITIES		294	202
Business acquisitions, net of cash acquired	5	—	(108)
Increase in the interests in the Joint Ventures and associates	10	(5)	(205)
Options to purchase a partner's interests	10	—	(15)
Additions to property, plant and equipment	7	(159)	(282)
Proceeds from disposal of assets	7	13	55
Acquisition of energy sales contracts	9	(18)	(24)
Change in restricted cash		45	(59)
Change in reserve funds		28	(1)
Other		(4)	(2)
NET CASH FLOWS RELATED TO INVESTING ACTIVITIES		(100)	(641)
Increase in debt		1,411	881
Repayments on debt		(1,469)	(459)
Repayment of loans assumed in a business acquisition	5	—	(86)
Change in restricted cash - Lanouée forest	19	43	—
Redemption of convertible debentures	13	(8)	—
Principal payments relating to lease liabilities		(10)	—
Distributions paid to non-controlling shareholders		(7)	(7)
Dividends paid to shareholders	16	(60)	(50)
Shares issued	16	—	259
Transaction costs related to share and debt issuance		(71)	(19)
Redemption of financial instruments prior to maturity		(22)	(44)
Other		4	—
NET CASH FLOWS RELATED TO FINANCING ACTIVITIES		(189)	475
TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS		(9)	6
NET CHANGE IN CASH AND CASH EQUIVALENTS		(4)	42
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR		157	115
CASH AND CASH EQUIVALENTS – END OF YEAR		153	157

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

Notes to consolidated financial statements

As at December 31, 2019

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

Note 1. Incorporation and nature of business

Boralex Inc., its subsidiaries and its Joint Ventures and associates (“Boralex” or the “Corporation”) are dedicated to the development, construction and operation of renewable energy power facilities. As at December 31, 2019, the Corporation had interests in 85 wind farms, 16 hydroelectric power stations, two thermal power stations and three solar power stations, representing an asset base with a net installed capacity under its control and Boralex's share in entities over which it does not have control totalling 2,040 megawatts (“MW”). In addition, Boralex currently has new projects under development, representing an additional 58 MW of power and a portfolio of secured projects amounting to 167 MW. The Corporation also operates two hydroelectric power stations on behalf of R.S.P. Énergie Inc., an entity of which one of the three shareholders is Patrick Lemaire, President, Chief Executive Officer and a director of the Corporation. Revenues from energy sales are generated mainly in Canada, France and the United States.

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

Note 2. Basis of presentation

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

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

Note 3. Significant accounting policies

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

Measurement basis

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

Basis of consolidation

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

Subsidiaries

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

The Corporation's main subsidiaries as at December 31, 2019 were as follows:

Name of subsidiary	Voting rights held	Location
Boralex Europe Sàrl	100%	Luxembourg
Boralex EnR S.A.S.[(1)]	100%	France
Boralex Energie France S.A.S.	100%	France
Boralex S.A.S.	100%	France
Boralex Energy Investment S.A.S.	100%	France
Boralex Production S.A.S.	100%	France
Groupe Ressources Forestières SAS	100%	France
Boralex Scotland LP	100%	United Kingdom
Boralex US Energy Inc.	100%	United States
Boralex Ontario Energy Holdings L.P.	100%	Canada
Boralex Ontario Energy Holdings 2 L.P.	100%	Canada
Jamie Creek L.P.	100%	Canada
Éoliennes Témiscouata S.E.C.	51%	Canada
Éoliennes Témiscouata II L.P.	100%	Canada
Frampton Wind Energy L.P.	67%	Canada
Éoliennes Côte-de-Beaupré S.E.C.	51%	Canada
Boralex Power Limited Partnership	100%	Canada
Yellow Falls Power LP	100%	Canada
Moose Lake Wind LP	70%	Canada
Port Ryerse Wind Farm LP	100%	Canada
FWRN LP	50%	Canada
NR Capital	100%	Canada

(1) Boralex Energie Verte S.A.S. ("BEV") is a subsidiary of Boralex EnR S.A.S.

Joint Ventures and associates

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

An associate is a joint arrangement in which the parties are bound by a contractual agreement that gives them significant influence without control or under joint control over the entity. The Corporation's interests in the Joint Ventures and associates ("Interests") are accounted for using the equity method. Under the equity method, investments are initially recorded at cost and the carrying amount is adjusted thereafter to include the Corporation's pro rata share of post-acquisition earnings or losses of the investee in profit or loss and the Corporation's share of changes in other comprehensive income. Dividends received or receivable from associates and joint ventures reduce the carrying amount of the investment. The Corporation's *Share in earnings of the Joint Ventures and associates* is recorded as a separate line item in the consolidated statement of earnings (loss). Unrealized gains and losses on transactions between the Corporation and jointly controlled or significantly influenced entities are eliminated to the extent of the Corporation's interest in those entities unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group and comparability of financial information.

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

As at December 31, 2019, the Corporation's main Joint Ventures and associates were as follows:

Name of entity	Type of joint arrangement	Boralex %	Location
Des Moulins Wind Power L.P. ("DM I" and "DM II")	Joint venture	51.00%	Canada
Le Plateau Wind Power L.P. ("LP I")	Joint venture	51.00%	Canada
Le Plateau Community Wind Power L.P. ("LP II")	Joint venture	59.96%	Canada
Roncevaux Wind Power L.P. ("Roncevaux")	Associate	50.00%	Canada
Seigneurie de Beaupré Wind Farms 2 and 3 General Partnership ("SDB I")	Joint venture	50.00%	Canada
Seigneurie de Beaupré Wind Farm 4 General Partnership ("SDB II")	Joint venture	50.00%	Canada
Jammerland Bay Nearshore AIS ("Denmark")	Joint venture	50.00%	Denmark
Hecate Energy New York Holdings LLC ("Hecate")	Joint venture	50.00%	United States

As at December 31, 2018, the Corporation's main Joint Ventures and associates were as follows:

Name of entity	Type of joint arrangement	Boralex %	Location
Des Moulins Wind Power L.P. ("DM I" and "DM II")	Joint venture	51.00%	Canada
Le Plateau Wind Power L.P. ("LP I")	Joint venture	51.00%	Canada
Le Plateau Community Wind Power L.P. ("LP II")	Joint venture	59.96%	Canada
Roncevaux Wind Power L.P. ("Roncevaux")	Associate	50.00%	Canada
Seigneurie de Beaupré Wind Farms 2 and 3 General Partnership ("SDB I")	Joint venture	50.00%	Canada
Seigneurie de Beaupré Wind Farm 4 General Partnership ("SDB II")	Joint venture	50.00%	Canada
Jammerland Bay Nearshore AIS ("Denmark")	Joint venture	50.00%	Denmark

Non-controlling shareholders

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

Business combinations

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

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

Goodwill is determined after separate recognition of identifiable assets acquired. It is calculated as the excess of the sum of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (gain on a bargain purchase) is recognized through earnings immediately.

Foreign currency translation

Functional and reporting currency

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

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

Foreign currency transactions

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

Financial instruments

Classification

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

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

The classification of 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.

Measurement

Financial instruments at amortized cost

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

Currently, the Corporation classifies cash and cash equivalents, restricted cash, trade and other receivables, advance to a non-controlling shareholder, options to purchase a partner's interests and reserve funds as financial assets measured at amortized cost and trade and other payables, contingent considerations, debt and lease obligations as financial liabilities measured at amortized cost.

Financial instruments at fair value

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

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

Impairment

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

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

Derecognition

Financial assets

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

Hedge accounting

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

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

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

Cash flow hedges

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

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

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

Hedge of a net investment in self-sustaining foreign operations

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

Cash and cash equivalents

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

Restricted cash

Restricted cash comprises mainly highly liquid investments designated as reserve to finance capital expenditures and funds held in trust for the purpose of meeting the requirements of certain debt agreements within a one-year period following each year-end and cash related to the partial repayment of the bridge financing facility upon a land sale in France (note 13 (c)).

Inventories

Inventories are measured at the lower of cost or net realizable value. Cost is determined using the average cost method. Net realizable value corresponds to replacement cost in the normal course of business. Inventories mainly consist of replacement parts and wood residues.

Property, plant and equipment

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

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

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

Other intangible assets

Energy sales contracts

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

Water rights

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

Development projects

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

Goodwill

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

Other non-current assets - Reserve funds

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

Borrowing costs

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

Leases

Policy applicable since January 1, 2019:

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

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

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

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

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

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

- Fixed payments (including in-substance fixed lease payments), less any lease incentives receivable;

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

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

Remeasurement

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

Estimation uncertainty arising from variable lease payments

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

Policy applicable before January 1, 2019:

Leases are classified as finance leases when the lease arrangement transfers substantially all the risks and rewards of ownership to the Corporation. Leases are classified as operating leases when the lease arrangement does not transfer substantially all the risks and rewards of ownership to the Corporation. Payments made under operating leases are charged to the statement of earnings (loss) on a straight-line basis over the lease term.

Finance leases are capitalized at the commencement of the lease term at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is apportioned between the liability and financing costs so as to achieve a constant rate on the balance outstanding.

Such lease liabilities, net of financing costs, are included under *Debt*. The interest component of the financing costs is charged to earnings (loss) over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are amortized over the shorter of the useful life of the underlying asset and the lease term.

Impairment of assets

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

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

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

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

Provisions

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

Contingent consideration

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

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

Litigation provisions

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

Decommissioning liability

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

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

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

The Corporation has environmental obligations with respect to its wood-residue thermal power station. If the power station were to be sold, the Corporation would be responsible for removing the piles of wood residue and environmental protection membranes. The Corporation has determined that the wood residue would be burned to produce electricity and that additional cleaning costs would not be material. Accordingly, the fair value of the liability is not material.

Lastly, the Corporation has an obligation to decommission its solar power stations at the end of the lease term. Decommissioning costs are non-significant.

Income taxes

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

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

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

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

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

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

Equity

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

Stock-based compensation

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

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

Revenue recognition

The Corporation recognizes its revenue under the following policies:

Revenues from energy sales and feed-in premium

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.

Variable consideration

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

The Corporation recognizes deferred income for French wind farms whose energy selling prices vary according to the achievement of predetermined production levels under the rate order. The estimate is reviewed annually.

Other income

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

Net earnings (loss) per share

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

Change in accounting estimates

Change in useful life of certain wind turbine components

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

Changes in accounting policies

IFRS 16, *Leases*

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

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

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

Exceptions to the application of IFRS 16

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

Impact of transition to IFRS 16

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

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

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

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

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

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

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

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

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

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

Uncertainty over income tax treatments

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

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

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

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

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

Future changes in accounting policies

IFRS 3, *Business Combinations*

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

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

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

Conceptual Framework for Financial Reporting

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

Note 4. Main sources of uncertainty

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

The following items require management to make the most critical estimates and judgments:

Main sources of uncertainty relating to management's estimates

Management determines its estimates based on a number of factors, namely its experience, current events and measures the Corporation could subsequently take, as well as other assumptions it deems reasonable given the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results may differ from them. Underlying estimates and assumptions are periodically reviewed and the impact of any changes is recognized immediately.

Impairment of assets

Every year, on August 31, the Corporation tests its CGUs and groups of CGUs for impairment with respect to intangible assets with indefinite useful lives and *Goodwill*. Also, at each reporting date, if any evidence of impairment exists, the Corporation must perform impairment tests on its assets with indefinite and finite useful lives and *Goodwill* to assess whether their carrying amounts are recoverable. Impairment tests require the use of various assumptions based on management's best estimates.

Recoverable amounts

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

Discount rate

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

Production

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

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

In determining the useful lives of property, plant and equipment and intangible assets with finite useful lives, management takes into account estimates of the expected use period of the asset. Such estimates are reviewed annually and the impacts of any changes are accounted for prospectively.

Deferred taxes

Management is required to estimate the amounts to be recognized as deferred income tax assets and liabilities. In particular, management must assess the timing of the reversal of temporary differences to which future income tax rates are applied. Further, the amount of deferred tax assets, which is limited to the amount that is considered likely to be realized, is estimated by taking into account future taxable income.

Decommissioning liability

Future remediation costs, whether required under contract or by law, are recognized based on management's best estimates. These estimates are calculated at the end of each period taking into account expected discounted outflows for each asset in question. Estimates depend on labour costs, efficiency of site restoration and remediation measures, inflation rates and pre-tax interest rates that reflect the risks specific to the liability. Management also estimates the timing of expenses, which may change depending on the type of continuing operations. Expected future costs are inherently uncertain and could materially change over time. Given current knowledge, it is reasonably possible that, in upcoming fiscal years, actual costs could differ from the assumptions, requiring significant adjustments to the related liability's carrying amount.

Fair value of financial instruments

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

Fair value of business combinations

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

Main sources of uncertainty relating to management's key judgments

Evidence of asset impairment

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

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

Determining the development phase

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

Business combination or asset acquisition

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

Consolidation

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

Note 5. Business combination

2018

Kallista acquisition

On June 20, 2018, Boralex announced the signing of a purchase agreement with Ardian Infrastructure Holding S.à.r.l. 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 loan to a non-controlling shareholder granted by Ardian Infrastructure Holding S.à.r.l. to Kallista Energy Investment SAS and $8 million (€6 million) on a bridge loan included under assumed *Debt*, for a total amount of $86 million (€56 million).

The acquired portfolio comprises 15 wind farms in operation totalling 163 MW with a weighted average remaining life of eight years under contract, a 10 MW facility under construction, commissioned on November 1, 2018, 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 $5 million (€3 million), which were recognized under acquisition costs in the 2018 consolidated statement of earnings (loss). The acquisition was accounted for by the Corporation using the acquisition method set out in IFRS 3, *Business Combinations* and the proportionate method was used to measure the non-controlling interest component. The statement of financial position and the results of this acquisition are consolidated as of June 20, 2018.

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

	Note	Preliminary allocation		Final allocation	
		(in $)	(in €)	(in $)	(in €)
Cash and cash equivalents		21	13	21	13
Trade and other receivables		4	3	4	3
Other current assets		2	1	2	1
Property, plant and equipment		230	149	205	133
Energy sales contracts		120	78	152	98
Goodwill		15	9	9	6
Other non-current assets		10	6	10	6
Current liabilities		(4)	(2)	(4)	(2)
Assumed debt		(171)	(111)	(171)	(111)
Deferred income tax liabilities		(5)	(3)	(6)	(4)
Other non-current financial liabilities		(5)	(3)	(5)	(3)
Decommissioning liability	15	(12)	(7)	(12)	(7)
Due to a non-controlling shareholder		(6)	(4)	(6)	(4)
		199	129	199	129
Assumed loan to a shareholder		(78)	(51)	(78)	(51)
Net assets		121	78	121	78
Less:					
Cash and cash equivalents acquired		21	13	21	13
Net consideration paid for the acquisition		100	65	100	65

Goodwill consists of deferred tax. *Goodwill* is not deductible for tax purposes.

The final purchase price allocation was based on the fair value at the acquisition date.

In 2018, as of the acquisition date, the acquired entity contributed $21 million (€14 million) to revenues from energy sales and generated a net loss of $4 million (€3 million). If the acquisition had occurred on January 1, 2018, management estimates that consolidated revenues from energy sales, as at December 31, 2019, would have increased by $22 million (€14 million) to $493 million and net loss would have amounted to $37 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.

Acquisition of a Europe-based portfolio (Ecotera)

In 2015, Boralex acquired the Ecotera project for which contingent consideration amounting to $33 million (€23 million) was recognized. In 2018, an outlay of $8 million (€5 million) was made by Boralex.

Note 6. Trade and other receivables

	Note	As at December 31, 2019	As at December 31, 2018
Trade receivables		110	88
Receivables from related parties	28	6	1
Tax receivables		35	49
Other receivables		2	4
		153	142

All these amounts have current maturities. Their net carrying amounts reasonably approximate their fair values.

The Corporation has not recorded a provision for expected credit losses on the accounts in the above table given the clients' high credit ratings. As at December 31, 2019, approximately 2% of trade receivables (3% as at December 31, 2018) were more than 90 days past due from the invoice date, while approximately 91% (95% as at December 31, 2018) were current (under 30 days).

Note 7. Property, plant and equipment

	Wind power stations	Hydroelectric power stations	Thermal power stations	Solar power stations	Corporate	**Total**
Year ended December 31, 2018:						
Balance – beginning of year	2,226	324	23	31	17	2,621
Translation adjustment	40	9	—	1	—	50
Additions	230	23	2	—	9	264
Additions through business combinations (note 5)	205	—	—	—	—	205
Disposals (a)	(54)	—	—	—	—	(54)
Impairment (note 19)	(14)	—	—	—	—	(14)
Amortization	(145)	(12)	(4)	(2)	(2)	(165)
Other	14	1	—	—	(4)	11
Balance – end of year	2,502	345	21	30	20	2,918
As at December 31, 2018:						
Cost	3,138	433	63	41	33	3,708
Accumulated amortization	(636)	(88)	(42)	(11)	(13)	(790)
Net carrying amount	2,502	345	21	30	20	2,918
Impact of adopting IFRS 16 (Note 3)	(52)	—	—	—	—	(52)
Balance – beginning of year	2,450	345	21	30	20	2,866
Translation adjustment	(84)	(5)	(1)	(2)	(1)	(93)
Additions	89	40	3	4	8	144
Disposals (b)	(7)	—	—	—	—	(7)
Impairment (note 19)	(18)	—	—	—	—	(18)
Amortization	(153)	(15)	(4)	(2)	(3)	(177)
Other	2	(1)	—	—	(1)	—
Balance – end of year	2,279	364	19	30	23	2,715
As at December 31, 2019:						
Cost	3,031	454	63	43	38	3,629
Accumulated amortization	(752)	(90)	(44)	(13)	(15)	(914)
Net carrying amount	2,279	364	19	30	23	2,715

(a) The disposal of assets amount consisted primarily of the sale of Lanouée forest ($44 million) and land in Scotland ($6 million).

(b) The disposal of assets consisted of the sale of land in Scotland for proceeds amounting to $7 million.

Property, plant and equipment includes facilities under construction in an amount of $50 million ($307 million as at December 31, 2018).

An amount of $29 million relating to additions to property, plant and equipment still unpaid as at December 31, 2019 ($44 million in 2018) was included under *Trade and other payables*.

Note 8. Leases

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

Right-of-use assets

	Note	Lands[(1)]	Buildings	Other	**Total**
As at January 1, 2019:					
Cost		241	13	7	261
Accumulated amortization		(19)	—	—	(19)
Net carrying amount	3	222	13	7	242
Year ended December 31, 2019:					
Balance – beginning of year		222	13	7	242
Translation adjustment		(3)	(1)	1	(3)
Revised cash flow estimates	15, (a)	22	—	—	22
Additions		7	7	—	14
Amortization		(13)	(1)	(1)	(15)
Balance – end of year		235	18	7	260
Au 31 December 2019:					
Cost		264	19	8	291
Accumulated amortization		(29)	(1)	(1)	(31)
Net carrying amount		235	18	7	260

(1) Includes land restoration costs of $ 71 million.

(a) The Corporation also revised the amortization period for restoration costs of land to 25 years and performed its annual review of inflation and discount rates. Following this assumption revision, the *Right-of-use assets* and the *Decommissioning liability* increased by $22 million.

Lease liabilities

	Note	As at December 31, **2019**	As at January 1, **2019**
Current portion of lease liabilities		11	10
Lease liabilities		197	197
	23	208	207

Lease liabilities - Undiscounted cash flows

	Note	As at December 31, **2019**	As at December 31, **2018**
Year 1		16	16
Year 2		16	16
Years 3 to 5		46	46
Over 5 years		198	212
	25	276	290

The consolidated statement of loss shows the following amounts relating to leases:

	Note	2019
Interest expense - financing costs	20	7
Lease-related expenses		7

Cash outflows totalled $17 million in 2019.

Note 9. Intangible assets and Goodwill

	Other intangible assets					
	Energy sales contracts	Water rights	Development projects	Other intangible assets	**Total**	**Goodwill**
Year ended December 31, 2018:						
Balance – beginning of year	546	95	9	5	655	182
Translation adjustment	13	—	—	—	13	4
Additions	24	—	3	1	28	—
Additions through business combinations (note 5)	152	—	—	—	152	9
Impairment (note 19)	(1)	—	—	—	(1)	—
Amortization	(40)	(3)	—	—	(43)	—
Other	1	—	(6)	(1)	(6)	—
Balance – end of year	695	92	6	5	798	195
As at December 31, 2018:						
Cost	853	117	6	8	984	195
Accumulated amortization	(158)	(25)	—	(3)	(186)	—
Net carrying amount	695	92	6	5	798	195
Year ended December 31, 2019:						
Balance – beginning of year	695	92	6	5	798	195
Translation adjustment	(32)	—	—	—	(32)	(7)
Additions (a)	18	—	1	2	21	—
Impairment (note 19)	(33)	—	(2)	—	(35)	—
Amortization	(49)	(3)	—	—	(52)	—
Balance – end of year	599	89	5	7	700	188
As at December 31, 2019:						
Cost	846	117	5	10	978	188
Accumulated amortization	(247)	(28)	—	(3)	(278)	—
Net carrying amount	599	89	5	7	700	188

(a) In 2019, the Corporation paid contingent consideration in the total amount of $18 million (€11 million), mainly for the **Seuil du Cambrésis** and **Vents du Santerre** projects for $15 million (€10 million) and $2 million (€1 million), respectively.

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

Energy sales contracts	17 years
Water rights	26 years

Water rights of the Buckingham hydroelectric power station, which amounted to $38 million in 2019 and 2018, are not amortized given their indefinite useful life. *Development projects* consist primarily of wind power projects in Europe. *Other intangible assets* consist primarily of an enterprise resource planning system (ERP) and licences for wind power projects under development.

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

	As at December 31, 2019	As at December 31, 2018
Wind power Canada	56	56
Wind power France	93	100
Hydroelectric Canada and United States	40	40
	189	196

As at August 31, 2019, goodwill and water rights with indefinite useful life relating to the Buckingham power station were tested for impairment. For all tests, the recoverable amounts of the CGUs determined using the fair value less costs to sell method exceed the carrying amounts. A discount rate ranging from 4.39% to 5.64% and a growth rate of 2% were used for these impairment tests.

Note 10. Interests in the Joint Ventures and associates

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 ("SDB I") and Seigneurie de Beaupré Wind Farm 4 General Partnership ("SDB II") located in Canada, of which each party owns 50%. 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 Ventures and an associate in Québec

On September 14, 2018, the Corporation completed the acquisition of the total interest of Invenergy Renewables LLC ("Invenergy") in four entities in Québec, one of which owns two wind farms, for a total of five wind farms in operation (the Des Moulins Wind Power L.P. ("DM 1 and DM 2"), Le Plateau Wind Power L.P. ("LP 1"), Le Plateau Community Wind Power L.P. ("LP II") and Roncevaux Wind Power L.P. ("Roncevaux")). The year-end date of the Joint Ventures and associate is December 31.

Project name	Total capacity (MW)	Boralex %	Boralex MW	Type of partnership	PPA maturity[1]
DM I and DM II[2]	157	51.00%	80	Joint venture	2033
LP I[2]	139	51.00%	71	Joint venture	2032
LP II	21	59.96%	13	Joint venture	2034
Roncevaux	74	50.00%	37	Associate	2041
	391		201		

(1) Power purchase agreement.
(2) The Caisse de dépôt et placement du Québec (the "Caisse") holds a 49% interest.

These transactions gave rise to acquisition costs of $4 million in 2018, which were capitalized in the Interests in Joint Ventures and associates in the consolidated statements of financial position.

The acquisition is considered a transaction between related parties since the Caisse de dépôt et placement du Québec (the "Caisse") holds an interest in Invenergy and has significant influence over Boralex.

On December 18, 2019, the Corporation announced the closing of a $209 million refinancing for the **Le Plateau I** wind farm (139 MW) held by Boralex (51%) and the Caisse (49%) at an average rate of approximately 3.40% with quarterly repayments. The new credit agreement will expire in March 2032, at which date the power purchase agreement with Hydro-Québec will end.

Options to purchase a partner’s interests

Boralex holds options to purchase the Caisse’s minority interest in DM I, DM II and LP I and may exercise them upon expiry of the initial term of the energy sales contracts. Those assets have been recognized in *Other non-current financial assets* in the consolidated statements of financial position. The fair value of these financial instruments is determined based on the calculation of the facilities’ future cash flows and discounted using a rate reflecting the risks specific to each facility. Changes in fair value are recognized in *Other* in the consolidated statement of earnings (loss).

Joint Venture in United States – Hecate Energy New York Holdings LLC

On November 27, 2019, the Corporation entered into a Joint Venture agreement with a U.S.-based developer to acquire 50% of the interests in Hecate Energy New York Holdings LLC. The Joint Venture aims to develop solar power projects in the United States. The year-end date of this Joint Venture is December 31.

Note 11. Trade and other payables

	As at December 31, 2019	As at December 31, 2018
Trade payables	36	48
Accrued liabilities	39	66
Interest payable	8	13
Other payables	35	15
	118	142

Note 12. Debt

	Note	Maturity	Rate[1]	Currency of origin[2]	As at December 31, 2019	As at December 31, 2018
Revolving credit facility	(a)	2023	3.83		242	277
Subordinated debt[3]	(b)	2028	5.64		300	300
Term loan payable:						
Ocean Falls hydroelectric power station		2024	6.55		5	6
Yellow Falls hydroelectric power station		2056	4.87		73	74
Thames River wind farms		2031	7.05		120	129
Témiscouata I wind farm		2032	5.30		41	44
Témiscouata II wind farm		2033	5.65		106	111
Niagara Region Wind Farm (“NRWF”)		2034	3.73		685	718
Port Ryerse wind farm		2034	3.96		27	29
Frampton wind farm		2035	4.19		63	66
Côte-de-Beaupré wind farm		2035	4.25		52	52
Moose Lake wind farm		2043	4.78		49	29
Jamie Creek hydroelectric power station		2054	5.42		55	55
Other debt		—	—		4	4
CANADA					1,822	1,894
Master agreement – wind farms in France		—	—	—	—	88
Bridge financing facility – France and Scotland	(c)	—	—	—	—	72
Term loan payable:						
Cube	(d)	—	—	—	—	63
CDPQ Fixed Income Inc. ("Caisse")	(d)	2024	4.00	40	58	—
Sainte-Christine portfolio of wind farms and projects	(e),(f)	2039	1.64	428	623	266
Kallista wind farms	(f)	—	—	—	—	143
Val aux Moines wind farm	(f)	2034	1.33	16	23	27
Boralex Production portfolio of wind farms	(f)	2030	0.91	162	237	—
Boralex Énergie France portfolio of wind farms	(f)	2036	1.52	227	330	—
Lauragais solar power facility	(f)	—	—	—	—	12
Sainte-Séverine portfolio of wind farms	(f)	—	—	—	—	183
St-Patrick wind farm	(f)	—	—	—	—	45
La Vallée wind farm	(f)	—	—	—	—	37
Fortel-Bonnières and St-François wind farms	(f)	—	—	—	—	70
Vron wind farm	(f)	—	—	—	—	13
Boralex Énergie Verte wind farms	(f)	—	—	—	—	235
Calmont wind farm	(f)	—	—	—	—	27
Plateau de Savernat wind farm	(f)	—	—	—	—	23
Touvent wind farm	(f)	—	—	—	—	25
Les Cigalettes solar power facility	(f)	—	—	—	—	12
Other debt		—	—	3	4	5
FRANCE				876	1,275	1,346
Senior secured U.S. note		2026	3.51	40	52	61
UNITED STATES				40	52	61
			3.35		3,149	3,301
Current portion of debt					(172)	(414)
Transaction costs, net of accumulated amortization					(82)	(30)
					2,895	2,857

(1) Weighted average rates, adjusted to reflect the impact of interest rate swaps and calculated using the effective interest method, where applicable.
(2) Currencies of origin are CAD (Canada), EUR (France) and USD (United States).
(3) Lenders are CDPQ Fixed Income Inc., a subsidiary of the shareholder of the Corporation, and the Fonds de solidarité FTQ.

(a) Refinancing of the revolving credit facility

On June 29, 2019, Boralex had the maturity of its revolving credit facility extended by one year to April 27, 2023. Also, the credit agreement was enhanced by a $50 million increase in the letter of credit facility guaranteed by Export Development Canada, bringing the total authorized amount to $510 million, and by the reduction of the debt service coverage ratio threshold to be achieved until June 29, 2020.

On October 31, 2019, Boralex obtained a $50 million increase of its revolving credit facility, using the "accordion" clause already provided for in the agreement, bringing the total authorized amount to $560 million.

(b) Amendment to the subordinated debt

On September 20, 2019, the Corporation's threshold of its total debt to EBITDA ratio was increased for a period that may extend to March 30, 2020 under certain conditions. Given the closing of the refinancing in France in 2019, the threshold was reset to its level at this date.

(c) Bridge financing facility – France and Scotland

On November 15, 2018, Boralex extended its bridge financing facility with BNP Paribas S.A. to May 18, 2019 for the first tranche and November 18, 2019 for the second tranche. The first tranche, in the amount of $44 million (€29 million), was subsequently repaid early on January 7, 2019 following the sale of the underlying asset (Groupement forestier des bois de l'avenir), for which financing had been arranged in 2016. The second tranche was fully repaid as scheduled on November 18, 2019.

(d) Refinancing of a term loan

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

(e) Financing of Santerre wind project

On September 23, 2019, Boralex closed the financing of the Santerre wind project for a total amount of $30 million (€21 million). The financing was carried out with an amendment to the credit agreement of the Sainte-Christine portfolio. This financing was refinanced on November 25, as mentioned below.

(f) Refinancing of term loans – France

On November 25, 2019, Boralex entered into credit agreements for the refinancing of substantially all of its assets in France. The refinancing for a total amount of $1.5 billion (€1 billion) was closed on November 26 and 27 and divided among three separate portfolios. A corporate restructuring was completed concurrently with the refinancing to better optimize the structure. The refinancing includes a $1.2 billion (€801 million) tranche for operating assets, a $206 million (€141 million) tranche for the construction of identified projects in the short term, a $83 million (€57 million) letter of credit facility, and a $12 million (€8 million) value added tax bridge financing facility. Repayments are to be made quarterly. To reduce exposure to rate fluctuations, interest rate swaps have been entered into and cover 90% of the total long-term debt as required by the credit agreements. Following the refinancing, $6 million (€4 million) in deferred financing costs related to the previous debts were written off. Also, non-recurring financing costs net of $7 million (€4 million) mainly related to early repayment penalties were recorded under financing costs in the consolidated statements of loss.

Current portion of debt

	Note	As at December 31, 2019	As at December 31, 2018
Term loan payable – projects		167	179
Term loan payable – corporate	(c), (d)	—	135
Value added tax bridge financing facility		5	11
Term loan payable – reclassified to current following the event of default[1]		—	89
		172	414

[1] See *Financial ratios* section.

Financial ratios and guarantees

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

As at December 31, 2019, the carrying amount of assets pledged to secure the loans was $3,551 million. Project financing is non-recourse to the parent company.

Under IFRS, loans that could be subject to accelerated repayment owing to potential default must be reclassified to *Current portion of debt* as at the statement of financial position date. Although certifications are generally required at dates subsequent to the statement of financial position date, the Corporation calculates the ratios and classifies debt accordingly. Classification of debt as current does not necessarily mean that the loans have been called by the creditors. Such cases would be clearly indicated by Boralex in this note.

As at December 31, 2018, the debt service coverage ratio was not met for two debts in France (Fortel-Bonnières, St François and Calmont wind farms). These calculations triggered the automatic reclassification of the loans to *Current liabilities* in the amount of $89 million (€57 million). Subsequently, notices of waiver were received from the lenders.

As at December 31, 2019 and 2018, the Corporation considers that Boralex and its subsidiaries are in compliance with all their ratios and financial commitments except for the previously mentioned situations as at December 31, 2018.

Note 13. Convertible debentures

	Effective rate	Maturity	Initial nominal value	Nominal value as at December 31, 2019	As at December 31, 2019	As at December 31, 2018
Debentures	6.34%	June 2020	144	—	—	140

As at December 31, 2018, Boralex had 1,437,070 issued and outstanding convertible debentures with a nominal value of $100 each.

These debentures bore interest at an annual rate of 4.50% payable semi-annually, in arrears, on June 30 and December 31 of each year. In accordance with the trust indenture, each debenture was convertible into Class A common shares of Boralex at the option of the holder at any time prior to the close of business on the earlier of the business day immediately preceding the maturity date and the business day immediately preceding the date fixed for early redemption of the debentures at the initial conversion price of $19.60 per common share, subject to adjustments. On November 30, 2018, the conversion price of the 2015 Debentures was adjusted from $19.60 to $19.5658 pursuant to the trust indenture as dividends paid by Boralex in 2018 exceeded the maximum (Dividend Threshold) stipulated in the trust indenture. Holders who converted their debentures received accrued and unpaid interest for the period from the last interest payment date on their debentures, to, but not including, the date of conversion.

The debentures were available for early redemption by Boralex after June 30, 2018. From July 1, 2018 to June 30, 2019, Boralex could have, under certain circumstances, such as if Boralex's share price traded at 125% of the conversion price, redeemed these debentures at their principal amount plus accrued and unpaid interest. As of July 1, 2019, Boralex could have redeemed these debentures, without restrictions, at their principal amount plus accrued and unpaid interest.

On October 24, 2019, Boralex converted and redeemed all of its 4.5% convertible unsecured subordinated debentures. This redemption was made after the redemption notice issued by the Corporation on September 24, 2019 concerning the redemption of all the issued and outstanding debentures with the expectation to maximize the number of converted debentures. The aggregate principal amount of the outstanding debentures on September 24, 2019 was $144 million of which $136 million was converted by the debenture holders into 6,938,325 Class A shares of Boralex at a conversion price of $19.5658 per share, bringing the total shares issued on debenture conversions to 6,939,347 Class A shares for the current fiscal year. The $8 million balance of the debentures was redeemed in cash for an amount equal to the principal plus accrued interest. The cash payment of the redemption price was financed by a drawdown on the Corporation's revolving credit facility. This transaction had no impact on the statement of loss and the equity component of the convertible debentures, recorded upon issuance, in the amount of $5 million ($4 million, net of taxes), was reclassified to capital stock. The unamortized balance of deferred financing costs on debentures and the adjustment for imputed interest were recognized in capital stock as a deduction from shares issued on the conversion of debentures, bringing the amount to $134 million. Debentures were delisted from the Toronto Stock Exchange at the close of markets on October 24, 2019.

Note 14. Income taxes

The impact of income tax recovery is as follows:

	2019	2018
Current taxes		
Current income tax expense	5	4
Income tax expense (recovery) for prior years recorded in the current year	(2)	1
	3	5
Deferred taxes		
Differences between the current tax rate and deferred income tax rates	1	5
Deferred tax savings relating to temporary differences for prior years	(11)	(23)
Income tax expense (recovery) for prior years recorded in the current year	2	(1)
	(8)	(19)
Income tax recovery	(5)	(14)

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

	2019	2018
Loss before income taxes	(48)	(52)
Combined basic Canadian and provincial income tax rate	26.59%	26.59%
Income tax recovery at the statutory rate	(13)	(14)
Increase (decrease) in income taxes arising from the following:		
Non-taxable/non-deductible items	8	(3)
Difference in foreign operations' statutory income tax rates	(2)	(4)
Differences between the current tax rate and deferred income tax rates	1	5
Foreign income taxes payable on dividends and other items	2	2
Income tax asset not previously recognized	(1)	—
Effective income tax recovery	(5)	(14)

	2019	2018
Deferred income tax liability	(136)	(158)

The changes in deferred taxes by nature are as follows:

	As at December 31, 2019	Impact of adopting IFRS 16 (note 3)	As at January 1, 2019	Recorded in comprehensive loss	Recorded in net loss	As at December 31, 2019
Deferred income tax asset related to loss carryforwards	211	—	211	—	2	213
Financial instruments	9	—	9	7	(13)	3
Provisions	1	—	1	—	1	2
Interests in the Joint Ventures and associates	(122)	—	(122)	1	8	(113)
Temporary differences between accounting and tax amortization	(255)	3	(252)	—	16	(236)
Translation adjustments	(3)	—	(3)	3	3	3
Financing and other costs	1	—	1	—	(9)	(8)
Total deferred income tax liabilities	(158)	3	(155)	11	8	(136)

	As at January 1, 2018	Recorded in comprehensive loss	Recorded in net loss	Business acquisitions and interests	Recorded in capital stock	As at December 31, 2018
Deferred income tax asset related to loss carryforwards	152	—	16	43	—	211
Financial instruments	5	(1)	4	1	—	9
Provisions	14	—	(13)	—	—	1
Interests in the Joint Ventures and associates	(62)	—	(1)	(59)*	—	(122)
Temporary differences between accounting and tax amortization	(219)	—	15	(51)	—	(255)
Translation adjustments	(1)	(3)	1	—	—	(3)
Financing and other costs	1	—	(3)	—	3	1
Total deferred income tax liabilities	(110)	(4)	19	(66)	3	(158)

* This $59 million amount was added to *Interests in the Joint Ventures and associates*.

Given that future taxable income is expected to be sufficient, deductible temporary differences, unused loss carryforwards and tax credits have been recorded as a deferred tax asset in the statement of financial position. A deferred tax asset of $1 million ($2 million in 2018) in Canada was not recognized in respect of the $9 million capital loss carryforwards, as no unrealized capital gain is expected. The capital losses have no expiry date.

Note 15. Decommissioning liability

For the wind farms, the Corporation has a legal or contractual obligation to decommission its facilities when their commercial operations are discontinued. These costs are mostly related to the removal, transportation and disposal of the reinforced concrete bases that support the wind turbines, and revegetation. No disbursements are expected before 2020. In 2019, the Corporation revised the useful life of property, plant and equipment up to the decommissioning date to 25 years. As at December 31, 2018, the useful lives ranged from 22 to 80 years. As at December 31, 2019, cash flows were discounted using pre-tax interest rates that reflect the assessment of the risks specific to each liability, ranging from 1.31 % to 3.43 % (1.53% to 7.05% as at December 31, 2018) to determine the non-current decommissioning liability.

The following tables show the changes related to the decommissioning liability:

	Note	2019	2018
Balance – beginning of year		69	48
Translation adjustment		(3)	1
Liability assumed as part of the business combination	5	—	12
Revised cash flow estimates	8	22	—
New obligations		2	6
Accretion expense included in financing costs	20	2	2
Balance – end of year		92	69
Current portion of decommissioning liability(1)		(2)	—
		90	69

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

Note 16. Capital stock, contributed surplus and dividends

Boralex's capital stock is composed of an unlimited number of Class A common shares and an unlimited number of preferred shares. The Class A shares have no par value and confer on each shareholder the right to vote at any meeting of shareholders, receive any dividends declared by the Corporation thereon and share in the residual property upon dissolution of the Corporation. The preferred shares have no par value and were created to provide the Corporation with additional flexibility with respect to future financing, strategic acquisitions and other transactions. The preferred shares are issuable in series with the number of shares in each series to be determined by the Board of Directors prior to issuance. No preferred shares had been issued as at December 31, 2019.

The Corporation's contributed surplus is equal to the cumulative value of unexercised stock options granted to senior management.

The following changes occurred in the Corporation's capital stock between December 31, 2018 and 2019:

		Capital stock	
	Note	Number of shares	Amount
Balance as at January 1, 2018		76,255,051	733
Issuance of shares, net of share issuance costs	(a)	12,809,850	250
Issuance of shares on debenture conversions	13	1,683	—
Exercise of options	17	117,591	2
Other	(a)	—	(1)
Balance at December 31, 2018		89,184,175	984
Issuance of shares on debenture conversions	13	6,939,347	134
Equity component of convertible debentures	13	—	4
Exercise of options	17	340,938	3
Balance at December 31, 2019		96,464,460	1,125

(a) On September 14, 2018, the Corporation acquired all of the financial interests of Invenergy in five wind farms in Québec for a total consideration of $216 million, financed using the net proceeds from the public offering of subscription receipts of the Corporation in the amount of $207 million. This offering was made under a bought deal by a syndicate of underwriters and a concurrent private placement in the amount of $52 million with the Caisse. Net proceeds of $250 million were recognized in 2018 (net of issuance costs and taxes of $9 million). The number of shares issued amounted to 12,809,850. The holders of subscription receipts also received, for each subscription receipt, an amount equal to the dividend paid on September 18, 2018, totalling $1 million presented under *Other*.

Dividends

On March 15, June 17, September 17 and December 16, 2019, the Corporation paid dividends totalling $60 million ($50 million in 2018).

A dividend of $0.1650 per common share was declared on February 7, 2020 and will be paid on March 16, 2020 to holders of record on February 28, 2020.

Note 17. Stock-based compensation

The Corporation has a long-term incentive plan under which stock options are issuable to members of management and certain key employees of the Corporation. Under this plan, 4,500,000 Class A shares have been reserved for issuance. The exercise price of the options granted prior to March 2, 2017 is equal to the closing listed market price of the Class A shares on the day preceding the option grant date, whereas the exercise price for options granted on or after March 2, 2017 is equal to the average listed market price of Class A shares for the five days preceding the option grant date. Options vest at the rate of 25% per year beginning the year after they are granted. Options granted prior to May 2012 are not exercisable if the market value of the share is lower than its carrying amount on the grant date. All of the options have a ten-year term. This plan has been determined to be equity settled.

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

	2019		2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding - beginning of year	605,065	12.61	689,223	12.73
Granted	64,530	18.45	45,232	18.94
Exercised	(340,938)	10.03	(117,591)	15.15
Expired	(456)	22.00	—	—
Cancelled	(15,988)	19.28	(11,799)	18.42
Outstanding - end of year	312,213	16.29	605,065	12.61
Options exercisable - end of year	193,457	14.79	480,338	11.21

The following options were outstanding as at December 31, 2019:

	Options outstanding		Options exercisable		
Granted in	Number of options	Exercise price	Number of options	Exercise price	Year of expiry
2013	10,750	10.29	10,750	10.29	2023
2014	55,790	12.90	55,790	12.90	2024
2015	62,066	13.87	62,066	13.87	2025
2016	57,012	16.65	42,756	16.65	2026
2017	26,337	22.00	13,168	22.00	2027
2018	35,728	18.93	8,927	18.93	2028
2019	64,530	18.45	—	—	2029
	312,213	16.29	193,457	14.79	

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

	2019	2018
Share price on grant date	18.32	18.78
Exercise price	18.45	18.94
Expected annual dividend rate	6.78%	5.32%
Term	10 years	10 years
Expected volatility	20.39%	15.98%
Risk-free interest rate	2.13%	2.66%
Weighted average fair value per option	2.63	2.28

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

Note 18. Expenses by nature

Operating and administrative

	2019	2018
Raw material and consumables	16	19
Maintenance and repairs	45	41
Employee benefits	49	40
Rental expenses and permits	8	20
Taxes	26	20
Other operating expenses	18	24
	162	164

Note 19. Impairment

2019

Wind power project in British Columbia

On February 14, 2019, the Corporation was notified by BC Hydro of the suspension for indefinite period of its SOP program for a wind power project in British Columbia. Given that Boralex has lost its reserved capacity and standby line position, a $2 million adjustment was recognized as impairment of intangible assets.

Joint Venture in Denmark - Jammerland Bay

In January 2020, the Corporation sold its interest in the joint venture to its partner for $1 million, An impairment amounting to $2 million was recognized on the investment in order to write down its carrying amount to its recoverable value.

Moulins du Lohan

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

2018

Cham Longe I wind farm

In 2018, Boralex's Board of Directors green-lighted the repowering of the Cham Longe I wind farm with a current capacity of 18 MW, to be increased to 35 MW, fully 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. In the second quarter of 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 recoverable 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 significant long-term value creation for the shareholders of the Corporation, thereby supporting its decision to go ahead with the repowering project.

Otter Creek wind power project

In 2018, the Corporation received notice from the IESO of the unilateral termination of the power purchase agreement for the 50 MW Otter Creek wind power project in Ontario. In the second quarter of 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 for a price of $43 million (€30 million). The forest, sold on December 19, 2018, was acquired in September 2016 with a portfolio of wind power projects located in France and in Scotland. In the second quarter of 2018, a $2 million (€1 million) impairment loss on property, plant and equipment was recognized to write down the carrying amount of these assets to their recoverable amount.

Note 20. Financing costs

	Note	2019	2018
Interest on non-current debt, net of the impact of interest rate swaps		112	114
Interest on convertible debentures		6	7
Interest on lease liabilities	8	7	—
Interest and other interest income		(3)	(3)
Refinancing of term loans in France - net impact	12 (f)	13	—
Amortization of borrowing costs	12	5	6
Accretion expense	15	2	2
Other interest and banking fees	a)	5	6
		147	132
Interest capitalized to qualifying assets	b)	(4)	(9)
		143	123

(a) *Other interest and banking fees* consist of financing costs on short-term borrowings.

(b) The weighted average annual rate for the capitalization of borrowing costs under qualifying assets was 3.91% per annum (3.73% in 2018).

Note 21. Net loss per share

(a) Net loss per share – basic and diluted

(in millions of Canadian dollars, unless otherwise specified)	2019	2018
Net loss attributable to shareholders of Boralex	(39)	(30)
Weighted average number of shares - basic and diluted	90,604,799	80,102,038
Net loss per share attributable to shareholders of Boralex - basic and diluted	($0.43)	($0.38)

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

	2019	2018
Stock options excluded due to their anti-dilutive effect	312,213	605,065
Shares reserved for convertible debentures excluded due to their anti-dilutive effect	—	7,332,554

Note 22. Change in non-cash items related to operating activities

	2019	2018
Decrease (Increase) in:		
Trade and other receivables	(12)	11
Other current assets	—	3
Decrease in:		
Trade and other payables	(4)	(4)
	(16)	10

Note 23. Statement of cash flows

			Non-cash items						As at December 31, 2019
	Balance as at January 1, 2019	Cash	Additions	Securities issuance	Translation adjustment	Amortization	Imputed interest	Other items[3]	Balance – end of year
Debt[1]	3,271	(103)	—	—	(91)	4	1	(15)	3,067
Lease liabilities[2]	207	(15)	12	—	(3)	—	7	—	208
Convertible debentures	140	(8)	—	(134)	—	1	1	—	—
	3,618	(126)	12	(134)	(94)	5	9	(15)	3,275

			Non-cash items				As at December 31, 2018
	Balance – beginning of year	Cash	Business acquisitions (note 5)	Translation adjustment	Amortization	Imputed interest	Balance – end of year
Debt[1]	2,642	329	249	46	4	1	3,271
Convertible debentures	137	—	—	—	2	1	140
	2,779	329	249	46	6	2	3,411

(1) Including *Debt* and *Current portion of debt*.
(2) Including *Lease liabilities* and *Current portion of lease liabilities*.
(3) Mainly including transaction costs.

Note 24. Financial instruments

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

		As at December 31, 2019		As at December 31, 2018	
	Note	Carrying amount	Fair value	Carrying amount	Fair value
OTHER CURRENT FINANCIAL ASSETS					
Cross-currency swaps (EUR for CAD)		16	16	—	—
Foreign exchange forward contracts		1	1	—	—
		17	17	—	—
OTHER NON-CURRENT FINANCIAL ASSETS					
Advance to a non-controlling shareholder		37	39	35	34
Reserve funds		15	15	57	57
Interest rate swaps		15	15	30	30
Options to purchase a partner's interests	10	9	9	15	15
		76	78	137	136
OTHER CURRENT FINANCIAL LIABILITIES					
Cross-currency swaps (USD for CAD)		3	3	—	—
Cross-currency swaps (EUR for CAD)		—	—	8	8
		3	3	8	8
DEBT[(1)]	12	3,067	3,264	3,271	3,319
CONVERTIBLE DEBENTURES[(2)]	13	—	—	144	147
OTHER NON-CURRENT FINANCIAL LIABILITIES					
Interest rate swaps		31	31	32	32
Due to a non-controlling shareholder	5	6	6	6	7
Foreign exchange forward contracts		1	1	7	7
		38	38	45	46

(1) Including *Debt* and *Current portion of debt.*
(2) Including equity component and current 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 as well as trade and other payables approximate their carrying amounts due to their short-term maturities or high liquidity.

The fair values of the advance to a non-controlling shareholder, options to purchase a partner's interests, debt and the due to a non-controlling shareholder are essentially based on discounted cash flows. Discount rates, ranging from 1.10% to 8.00% (1.09% to 8.08% as at December 31, 2018), 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 were traded on the stock exchange and their fair values were based on the market prices as at the statement of financial position date.

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 December 31,

2019	Currency	Fixed-rate payer	Floating-rate receiver	Maturity	Current notional (in CAD)	Fair value (in CAD)
Interest rate swaps	Euro	-0.16% to 1.79%	3-month EURIBOR	2030-2039	1,069	(27)
Interest rate swaps	CAD	1.81% to 2.68%	3-month CDOR	2034-2043	753	11

As at December 31,

2018	Currency	Fixed-rate payer	Floating-rate receiver	Maturity	Current notional (in CAD)	Fair value (in CAD)
Interest rate swaps	EUR	0.38% to 5.16%	3-6 month EURIBOR	2019-2041	595	(32)
Interest rate swaps	CAD	1.81% to 2.68%	3-month CDOR	2034-2043	787	30

Foreign exchange forward contracts

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

As at December 31,

2019	Exchange rate	Maturity	Current notional (in CAD)	Fair value (in CAD)
Foreign exchange forward contracts (EUR for CAD)	1.5475	2020-2025	93	—

As at December 31,

2018	Exchange rate	Maturity	Current notional (in CAD)	Fair value (in CAD)
Foreign exchange forward contracts (EUR for CAD)	1.5475	2019-2025	108	(7)

Cross-currency swaps

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

As at December 31,

2019	Exchange rate	Maturity	Current notional (in CAD)	Fair value (in CAD)
Cross-currency swaps (EUR for CAD)	1.5071	2020	479	16
Cross-currency swaps (USD for CAD)	1.3171	2020	245	(3)

As at December 31,

2018	Exchange rate	Maturity	Current notional (in CAD)	Fair value (in CAD)
Cross-currency swaps (EUR for CAD)	1.5185	2019	251	(8)

Hierarchy of financial assets and liabilities measured at fair value

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

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

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

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

For debt, interest rate swaps, foreign exchange forward contracts and 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 the advance to a non-controlling shareholder and the due to a non-controlling shareholder, the Corporation classified fair value measurements as Level 3 because they are based on unobservable market data, namely the probability of achieving certain project development or cash flow milestones determined using project entity data.

For the options to purchase a partner's interests, the Corporation classified fair value measurements as Level 3 because they are primarily based on power production and selling prices upon expiry of the energy sales contract and other unobservable market data. The fair value of these options was determined based on the future cash flows generated by the projects to which a Monte Carlo simulation was applied to factor in the uncertainty pertaining to production.

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

		Fair value hierarchy levels		
	As at December 31, **2019**	Level 1	Level 2	Level 3
NON-DERIVATIVE FINANCIAL ASSETS				
Advance to a non-controlling shareholder	39	—	—	39
	39	—	—	39
DERIVATIVE FINANCIAL ASSETS				
Cross-currency swaps (EUR for CAD)	16	—	16	—
Interest rate swaps	15	—	15	—
Options to purchase a partner's interests	9	—	—	9
Foreign exchange forward contracts	1	—	1	—
	41	—	32	9
NON-DERIVATIVE FINANCIAL LIABILITIES				
Debt(1)	3,264	—	3,264	—
Due to a non-controlling shareholder	6	—	—	6
	3,270	—	3,264	6
DERIVATIVE FINANCIAL LIABILITIES				
Interest rate swaps	31	—	31	—
Cross-currency swaps (USD for CAD)	3	—	3	—
Foreign exchange forward contracts	1	—	1	—
	35	—	35	—

(1) Including *Debt* and *Current portion of debt*.

	As at December 31, 2018	Fair value hierarchy levels Level 1	Level 2	Level 3
NON-DERIVATIVE FINANCIAL ASSETS				
Advance to a non-controlling shareholder	34	—	—	34
DERIVATIVE FINANCIAL ASSETS				
Interest rate swaps	30	—	30	—
Options to purchase a partner's interests	15	—	—	15
	45	—	30	15
NON-DERIVATIVE FINANCIAL LIABILITIES				
Debt[(1)]	3,319	—	3,319	—
Convertible debentures[(2)]	147	147	—	—
Due to a non-controlling shareholder	7	—	—	7
	3,473	147	3,319	7
DERIVATIVE FINANCIAL LIABILITIES				
Interest rate swaps	32	—	32	—
Cross-currency swaps (EUR for CAD)	8	—	8	—
Foreign exchange forward contracts	7	—	7	—
	47	—	47	—

(1) Including *Debt* and *Current portion of debt.*
(2) Including equity component.

The financial instrument classified as Level 3 which is measured at fair value through profit or loss has changed as follows:

	Note	Options to purchase a partner's interests
Balance as at January 1, 2018		—
Additions		15
Balance as at December 31, 2018		15
Changes in fair value	10	(6)
Balance as at December 31, 2019		9

Note 25. Financial risks

The Corporation is exposed in the normal course of business to various financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk.

Market risk

Foreign exchange risk

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

In France, given the above, the Corporation entered into foreign exchange forward contracts to hedge the exchange rate on a portion of the distributions it expects to repatriate from Europe up to 2025. Similar purchases could be made based on the growth in cash to be generated in France. The Corporation also entered into cross-currency swaps. These derivatives cover the Corporation's net investment in France, as they allow financing issued in Canada for investment in France to be synthetically translated into euros. In addition, to mitigate the risk related to foreign currency fluctuations, these instruments also 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.

On December 31, 2019, a $0.05 fall in the Canadian dollar against the U.S. dollar, assuming that all other variables had remained the same, would have led to a $0.2 million increase in the Corporation’s net loss for the year ended December 31, 2019 ($0.1 million in 2018) and to a $4.4 million after-tax deterioration in *Accumulated other comprehensive loss* ($3.9 million in 2018).

On December 31, 2019, a $0.05 fall in the Canadian dollar against the euro, assuming that all other variables had remained the same, would have led to a $0.1 million decrease in the Corporation’s net loss for the year ended December 31, 2019 ($0.6 million in 2018) and to a $3.5 million after-tax deterioration in *Accumulated other comprehensive loss* (deterioration of $3.4 million in 2018).

Price risk

As at December 31, 2019, substantially all of the French and Canadian power stations and two power stations in the United States have long-term energy sales contracts, the vast majority of which were subject to partial or full indexation clauses tied to inflation. Consequently, only 3% of Boralex’s net installed capacity is exposed to price risk at present. Energy prices vary according to supply, demand and certain external factors, including weather conditions, and the price from other sources of power. As a result, prices may fall too low for the power stations to yield an operating profit.

On December 31, 2019, a 5% fall in the price of energy, assuming that all other variables had remained the same, would have led to a $0.2 million decrease in Corporation’s net loss for the year ended December 31, 2019 (deterioration of $0.3 million in 2018) while *Accumulated other comprehensive loss* would have remained unchanged (nil in 2018).

Interest rate risk

A large portion of debt bears interest at variable rates. To mitigate interest rate risk, the Corporation has entered into interest rate swaps to fix the interest rate on the portion of the corresponding variable rate debt. These agreements involve the periodic exchange of interest payments without any exchange of the notional amount on which payments are calculated. Since credit is drawn gradually and the loans are periodically repaid when sites are commissioned, the swaps have been structured to mirror the terms of the underlying credit arrangements and to always cover a significant portion of the arrangements.

As at December 31, 2019, substantially all of these financial instruments were subject to hedge accounting. Accordingly, unrealized gains and losses resulting from changes in the fair value of the effective portion of these contracts are included in *Accumulated other comprehensive loss* until the corresponding hedged item is recognized in earnings (loss). They are then recognized in earnings as an adjustment to *Financing costs*.

The impact of interest rate swaps on the Corporation's financial position and performance were as follows:

		2019	2018
Net fair value		**(16)**	**(2)**
Unfavourable fair value		(27)	(32)
Favourable fair value		11	30
Notional		**1,822**	**1,382**
Interest rate swaps	EUR	1,069	595
Interest rate swaps	CAD	753	787
Maturity		**2030-2043**	**2019-2043**
Sensitivity			
0.25% increase in interest rates (*Net loss* impact)		(1)	(1)
0.25% increase in interest rates (*Accumulated other comprehensive loss* impact)		20	16
Consolidated impacts			
Reduction in the proportion of variable rate debt		80% to 10%	54% to 6%
Covered debt proportion	EUR	87%-90%	85%-100%
	CAD	83%-95%	85%-95%
Receiver rate	EUR	3-month EURIBOR	3-6 month EURIBOR
	CAD	3-month CDOR	3-month CDOR
Payer rate	EUR	-0.16% to 1.79%	0.38% to 5.16%
	CAD	1.81% to 2.68%	1.81% to 2.68%

Credit risk

Credit risk stems primarily from the potential inability of clients to meet their obligations. Given the nature of the Corporation's business, its clients are few in number. However, they generally have high credit ratings. The electricity markets that the Corporation serves in Canada and France are limited to very large corporations or monopolies. Steam generated in France is used in the paper making process. Accordingly, the Corporation's client is in the private sector, which makes for a higher credit risk. The U.S. market is more deregulated, and the Corporation transacts some business through the New York State regional producers' association, NYISO, which enjoys a very high credit rating. In the U.S. market, the Corporation can also negotiate private agreements directly with electricity distributors, usually large corporations which typically have investment grade credit ratings. The Corporation regularly monitors the financial position of these clients.

The Corporation's counterparties for derivative financial instruments, as well as cash and cash equivalents and restricted cash, consist mainly of large corporations. Before entering into a derivative transaction, the Corporation analyzes the counterparty's credit rating and assesses the overall risk based on the counterparty's weighting in the Corporation's portfolio.

Where these analyses produce unfavourable results because the partner's credit rating has changed significantly or its portfolio weighting has become too high, the Corporation does not pursue the transaction. Furthermore, if a company does not have a public credit rating, the Corporation assesses the risk and may require financial guarantees.

Liquidity risk

Liquidity risk is the risk that the Corporation will experience difficulty meeting its obligations as they fall due. The Corporation has a Treasury Department in charge, among other things, of ensuring sound management of available cash resources, of securing financing and meeting maturity obligations for all of the Corporation's activities. With senior management oversight, the Treasury Department manages the Corporation's cash resources based on financial forecasts and expected cash flows.

The contractual maturities of the Corporation's non-derivative financial liabilities and derivative financial instruments as at December 31, 2019 and 2018 are detailed in the following tables:

As at December 31,		Undiscounted cash flows (principal and interest)				
2019	Carrying amount	Year 1	Year 2	Years 3 to 5	Over 5 years	Total
Non-derivative financial liabilities:						
Trade and other payables	118	118	—	—	—	118
Debt	3,067	268	296	1,147	2,340	4,051
Lease liabilities	208	16	16	46	198	276
Derivative financial instruments:						
Financial swaps – interest rates	31	7	8	13	(2)	26
Cross-currency swaps (EUR for CAD)	3	3	—	—	—	3
Foreign exchange forward contracts	1	—	—	1	1	2
	3,428	412	320	1,207	2,537	4,476

As at December 31,		Undiscounted cash flows (principal and interest)				
2018	Carrying amount	Year 1	Year 2	Years 3 to 5	Over 5 years	Total
Non-derivative financial liabilities:						
Trade and other payables	142	142	—	—	—	142
Debt	3,271	494	383	1,411	3,365	5,653
Convertible debentures	140	6	147	—	—	153
Derivative financial instruments:						
Foreign exchange forward contracts	32	10	9	16	(1)	34
Cross-currency swaps (EUR for CAD)	8	1	—	—	—	1
Foreign exchange forward contracts	7	8	1	5	3	17
	3,600	661	540	1,432	3,367	6,000

Undiscounted cash flows of non-derivative financial liabilities are determined using expected principal repayments and interest payments. Undiscounted cash flows of derivatives are determined using the values of underlying indices at the reporting date. Since these indices are highly volatile, the undiscounted cash flows presented could vary significantly until realized.

Note 26. Capital management

The Corporation's objectives when managing capital are as follows:

- Safeguard the Corporation's ability to pursue its operations and development;
- Maintain financial flexibility to enable the Corporation to seize opportunities when they arise;
- Safeguard the Corporation's financial flexibility with a view to offsetting the seasonal nature of its operations primarily for the cyclical variations in hydroelectric and wind power generation;
- Maximize the terms of borrowings in line with the useful lives of its assets or underlying contracts;
- Ensure continuous access to capital markets; and
- Diversify its financing sources to optimize its capital cost.

The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain its capital structure, the Corporation prioritizes the use of less costly financing sources, such as cash flows from operations, borrowings, hybrid instruments such as convertible debentures, equity issuance and, as a last resort, the sale of assets. In managing liquidity, the Corporation's policy is to earmark in priority its available cash resources for (i) growth projects and (ii) the payment of a quarterly dividend. Generally, Boralex expects to pay common share dividends on an annual basis representing a ratio of 40% to 60% of its discretionary cash flows (defined as "net cash flows related to operating activities" before changes in "non-cash items related to operating activities," less (i) distributions paid to non-controlling interests, (ii) additions to property, plant and equipment (maintaining operations), and (iii) repayments on debt (projects); plus (iv) development costs (from the statement of earnings (loss)). Boralex reserves the right to adjust this calculation for any special items unrelated to current operations to ensure comparable ratios between periods.

The Corporation's investment policy governing cash resources is limited to investments with maturities of less than one year that are guaranteed by financial institutions. For instance, bankers' acceptances guaranteed by a Canadian chartered bank meet these criteria. The Corporation deems its current financing sources to be sufficient to support its plans and its operating activities.

The Corporation monitors its capital on a quarterly and annual basis based on various financial ratios and non-financial performance indicators. It is also required to meet certain ratios under its non-current financial commitments. More specifically, the Corporation must meet ratios pertaining to debt coverage, debt service and interest coverage in relation to the measures specified in the respective credit agreements.

As at December 31, 2019 and 2018, except as set out in out in note 12, Boralex and its subsidiaries were in compliance with all their ratios and financial commitments.

The Corporation's capital management objectives have remained unchanged from the previous year. The Corporation relies mainly on the net debt ratio for capital management purposes. Cash and cash equivalents available are also a key factor in capital management, as the Corporation must retain sufficient flexibility to seize potential growth opportunities. To achieve this objective, the Corporation establishes long-term financial forecasts to determine future financing requirements in line with its strategic business development plans.

For calculation purposes, net debt is defined as follows:

	As at December 31, 2019	As at December 31, 2018
Debt	2,895	2,857
Current portion of debt	172	414
Borrowing costs, net of accumulated amortization	82	30
Less:		
Cash and cash equivalents	153	157
Restricted cash	15	96
Net debt	2,981	3,048

The Corporation defines total market capitalization as follows:

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

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

(in millions of dollars)	As at December 31, 2019	As at December 31, 2018
Net debt	2,981	3,048
Total market capitalization	5,356	4,725
NET DEBT RATIO (market capitalization)	56%	65%

At present, the net debt to capitalization ratio stands at 56% and the Corporation wishes to maintain this ratio below 65%. It is important to specify that the Corporation uses a project-based financing approach whereby each project leverage is maximized up to nearly 80% of amounts invested. However, those financing arrangements are generally repayable over the life of the contract. Consequently, as other projects or large projects are added, the debt level could increase above this target but the Corporation would ensure to reduce the ratio below the set threshold within a reasonable time frame.

Note 27. Commitments and contingencies

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

(a) Purchase and construction contracts

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

(b) Maintenance contracts

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

(c) Contingent consideration

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

(d) Other commitments

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

Energy sales contracts

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

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

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

Contingencies

France – Contingency

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

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

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

Canada – Contingencies

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

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

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

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

Canada – Boralex Power Income Fund

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

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

DM I Joint Venture

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

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

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

Note 28. Related party transactions

Related parties include the Corporation's subsidiaries, affiliates, Joint Ventures, key management personal and principal shareholders. Excluding the acquisition of Invenergy's interest in five entities in Québec (note 10), related party transactions were as follows:

	2019	2018
OTHER REVENUES		
R.S.P. Énergie Inc. – Entity for which one of three shareholders is Patrick Lemaire, President and Chief Executive Officer and a director of the Corporation	1	1
Joint Ventures ("SDB I" and "SDB II")	1	1
Joint Ventures ("DM I and DM II," "LP 1," "LP 2" and "Roncevaux")	4	2
INTEREST INCOME		
9710612 Canada Inc. (Six Nations) – Minority shareholder of a subsidiary	2	2
INTEREST EXPENSE		
The Caisse – Main shareholder of the Corporation	16	9
RENTAL EXPENSE		
Ivanhoé Cambridge – Subsidiary of the Caisse	—	1

These transactions were made on terms equivalent to those that prevail under normal terms in arm's length transactions.

Receivables and payables arising from the above transactions at the end of the fiscal year were as follows:

	As at December 31, 2019	As at December 31, 2018
RELATED PARTY RECEIVABLES		
9710612 Canada Inc. (Six Nations) – Minority shareholder of a subsidiary	37	35
Joint Ventures ("SDB I and SDB II)	1	—
Joint Ventures ("DM I and DM II," "LP 1," "LP 2" and "Roncevaux")	5	1
RELATED PARTY PAYABLES		
Nordex Employee Holding GmbH – Minority shareholder of a subsidiary	7	6
The Caisse – Main shareholder of the Corporation	308	250
Ivanhoé Cambridge – Subsidiary of the Caisse	11	—

As at December 31, 2019, the lease liability related to an office lease with Ivanhoé Cambridge, a subsidiary of the Caisse, amounted to $11 million.

Executive compensation

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

	2019	2018
Current salaries and benefits	2	2
Other long-term benefits	3	2
	5	4

Note 29. Segmented information

The Corporation's operations 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 operating activities. The same accounting rules are used for segmented information as for the consolidated financial statements.

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

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

A reconciliation of IFRS data with data compiled on a Combined basis is also presented where the results of the *Interests in the Joint Ventures and associates* ("Interests") are accounted for according to the ownership interest. Management considers this information to be useful information for investors, as it is used to assess the Corporation's performance. For more details, see the *Interests in the Joint Ventures and associates* note in the consolidated financial statements.

EBITDA and EBITDA(A) are reconciled to the most comparable IFRS measure, namely net earnings (loss), in the following table. The comparative information has not been restated under IFRS 16, *Leases*, and continues to be reported under IAS 17.

	2019			2018		
	IFRS	Reconciliation[1]	Combined	IFRS	Reconciliation[1]	Combined
Net loss	(43)	—	(43)	(38)	—	(38)
Income tax recovery	(5)	—	(5)	(14)	—	(14)
Financing costs	143	36	179	123	26	149
Amortization	244	55	299	208	32	240
Impairment	55	—	55	15	—	15
EBITDA	394	91	485	294	58	352
Adjustments:						
Other gains	(1)	(2)	(3)	(1)	(1)	(2)
Acquisition costs	—	—	—	5	—	5
Other	9	1	10	—	(1)	(1)
EBITDA(A)	402	90	492	298	56	354

[1] Including the respective contribution of Joint Ventures and associates as a percentage of Boralex's interest, less adjustments to reverse recognition of these interests under IFRS.

Information on principal clients

Revenues are allocated according to the client's country of domicile. In 2019, the Corporation had three clients accounting for 10% or more of its revenues (three clients in 2018).

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

2019		2018	
% of sales attributable to one client	Segments	% of sales attributable to one client	Segments
47	Wind, thermal and solar	44	Wind, thermal and solar
15	Wind, hydroelectric and thermal	17	Wind, hydroelectric and thermal
20	Wind	22	Wind

Only the energy produced by five hydroelectric power stations in the United States, two wind farms in Canada and two others in France, which account for 1% of Boralex's total installed capacity, is sold at market prices which are more volatile. For the year ended December 31, 2019, revenues from energy sales for facilities not covered by energy sales contracts amounted to $6 million ($6 million for the same period of 2018). Furthermore, the Corporation estimates that only 282 MW (14% of installed capacity or 11% of annualized production) covered by contracts expiring December 2024 will then be sold at market prices if new contracts have not been negotiated beforehand.

	2019				2018			
	Canada	France and other[1]	United States	Total	Canada	France and other[1]	United States	Total
Power production (GWh)								
Wind power stations	1,153	2,106	—	3,259	1,106	1,475	—	2,581
NRWF compensation	175	—	—	175	153	—	—	153
	1,328	2,106	—	3,434	1,259	1,475	—	2,734
Hydroelectric power stations	289	—	467	756	260	—	388	648
Thermal power stations	127	31	—	158	131	35	—	166
Solar power stations	1	22	—	23	—	20	—	20
	1,745	2,159	467	4,371	1,650	1,530	388	3,568
Revenues from energy sales and feed-in premium								
Wind power stations	195	276	—	471	184	201	—	385
Hydroelectric power stations	29	—	31	60	23	—	26	49
Thermal power stations	14	14	—	28	13	18	—	31
Solar power stations	—	5	—	5	—	6	—	6
	238	295	31	564	220	225	26	471
EBITDA(A)								
Wind power stations	187	225	—	412	165	145	—	310
Hydroelectric power stations	21	—	23	44	16	—	17	33
Thermal power stations	5	2	—	7	5	2	—	7
Solar power stations	—	4	—	4	—	5	—	5
Corporate and eliminations	(24)	(36)	(5)	(65)	(28)	(28)	(1)	(57)
	189	195	18	402	158	124	16	298
Additions to property, plant and equipment								
Wind power stations	22	89	—	111	8	228	—	236
Hydroelectric power stations	34	—	1	35	33	—	1	34
Thermal power stations	1	1	—	2	2	—	—	2
Solar power stations	—	—	4	4	—	1	—	1
Corporate	2	5	—	7	6	3	—	9
	59	95	5	159	49	232	1	282

(1) United Kingdom and Denmark.

As at December 31

2019

	Canada	France	United States	Other(1)	Total
Total assets					
Wind power stations	1,878	1,845	—	9	3,732
Hydroelectric power stations	437	—	168	—	605
Thermal power stations	18	15	—	—	33
Solar power stations	2	29	11	1	43
Corporate	54	53	37	—	144
	2,389	1,942	216	10	4,557
Non-current assets(2)					
Wind power stations	1,568	1,531	—	5	3,104
Hydroelectric power stations	379	—	163	—	542
Thermal power stations	10	10	—	—	20
Solar power stations	1	28	4	—	33
Corporate	67	177	15	—	259
	2,025	1,746	182	5	3,958
Total liabilities					
Wind power stations	1,424	1,399	—	2	2,825
Hydroelectric power stations	151	—	105	—	256
Thermal power stations	4	3	—	—	7
Solar power stations	—	4	—	—	4
Corporate	511	74	6	(1)	590
	2,090	1,480	111	1	3,682

(1) United Kingdom and Denmark.
(2) Excluding *Interests in the Joint Ventures and associates.*

As at December 31

2018	Canada	France	United States	Other[1]	Total
Total assets					
Wind power stations	1,922	2,053	—	12	3,987
Hydroelectric power stations	401	—	152	—	553
Thermal power stations	21	16	—	—	37
Solar power stations	2	36	—	—	38
Corporate	30	87	32	—	149
	2,376	2,192	184	12	4,764
Non-current assets[2]					
Wind power stations	1,625	1,669	—	7	3,301
Hydroelectric power stations	350	—	145	—	495
Thermal power stations	11	10	—	—	21
Solar power stations	1	31	—	—	32
Corporate	15	178	21	—	214
	2,002	1,888	166	7	4,063
Total liabilities					
Wind power stations	1,372	1,447	—	—	2,819
Hydroelectric power stations	145	—	92	—	237
Thermal power stations	4	5	—	—	9
Solar power stations	—	26	—	—	26
Corporate	690	77	(1)	—	766
	2,211	1,555	91	—	3,857

(1) United Kingdom and Denmark.
(2) Excluding *Interests in the Joint Ventures and associates.*

Reconciliation

	2019			2018		
	IFRS	Reconciliation[1]	Combined	IFRS	Reconciliation[1]	Combined
		Canada	Total		Canada	Total
Power production (GWh)[2]	4,371	1,173	5,544	3,568	737	4,305
Wind power stations[2]	3,434	1,173	4,607	2,734	737	3,471
Revenues from energy sales and feed-in premium	564	123	687	471	78	549
Wind power stations	471	123	594	385	78	463
EBITDA(A)	402	90	492	298	56	354
Wind power stations	412	87	499	310	53	363
Additions to property, plant and equipment	159	2	161	282	—	282
Wind power stations	111	2	113	236	—	236

(1) Including the respective contribution of Joint Ventures and associates as a percentage of Boralex's interest, less adjustments to reverse recognition of these interests under IFRS.
(2) Includes compensation of 175 GWh for the 2019 fiscal year in light of the power limitation imposed on the NRWF facility (153 GWh for 2018 fiscal year).

Note 30. Subsequent event

Revolving credit facility

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

2017-2019 Financial and Market Highlights

For the years ended December 31

	IFRS			Combined[1]		
(in millions of Canadian dollars unless otherwise stated)	**2019**	**2018**	**2017**	**2019**	**2018**	**2017**
OPERATING RESULTS						
Power production (GWh)	4,371	3,568	3,128	5,544	4,305	3,764
Revenues from energy sales and feed-in premium						
Wind power stations	471	385	315	594	463	374
Hydroelectric power stations	60	49	65	60	49	65
Thermal power stations	28	31	28	28	31	28
Solar power stations	5	6	6	5	6	6
Total	**564**	**471**	**414**	**687**	**549**	**473**
EBITDA(A)[1]						
Wind power stations	412	310	261	499	363	301
Hydroelectric power stations	44	33	49	44	33	49
Thermal power stations	7	7	8	7	7	8
Solar power stations	4	5	4	4	5	4
Corporate and eliminations	(65)	(57)	(46)	(62)	(54)	(43)
Total	**402**	**298**	**276**	**492**	**354**	**319**
Net earnings (loss)	(43)	(38)	10	(43)	(38)	10
Net earnings (loss) attributable to shareholders of Boralex	(39)	(30)	22	(39)	(30)	22
per share	($0.43)	($0.38)	$0.29	($0.43)	($0.38)	$0.29
Net cash flows related to operating activities	294	202	145	303	235	162
Cash flows from operations[1]	310	192	195	327	208	210
Discretionary cash flows[1]	120	59	71			
CASH FLOWS						
Business acquisitions, net of cash acquired	-	108	241			
Increase in the interests in Joint Ventures and associates	5	205	-			
Addition to property, plant and equipment	159	282	231	161	282	231
Proceeds from disposal of assets	13	55	2			
Acquisition of energy sales contracts	18	24	40			
FINANCIAL POSITION						
Total assets	4,557	4,764	3,926	5,246	5,422	4,288
Debt, including current portion of debt	3,067	3,271	2,642	3,660	3,855	2,954
CLASS A SHARES INFORMATION						
Stock price	$24.46	$16.84	$23.50	$24.46	$16.84	$23.50
Return	45%	(28%)	23%	45%	(28%)	23%
Market capitalization (in billions)	2,4	1,5	1,8	2,4	1,5	1,8
Shares outstanding (in thousands)	96,464	89,184	76,255	96,464	89,102	76,255
Average shares outstanding (in thousands)	90,605	80,102	75,436	90,605	80,102	75,436
Dividends	60	50	46	60	50	46
per share	$0,66	$0,63	$0,60	$0,66	$0,63	$0,60
Dividend yield	3.9%	2.7%	3.1%	3.9%	2.7%	3.1%
Payout ratio[1]	50%	85%	64%			
Total return	49%	(26%)	26%	49%	(26%)	26%
CONVERTIBLE DEBENTURES INFORMATION[2]						
Market price	-	$102.00	$124.00	-	$102.00	$124.00
Return	-	(18%)	8%	-	(18%)	8%
Shares outstanding (in thousands)	-	1,437	1,437	-	1,437	1,437
KEY RATIOS						
Net debt to market capitalization ratio[1]	56%	65%	56%	60%	68%	59%

[1] See the *Non-IFRS measure* section in Management's Discussion and Analysis.

[2] Boralex redeemed all convertible debentures outstanding on October 24, 2019.

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Additional copies of the following documents and other information can also be obtained at the above address or on Boralex's and SEDAR's websites:

» Annual Report
» Interim Reports
» Annual Information Form
» Management Proxy Circular

Pour obtenir une version française du rapport annuel, veuillez communiquer avec les Affaires publiques et corporatives de Boralex.

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www.centredesinvestisseurs.com/service

SHAREHOLDER INFORMATION

The **Annual Meeting of Shareholders** will be held on Wednesday, May 6, 2020, at 11 a.m., at the following address:

Maison Manuvie
900 de Maisonneuve Boulevard West, 8th floor
Montréal, Québec
Canada H3A 0A8

Téléphone : 514-875-3040

The Annual Meeting of Shareholders will also be **webcast**.
For more information, please visit www.boralex.com, under the Investors tab.

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Stéphane Milot
Director, Investors Relations

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